

## Complaint

Mr M is unhappy that PayPal UK Ltd didn't reimburse him after he reported falling victim to a scam.

## Background

The background to this case is well known to the parties and was set out in considerable detail in the Investigator's view, so I don't intend to set it out in the same detail here.

In 2023, Mr M fell victim to what's known as a romance scam. His relationship with his wife had ended and he eventually started communicating with people on dating websites. He exchanged messages with a woman I'll refer to as Ms J. An apparent relationship developed between the two. Unfortunately, although Mr M didn't realise it at the time, he wasn't communicating with a genuine person, but a fraudster.

After a short while, Ms J began to ask him for financial support for a range of different reasons. These were initially quite low-level requests, but they eventually escalated into him needing to make payments after it was claimed she'd been arrested and accused of attempting to smuggle diamonds of an extraordinary value out of the United States. This, he was told, meant he needed to make payments to cover the cost of her bail and, later, taxes and export fees connected to the sale of the diamonds.

He made payments from several accounts in his name, one of which was his PayPal account.

1	6 September 2023	£202.99
2	30 September 2023	£102.99
3	20 October 2023	\$2,208.23
4	21 October 2023	\$603.47
5	11 November 2023	\$2,271.50
6	4 December 2023	\$4,003.62
7	5 December 2023	\$1,423.62
8	15 December 2023	\$6,003.62
9	28 December 2023	\$20,003.64
10	30 April 2024	\$4,003.58

Once he realised he'd fallen victim to a scam, he notified PayPal. It didn't agree to refund his losses. It said:

*"Regrettably, as the payments were sent as a personal payment, we are not able to dispute it under our Buyer Protection."*

*"Under our User Agreement we clearly state that personal payments are intended for the exchanging of money between friends or family members, they are not for goods or services and do not carry any processing fee. It is for this reason that they are not covered under our Buyer Protection Policy."*

Mr M wasn't happy with that response and so he referred his complaint to this service. It was looked at by an Investigator who upheld it in part. PayPal didn't agree with the Investigator's opinion and so the complaint has been passed to me to consider and come to 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.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account. PayPal has pointed out that Mr M sent funds as "personal" payments. As a result, they are treated differently under the terms of his contract with PayPal. However, good industry practice still required that PayPal be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to make enquiries with the customer to satisfy itself that they weren't at risk of financial harm due to fraud.

The Investigator thought PayPal should've been concerned at the point it was asked to make payment 9 in the table above, and I'd agree with that conclusion. It was significantly higher than the typical payments he'd made from his account in the past and, furthermore, PayPal was aware that Mr M was more vulnerable to falling victim to scams than the typical customer. It shouldn't, in my view, have processed that payment without first contacting him to establish that he wasn't at risk of financial harm due to fraud.

I'm not persuaded that it would've reasonably had cause to intervene prior to that point. It must strike a balance between identifying potentially fraudulent transactions and processing legitimate ones and it wouldn't have had any reasonable basis at those earlier points to think he might be at risk of falling victim to a scam.

Mr M has explained to our Investigator that he believes all his payments should be refunded because he feels PayPal acted unreasonably by not resolving the complaint in line with the Investigator's view. I can understand why he feels this way, particularly given the time-sensitive nature of his need for a refund. However, my role is not to penalise the firm, and it is entitled to challenge the Investigator's opinion. My responsibility is to make an impartial decision on whether the firm met its obligations when processing the payments he requested.

I know Mr M spoke to an employee of PayPal at the time of that payment, but there was no attempt to establish whether he was at risk of fraud. He'd called to check whether there was a limit of how large a payment he could make. The call handler did ask him what the payment was for, and he said it was a tax that had to be paid in connection with goods before they left the country they were in. This explanation wasn't explored further.

I think this suggests that, if he'd been asked some questions about the circumstances surrounding the payment, it's more likely than not that he'd have answered them openly and honestly. The circumstances of his case were such that an employee of the firm ought to have been able to establish that Mr M was being targeted by a scammer.

I've also considered whether it would be fair and reasonable for Mr M to bear partial responsibility for his own losses here. In doing so, I've taken into account what the law says about contributory negligence, while keeping in mind that I must decide this case based on what I consider fair and reasonable in all the circumstances.

Having done so, I think there were several factors that ought to have put him on notice that these requests might not be legitimate ones. He should've been sceptical that someone he'd only recently started communicating with was happy to share such a large amount of money with him. Furthermore, many of the reasons he was given for needing to make payments weren't plausible. In my view, I think he should've proceeded with greater caution than he showed here. In those circumstances, I'm satisfied that it's fair and reasonable for a deduction to be made to take account of his contribution.

In respect of payment 10, Mr M funded his PayPal account with a payment from an account he holds with another bank. He has a separate complaint about that bank in which it has been found that it should've done more to protect him too. The Investigator recommended that liability for that payment therefore be split three ways, with Mr M being refunded 1/3 of the money he lost. In all the circumstances, I think that's a reasonable way of resolving matters.

### **Final decision**

For the reasons I've explained above, I uphold this complaint in part. If Mr M accepts my final decision, PayPal UK Ltd needs to refund him half of payment 9, a third of payment 10 and any fees associated with either payment. It should add 8% simple interest per annum to each item calculated to run from the date the funds left Mr M's account until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 December 2025.

James Kimmitt  
**Ombudsman**