

The complaint

Mr H is unhappy that PayPal UK Ltd trading as PayPal ("PayPal") hasn't refunded him money he lost to what he believes was a scam.

What happened

The background to this complaint is well known to all parties, so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

In or around June 2024, Mr H said he met somebody, who I'll refer to as 'S', through a mutual friend. Mr H and S became friends and spent a number of months travelling and sharing accommodation.

During this time S asked Mr H if he would be able to accept some money into his PayPal account, in relation to some sporting equipment that S was selling. Mr H agreed and, on 8 September 2024, he received two payments into his PayPal account, for £717 and £1,000 from the person who was buying the items. Mr H subsequently moved these funds on to an account he held with another banking provider, from where he sent them on to S.

However, the buyer didn't receive the items he'd paid for and so filed an 'items not received' dispute with PayPal. As Mr H was unable to provide proof of the items being supplied, the dispute was resolved in the buyer's favour, leading to the funds being returned to the buyer and Mr H with a negative balance on his PayPal account.

Mr H raised the matter with PayPal, as he said he was not acting as a seller, and was unknowingly used as a middleman. PayPal looked into Mr H's complaint but didn't uphold it.

Unhappy with PayPal's response, Mr H brought his complaint to this service. One of our Investigator's looked into things but didn't think the complaint should be upheld. In summary, they didn't think PayPal were responsible for refunding Mr H the money he lost.

Mr H didn't agree with our Investigator's view, as agreement couldn't be reached the complaint has been passed to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I'm mindful that, in his submissions to this service, Mr H has mentioned actions that other banking providers have taken in respect of reimbursing him for payments he sent through PayPal. It is worth noting that the specific circumstances of payments can be different for each payment even if, on the face of it, they appear to be very similar – and just because another banking provider has given Mr H a refund, it doesn't automatically follow that PayPal would be liable to do the same. Here, as I'm required to do, my role is to consider the individual circumstances of the transactions in this dispute - so I won't comment in this decision on what PayPal has done in respect of other transactions or disputes.

I'm sorry to hear of what's happened to Mr H, and I can understand entirely why he feels so strongly that this money should be returned to him. But having thought very carefully about PayPal's actions, I don't think it is responsible for refunding him the money he lost.

My decision here focuses on the actions PayPal has taken to ensure it acted fairly to Mr H during the dispute process. In the circumstances of this case Mr H has accepted payments into his PayPal account, which have been made by the buyer through the 'goods and services' function, which gives additional protection to the buyer. As such, Mr H would have been responsible for supplying the goods and where he hasn't been able to evidence proof that the goods have been supplied, albeit I recognise understandably given he was never in possession of them, the buyer is protected under the user agreement and therefore is entitled to a refund from Mr H's account. It follows that I don't think PayPal has acted unreasonably in providing a refund to the buyer from Mr H's account.

I've thought about whether Mr H would have any recourse through PayPal's seller protection, but I'm not persuaded he does. I say that because 'collecting payments on behalf of merchants', which in effect is what has happened here, is a prohibited activity and therefore the seller protection wouldn't apply in the circumstances of this case.

In summary, although I'm sorry to hear Mr H has lost out, I haven't found PayPal has acted against its User Agreement or unfairly in the circumstances of this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 November 2025.

Stephen Wise
Ombudsman