DRN-5768768

The complaint

Mr S complains PayPal UK Ltd charged him for a payment he received for postage.

What happened

Mr S sold something on an online marketplace and asked the buyer to send a further £2 for some additional postage. It seems Mr S couldn't receive this via the online marketplace, so asked the buyer to send it to his PayPal account.

The sender sent the £2 and Mr S received £1.64, PayPal had taken 36p in charges. Mr S complained to PayPal and it seems PayPal kept saying the charge was because Mr S received a payment for goods and services.

Mr S explained this was for postage, not goods and services, but PayPal wouldn't refund the charge. PayPal responded to Mr S' complaint saying it accepted the complaint, but Mr S had been given the correct information.

Unhappy with this response, and saying PayPal had upheld his complaint, Mr S brought his complaint to this service. An investigator looked into things but didn't think Mr S' complaint should be upheld.

The investigator said they couldn't see where PayPal had said it upheld Mr S' complaint. And the investigator thought PayPal hadn't made a mistake, the sender had sent the payment as a goods and services payment, and PayPal applied a charge.

Since the charge was in line with PayPal's terms, the investigator didn't think it had done anything wrong.

Mr S disagreed and said PayPal saying the complaint was accepted was it admitting the complaint was upheld. Mr S said he was under the impression postage wasn't subject to fees, and he wasn't allowed to overcharge on postage.

Mr S asked for an ombudsman to decide things.

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 don't think PayPal upheld Mr S' complaint.

I think when PayPal said it was accepting Mr S' complaint it means the complaint is a complaint about a regulated activity, one where PayPal has to send a final response.

And I don't think PayPal did anything wrong in repeating the payment was for goods and services, I think it was. The sender of the £2 selected this option when they sent the payment to Mr S.

There are two options when sending money to PayPal, one is friends and family, and free of charges, the other is goods and services and comes with a charge.

The sender doesn’t know Mr S personally, and was buying something from him, so it’s not unreasonable they selected goods and services. And this isn’t anything Mr S or PayPal can control, the sender selects the reason for payment.

Once the goods and services payment was picked, PayPal applied its charges in line with its user agreement, 2.9% and a fixed fee of 30p. I realise this charge is proportionately high compared to the £2 sent, but I think PayPal clearly lays out its charges for payments.

Mr S says the payment was marked as postage, but I don’t think this is relevant. PayPal applied the charge because of the type of payment the sender selected, not because of any reference added to the payment.

Mr S says he was under the impression postage fees were free of charges. I think Mr S is referencing the online marketplace’s terms, not PayPal’s. I can’t apply another business’ terms to the payment Mr S received.

Mr S says PayPal frustrated his complaint, but I can’t see it did. It seems Mr S had an online chat with PayPal on 15 May where it logged a complaint and Mr S received a response around four weeks later.

Although I realise Mr S wasn’t happy with the outcome of his complaint, I don’t think this means PayPal handled the complaint badly.

I think PayPal applied the correct charges to the payment when Mr S received it, so I don’t think it’s made a mistake here. And since I don’t think PayPal made a mistake, I can’t ask it to refund Mr S or pay any compensation.

My final decision

My final decision is I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 3 October 2025.

Chris Russ
Ombudsman