

Complaint

Mrs C complained that PayPal didn't reimburse her after she reported falling victim to a scam.

Background

Mrs C fell victim to several scams over a period of months in 2024. One of these involved a payment of £350 from her PayPal account. She was contacted on social media by someone she believed to be a friend. It later transpired that the friend's account had been compromised by a fraudster. Mrs C understood that making a small payment would entitle her to receive a government grant of a significant sum.

When she was asked to make further payments, she realised the offer wasn't genuine. She then reported the matter to PayPal. PayPal declined to reimburse her, explaining that the payment had been sent as a "personal payment." Under its user agreement, personal payments aren't covered by its Buyer Protection Policy.

Unhappy with this response, Mrs C referred her complaint to this service. The case was looked at by an Investigator who didn't uphold it. Mrs C disagreed, so the case has been passed to me for a final decision.

Findings

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

The starting point under the Payment Services Regulations 2017 is that a firm should generally process payments authorised by its customer. When Mrs C first reported the payment, she said it hadn't been authorised. However, based on the evidence of her interactions with the fraudster, I think it's more likely than not that Mrs C consented to the payment, even if she doesn't recall the precise details now. Since the payment was authorised, PayPal was required to process it. The starting position is that Mrs C is liable for the payment.

There is some level of consumer protection under PayPal's Buyer Protection Policy. However, when making a payment through PayPal, customers must specify whether the transaction is for goods and services or a personal payment. In this case, Mrs C selected "personal payment," and the terms and conditions are clear that such payments are not covered by the policy. For that reason, I think it's reasonable that PayPal declined to issue a refund on this basis.

That said, firms should take reasonable steps to detect and prevent fraud where possible. This includes monitoring for unusual or high-risk transactions. If a payment appears suspicious, I might expect the firm to warn the customer or make contact before processing it. In this case, the payment was £350. While we now know it was linked to a scam, I don't think it would have appeared unusual or high-risk to PayPal at the time and so I can't reasonably say it should have intervened.

I don't say any of this to downplay the fact that Mrs C was the victim of a cruel and cynical scam. I have a great deal of sympathy for her and the position she's found herself in. I'm also mindful of the fact that, if PayPal had queried the payment, she might have avoided the loss. However, I don't think it would be reasonable to expect it to have intervened in connection with a payment of this size.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 18 November 2025.

James Kimmitt
Ombudsman