

## The complaint

Mr K complains that PayPal UK Ltd (“PayPal”) allowed a third party to recoup funds that he previously received from them.

## What happened

The detailed background to this complaint is well known to the parties, so I won’t repeat them again here. Instead, I’ll provide an overview and focus on giving my reasons for my decision.

Mr K was the recipient of funds that a third party sent him via PayPal. The third party later raised a chargeback through their card issuer, claiming that the goods and services paid for were never received.

Mr K told PayPal that the money was sent to him as a gift, and no goods or services were provided in exchange. He provided screenshot of messages exchanged with the third party in support of this. The chargeback was successful, and the money Mr K had received was reversed. Since he’d already withdrawn the funds to his bank account, this reversal led to his PayPal account in a negative balance.

Mr K complained to PayPal, and it said the chargeback was found in the third party’s favour. Unhappy with this outcome, Mr K referred the matter to our service. One of our Investigator’s looked into things and concluded that PayPal hadn’t acted unfairly in how it responded to the chargeback claim. They also noted that PayPal’s Seller Protection program didn’t apply to the transactions.

Mr K disagreed and asked for his complaint to be reviewed by an Ombudsman. He said he’d been defrauded by the third party.

## 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’d like to start by thanking Mr K for being so open with us about how this incident continues to affect his mental health. While I acknowledge that this is a difficult situation, I can only uphold a complaint against PayPal if I think it’s acted unfairly.

It’s important to mention that the chargeback scheme is run by the card scheme operator (such as Visa or MasterCard) in accordance with the scheme rules. And the decision on whether a chargeback claim is successful ultimately rests with the card scheme operator. My role when deciding this case against PayPal is to consider its actions when it received the chargeback claim.

On receiving the chargeback claim, I can see that PayPal contacted Mr K and asked him for his comments along with supporting evidence. PayPal included Mr K’s comments, as well as the screenshots provided, in its response to the chargeback. Based on the information I’ve

seen, I'm satisfied that PayPal defended the chargeback claim and forwarded Mr K's submission in its response. Despite this, the chargeback was found in the third party's favour by the card scheme operator. As this decision was out of PayPal's hands, there isn't anything more it could have done – it did what it was required to do.

Since Mr K lost the chargeback, in line with the User Agreement, PayPal took the money back from his account along with a dispute fee. As there were insufficient funds in the account at the time of the reversal, this put the account into a negative balance.

PayPal offers Seller Protection in certain circumstances, to try and stop sellers being left with no money and no goods. But this isn't designed to cover every eventuality and doesn't include payments sent through PayPal's friend and family functionality. In Mr K's case, PayPal has supplied evidence that shows the payments were accepted in this way rather than goods and services.

I recognise that Mr K feels very strongly about the actions of the third party and believes that he's been scammed. But it's important I mention that I'm only considering a complaint about the acts and omissions of PayPal in how it dealt with the chargeback claim. I'm unable to consider the actions of the third party.

In summary, I haven't found that PayPal can be fairly held liable for the chargeback being upheld in the third party's favour. Nor has it has acted against its User Agreement in reversing the funds in the circumstances of what happened here.

### **My final decision**

For the reasons given, 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 K to accept or reject my decision before 2 February 2026.

Gagandeep Singh  
**Ombudsman**