

The complaint

D says PayPal UK Ltd ("PayPal") refuses to refund it for unauthorised transactions on its account.

What happened

The facts of this complaint are well-known to both parties, so I won't repeat them in detail here.

In short, D says in August 2024 it noticed over £40,000 in unauthorised transactions from 16 July 2023 onwards, all to the same merchant. It says it didn't make these transactions, and it didn't set up the initial payment authority for this merchant. So, if these are unauthorised, and PayPal should refund all the payments in dispute.

PayPal says it hasn't found any evidence that D's account was compromised. It says the payment authority was set up on a device D had used for undisputed transactions in the past, at the same IP address as undisputed transactions. So, there is no reason to think anyone else could've set up this payment authorisation other than D.

Our investigator considered this complaint and decided to uphold it. While PayPal had provided comments on the device usage and IP address, the investigator asked repeatedly for evidence to support PayPal's testimony, but nothing was provided. So overall, she wasn't persuaded the transactions were authorised. PayPal weren't happy with this outcome, so the complaint was 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.

Generally speaking, PayPal is required to refund any unauthorised payments made from D's account. Those rules are set out in the Payment Service Regulations 2017. D has said it didn't carry out the transactions in dispute. But PayPal thinks it did. So, I have to give my view on whether I think D did authorise the transactions or not.

When considering whether a payment is authorised or not, I must look at the evidence and make a decision on what I think is more likely to have happened. But the onus is on PayPal to provide evidence to persuade me the transactions were authorised by D. Without this evidence I can't say that D authorised the payments in dispute.

The disputed payments were made via a pre-approved payment authority set up on the account which allowed future payments to be taken by this merchant for each transaction without any additional payment authorisation steps. This pre-authorisation was set up on 16 July 2023. D says it didn't set this up and didn't give anyone else its account details to do so. PayPal says this was done using the device linked to the account, which has been used for non-disputed activity. But it hasn't provided the evidence to show this – like its system screen shots of the devices linked to the account. We asked for this evidence, but PayPal

said the device ID was not captured, or not available. So, I haven't seen the evidence PayPal has relied upon to make this claim, and without any supporting evidence I am not persuaded this payment authority was set up using D's established device.

D's account would've been logged into to set up this payment authority and PayPal says there is no evidence this has been hacked. But again, it has not supplied any evidence to support this – like evidence that the account password hasn't been changed or evidence that it was logged in from a known device and IP address when the payment authority was set up. I appreciate that a password or passcode would've been needed to login to D's PayPal account, but this could've been hacked via its email address or through other means. There is no evidence that D set up this payment authority itself, so I can't say that it agreed for all the payments to be debited.

PayPal has said that D should've been aware of the large volume of transactions leaving its account, and if these had been unauthorised it would've identified them and complained sooner than it did. But even though there are hundreds of transactions in dispute here, D is a company trading daily with a high volume of account activity. So, it is plausible that it didn't realise the transactions in dispute until a closer look was taken into the account activity. And this alone isn't enough to persuade me that D authorised the transactions in dispute.

PayPal also says it sent an email to the registered email address for every transaction – so there is no way D wouldn't have seen these payments pass through its account. However, I've seen that the email address linked to the PayPal account is a "no-reply" email address, which suggests this isn't monitored for incoming emails. As PayPal has only provided very limited information, without supporting evidence – I don't know how and when this account was set up. But it does seem unlikely the emails PayPal sent to a "no-reply" email address were picked up. So, I am still not persuaded the payments in dispute were unauthorised and so, I think PayPal should refund these.

Putting things right

PayPal UK Ltd should put things right by refunding all the disputed transactions from 16 July 2023 until 24 August 2024. It should also add 8% simple interest from the date the payments were made till the date they are refunded.

My final decision

I am upholding this complaint. PayPal UK Ltd should put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 26 December 2025.

Sienna Mahboobani
Ombudsman