

The complaint

Mrs R complains PayPal UK Ltd (“PayPal”) hasn’t refunded funds she lost as the result of a scam.

What happened

Both parties are familiar with the circumstances of the complaint, so I’ll only summarise the key details here.

Mrs R had been communicating with someone she believed was her niece’s boyfriend, but we now know they were a scammer. Mrs R said he told her his account had been frozen and asked her to pay for the shipment of some documents on his behalf. Mrs R agreed and made a payment of £3,000 via PayPal. She later realised she had been scammed so, she contacted PayPal.

PayPal looked into the matter and didn’t refund her money. It said she had made the payment through its friends and family function and there was no protection to recover her funds.

Unhappy with PayPal’s response, Mrs R raised the matter with the Financial Ombudsman Service. One of our Investigators looked into the complaint and didn’t uphold it. They didn’t think the payment ought to have caused PayPal to be concerned that Mrs R was falling victim to a scam.

As an agreement could not be reached, the complaint has been 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.

I’m sorry that Mrs R has been the victim of a scam. I realise she’s lost a meaningful sum of money and I don’t underestimate the impact this has had on her. And, I’d like to reassure her that I’ve read and considered everything she’s said in support of her complaint. But I’ll focus my comments on what I think is relevant. If I don’t mention any specific point, it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it to reach what I think is a fair and reasonable outcome. I know this will come as a disappointment to Mrs R but having done so, I won’t be upholding her complaint for broadly the same reasons as our Investigator. I’ll explain why.

In broad terms, the starting position at law is that banks and other payment service providers are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer’s account.

Mrs R authorised the payment in question here – so even though she was tricked into doing so and didn't intend for her money to end up in the hands of a scammer, she is presumed liable in the first instance.

But as a matter of good industry practice, PayPal should also have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: as while PayPal should be alert to fraud and scams to act in its customers' best interests, it can't reasonably be involved in every transaction.

I've thought about whether PayPal acted fairly and reasonably in its dealings with Mrs R when she made the payment, or whether it should have done more than it did. In doing so I've considered what PayPal knew about the payment at the time it received Mrs R's payment instruction and what action, if any, PayPal took prior to processing the payments.

I don't think the value of the payment or who it was being made to ought to have caused PayPal to be concerned that Mrs R was potentially falling victim to a scam or at a heightened risk of financial harm from fraud.

I've thought about whether there's anything else PayPal could have done to help Mrs R — including if it took the steps it should have once it was aware that the payments were the result of fraud.

After the card payment was made, the only potential avenue for recovery of the payment would have been through the chargeback scheme. The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. PayPal is bound by the card scheme provider's chargeback rules. Whilst there is no 'right' to a chargeback, I consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply. Unfortunately, the chargeback rules don't cover scams.

As the payment was made using the friends and family function, it doesn't have any additional protection through the separate buyer protection scheme PayPal offers.

I'd also like to highlight to Mrs R that the Payment Systems Regulator's (PSR) APP scam reimbursement rules aren't relevant here as they don't cover card payments.

I'm sorry to disappoint Mrs R further, but I've thought carefully about everything that has happened, and with all the circumstances of this complaint in mind I don't think PayPal needs to refund Mrs R's money or pay any compensation. I realise this means Mrs R is out of pocket and I'm really sorry she's lost this money. However, for the reasons I've explained, I don't think I can reasonably uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against PayPal UK Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 26 February 2026.

Charlotte Mulvihill
Ombudsman

