

## **The complaint**

Miss M complains PayPal UK Ltd ("PayPal") have refused to provide refunds for goods she never received from a merchant after paying for them. Miss M adds that this is in contravention of PayPal's buyer protection policy.

To put things right, Miss M wants the funds PayPal is holding refunded, compensation for the substantive distress and inconvenience caused to her, and an explanation why her claims weren't refunded.

## **What happened**

The details of this complaint are well known by both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

In April 2024, Miss M made three separate purchases for three mobile phones from the same merchant through PayPal. Miss M says that despite assurances from the merchant, the phones were not delivered. And without explanation, the merchant cancelled all three orders and refused to pay refunds.

Miss M says she then raised payment disputes with PayPal as she was still eligible for its buyer protection and sent supporting evidence for her claims. But PayPal permanently limited her account, closed her claims, and said she was no longer eligible for its buyer protection.

Unhappy with PayPal's actions, Miss M complained. PayPal didn't uphold Miss M's complaint. In summary, the key points PayPal made were:

- Whilst Miss M's disputes were in process, PayPal conducted an internal review and concluded that her account was involved in high-risk activities, which were in violation of PayPal's User agreement and Acceptable Use Policy
- PayPal regularly reviews accounts to identify types of activities. And in accordance with its User Agreement, PayPal may close, suspend, or limit customer access to accounts and its services for up to 180 days if it believes a significant credit or fraud risk is posed
- PayPal's decision to end its business relationship with Miss M applies to all her PayPal accounts and further ones she may try to open.
- When making the decision to limit a PayPal account due to violations of its terms of use, PayPal is within its rights to remove Miss M from eligibility to dispute a purchase through its Buyer Protection Policy. As a result, PayPal has declined all three of Miss M's 'items not received' claims.

Miss M referred her complaint to this service. Miss M added that it was concerning that PayPal restricted her account merely as she was a 'new buyer', and she had legitimately raised her claims. One of our Investigator's looked into Miss M's complaint, and they recommended it wasn't upheld. In summary, they said PayPal had carried out its review, and the disputes were declined in line with its obligations, and terms of account.

Miss M disagreed with what our Investigator said. In summary, and across several submissions, the key points she made were:

- Miss M paid for the items, but the merchant cancelled the transactions and refused to give a refund. Since the seller didn't fulfil the orders, Miss M is entitled to a refund as per her consumer rights. This isn't about the Buyer Protection but Miss M's right to a refund.
- PayPal limited and closed Miss M's account as soon as she raised her disputes. This raises serious concerns about fairness.
- PayPal has breached the contract in line with the Consumer Rights Act 2015; is employing unfair commercial practices; is unjustly enriching itself; and is acting with negligence.
- Miss M placed two more orders for mobile phones as she was offered a £100 retailer gift card following the first purchase within 5-7 working days of the merchants stated delivery window as she trusted the business to be genuine. There was clear and ongoing communication which gave Miss M reason to believe the merchant was genuine.
- None of the phones were delivered, and Miss M later discovered the merchant had attempted to issue the refunds, but this was blocked by PayPal. The merchant disappeared after this, and PayPal subsequently refused to refund the funds to Miss M.
- Miss M has acted in good faith and PayPal is holding money that legitimately belongs to her.

As there was no agreement, this complaint has been passed to me to decide.

### **What I've decided – and why**

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Miss M and PayPal have said before reaching my decision.

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

Having done so, I have decided not to uphold this complaint. I'll explain why.

PayPal determined that Miss M was involved in high-risk activities, which were in violation of its User agreement and Acceptable Use Policy. PayPal says it limited and closed her account. And because of this, PayPal say it was within its rights to remove Miss M from any eligibility to dispute a purchase through its Buyer Protection Policy. As a result, PayPal has declined all three of Miss M's 'items not received' claims.

PayPal has provided me with a detailed explanation and supporting evidence as to why it acted in this way. Having carefully considered this information, I'm satisfied PayPal acted in line with its terms and conditions, its wider obligations, and did so fairly. It should be noted that PayPal's user agreement says it can "*Suspend your eligibility for PayPal's Buyer*

*Protection program and/or PayPal's Seller Protection program (including in retrospect)". This is what PayPal did, and as I've said, I'm satisfied it did so fairly.*

Miss M argues that PayPal's Buyer Protection isn't what is important here as it's clear the goods were not sent to her, and it is PayPal who are holding the funds. However, even if that were the case, I'm persuaded based on the evidence that I've seen that PayPal is acting in line with its obligations by holding the funds and it would be inappropriate for it to refund Miss M.

I know Miss M would like a detailed explanation and would want to know what information I have weighed to reach my findings here. But I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

DISP 3.5.9R states:

*"The ombudsman may:*

*(1) exclude evidence that would otherwise be admissible in a court or include evidence that would not be admissible in a court;*

*(2) accept information in confidence (so that only an edited version, summary or description is disclosed to the other party) where he considers it appropriate;"*

As a UK regulated firm, PayPal must take certain actions in order to meet its legal and regulatory obligations. PayPal is also required to carry out ongoing monitoring of an existing business relationship. That sometimes means PayPal needs to restrict, or in some cases go as far as closing, customers' accounts.

PayPal is entitled to close an account just as a customer may close an account with it. But before PayPal closes an account, it must do so in a way, which complies with the terms and conditions of the account. Having carefully considered the provisions of closure in PayPal's terms and conditions, I'm satisfied it acted fairly and in line with those terms when terminating its customer relationship with Miss M.

As I don't think PayPal has done anything wrong in not refunding Miss M, and in closing her account, I see no basis in which to award any compensation for the distress and inconvenience she may have suffered.

### **My final decision**

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 10 July 2025.

Ketan Nagla  
**Ombudsman**