

The complaint

H complains that PayPal UK Ltd won't refund the cost of an item which wasn't successfully delivered to them.

What happened

On 24 January 2025, H ordered an item from a third party retailer and paid £1410 for the item through PayPal. But H says it never received the item, it raised the issue with the retailer but were unable to resolve it. On 10 February H raised an "item not received" claim with PayPal because the retailer had failed to deliver the item.

PayPal did not uphold H's claim as it said it had received the shipment tracking information from the retailer, confirming that the item had been delivered on 25 January 2025.

H says subsequently the retailer attempted to deliver the item, but H refused to accept it as it had raised an item not delivered claim with PayPal and H also said it no longer needed the item because of the delay in shipment and false information provided to them about when the delivery was planned. This meant H's customer had decided to go elsewhere so the item was no longer needed. H says they are now left without the item and the money paid for the item.

H brought its complaint to our service. Our investigator upheld the complaint and said PayPal should refund H the cost of the purchase. He said that the retailer should have delivered the item but when H raised the claim no item had been delivered.

He also felt it was reasonable of H to reject the delivery of the item later as H no longer needed it. And so it wasn't fair to say that the retailer had adhered to their agreement. He said PayPal's buyer protection policy would protect customers when a courier doesn't deliver. So he thought it would be fair for the policy to apply when the parcel hadn't been delivered and any subsequent attempt to deliver was only made after H had raised the "item not delivered" claim.

Before the complaint was escalated to me, our investigator sent PayPal proof that H provided showing the item had not been delivered in line with the proof provided by the retailer to PayPal. So our investigator concluded that he didn't think it would be fair to say the item was delivered or arrived.

PayPal asked for an Ombudsman to review the complaint as it said it had acted in accordance with their User Agreement. PayPal say it has reached its decision based on the information provided by the retailer. PayPal also said that its agreement did not provide protections for delivery times, therefore it remained satisfied that it had acted within the User Agreement and its policies and it wanted an Ombudsman to review the complaint.

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've considered whether PayPal acted in line with their User Agreement during the dispute and claims process. And I'm satisfied they did act in line with it when they initially declined the claim. I say this as PayPal received information from the retailer which stated the parcel was "delivered". The retailer had met the criteria of PayPal's definition of "proof of delivery".

So I'm satisfied that PayPal were entitled at the time, under the User Agreement of the account, to decline the claim made by H. But, I do need to think about what's fair and reasonable in all the circumstances of a complaint. In doing so, there will be times that a strict application of any terms and conditions, will result in an unfair outcome for a customer in the individual circumstances of a dispute.

In my view that's what's happened here. I say this as it was evidenced by H, that it's more likely than not the courier had not delivered the item on 25 January 2025. This is because H has provided us communication with the retailer in which the retailer was still attempting to deliver the item after 25 January 2025. I don't think the retailer would have done this if the item had already been delivered.

PayPal have said its buyer protection programme is not there to cover delivery times. But the retailer's website confirms that shipment will be processed within two to three days and so it was not unreasonable of H to expect delivery of the item shortly thereafter. So I think H sensibly expected the delivery to have taken place by the time it raised the "item not delivered" claim. H provided evidence to show they chased the retailer for the delivery on multiple occasions, but the retailer was unable to confirm the delivery. So accordingly I'm satisfied the proof of delivery provided to PayPal was incorrect. And I've been provided no evidence other than the incorrect proof to show the item was delivered.

I'm persuaded that this information should have given PayPal no choice but to uphold H's claim as they should have considered the evidence from both parties. It seems both parties accept that the parcel was not delivered on 25 January 2025, because if it was, why would the retailer attempt to deliver it again during the calls with H, accordingly I can't see how PayPal could not have upheld their claim once it had this information.

So when our investigator showed this evidence to PayPal, I think it would've been fair for PayPal to think about what was proportionate here, realised that H did not receive the item from the retailer and to have refunded the purchase cost. That's not to say that PayPal should always do this for every customer where PayPal had initially followed their User Agreement. It's just that I think this would be fair given the circumstances here.

So, in summary initially, I'm satisfied PayPal acted as I would expect them to regarding its "item not delivered" part of their User Agreement. But while they were entitled to strictly enforce the terms and conditions of the account, in this particular instance, this led to an unfair outcome based on H's individual circumstances, as H has provided further evidence to show that it's likely the item was not delivered on 25 January 2025.

So I'm persuaded that what would be fair here, taking into account the individual circumstances of this complaint, would be to refund H the purchase cost of the item. I say this because I've not seen any persuasive information that shows the item was delivered to H, following the incorrect proof of delivery initially provided to PayPal.

My final decision

For the reasons mentioned above, I uphold this complaint and PayPal UK Ltd should pay H £1410.

PayPal UK Ltd should also pay 8% simple interest* on the £1410 from 8 March 2025 (the date it rejected H's claim) to the date it makes the payment to H.

*If PayPal considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from that simple interest, it should tell H how much tax it's taken off. It should also give H a tax deduction certificate if it asks for one. H may be able to reclaim the tax from HMRC.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 24 December 2025.

Jag Dhuphar
Ombudsman