

The complaint

Mr M complains that PayPal UK Ltd ('PayPal') won't refund the money he lost to an investment scam.

He's represented by a firm of solicitors. For simplicity, I'll refer to Mr M throughout this decision.

What happened

The background is known to both parties, so I won't repeat all the details.

In summary, Mr M says that, in May 2024, he received a message from an individual ('K'). K presented as a business owner from abroad, involved in the fashion industry, looking to expand his business. Mr M was led to believe that K was seeking friendship to help him navigate the UK market. A short time after, Mr M was also put into contact with another individual ('S') claiming to be K's girlfriend. He later discovered he'd connected with scammers.

A relationship started to develop and Mr M was soon persuaded to 'invest' in cryptocurrency. As part of the process, the scammers provided a link for him to set up an account with a 'fake' crypto-trading platform ('B'), which seems to have been a clone of a legitimate crypto-exchange. He says that things appeared to be going well at first, with his money doubling after a few trades. However, when he later tried to withdraw his funds and 'profits', he was repeatedly pressured into paying more for that to happen.

In October 2024, he realised he'd been scammed. By that time, he'd already made a series of payments, between June and July 2024, through his PayPal account, to his own account with a genuine crypto-platform. In total, about £7,000 was sent from PayPal for the purchase of the cryptocurrency that was intended for 'investment' but then lost as part of the scam.

A complaint was made to PayPal in December 2024 and later referred to our Service. Our Investigators considered it and didn't uphold it. In brief, they didn't think PayPal was at fault for not intervening on Mr M's payments. They also thought, given the way interventions by Mr M's other banking providers played out, that it was unlikely PayPal could have prevented the scam even if it had stepped in to find out more about what Mr M was doing.

As the matter couldn't be resolved informally, it's been passed to me to decide.

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.

Authorisation

In line with the Payment Services Regulations 2017, a firm is expected to process authorised payment instructions without undue delay. It's not in dispute Mr M authorised the payments in question, so the starting position is that he's liable for them in the first instance. That is

generally the case, even if he made the payments as a result of a scam.

Prevention

There are some situations where I consider that PayPal, taking into account relevant rules, codes and best practice, should reasonably have taken a closer look at the circumstances of a payment – if, for example, it's particularly suspicious.

In this case, while I can accept the payments represented an increase in spending, I'm not persuaded there was enough about them for PayPal to have stepped in on concerns that Mr M was at a heightened risk of fraud. I'm not convinced that they ought to have appeared as significantly concerning in value or that such a suspicious pattern developed to the extent it was remiss of PayPal not to have intervened. And while I'm aware of the increase in scam trends involving cryptocurrency in recent years, I'm also mindful making such investments is a legitimate activity and many such payments will be genuine. So, there's a balance for firms to strike, between identifying a payment risk and ensuring minimal disruption to legitimate ones, and I'm not entirely persuaded PayPal got that balance wrong here.

In any event, if I were to say there came a point when PayPal should have stepped in to question Mr M and find out more, I wouldn't have expected that to have happened until arguably one of the later payments. And, like the Investigators, considering how things played out when Mr M's other banking providers (also used to fund the scam) intervened, and the fact Mr M continued with payments despite the warnings they provided, I too think it's unlikely proportionate steps from PayPal would have made a difference to his losses.

I think it's clear, from those other interactions, that Mr M was heavily under the scam's 'spell'. So much so, he moved past payment blocks, relevant warnings, and provided misleading responses to some key questions. For me it's significant that at no time, despite being told the questions were to protect him from a possible scam risk, did he reveal anything about the involvement of third-parties, who had contacted him unexpectedly, and had introduced him to the 'investment'. Instead, his answers generally gave the impression that he was cautious, had taken genuine courses into what he was doing, and that he was investing by himself in order to grow his money.

I'm mindful Mr M has told us that he wasn't coached by the scammers and that he didn't mislead his other providers intentionally. I can't be sure about that, given also we've not been provided with the messages he exchanged with K or S at the relevant time. However, again on the evidence, I'm not persuaded that the scam would have been exposed even if PayPal might arguably have intervened at some point. And, as a matter of causation, I can't reasonably hold it liable for Mr M's losses where it's unlikely it could have prevented them.

Recovery

In terms of recovery, there was little PayPal could have done, given that the funds were first transferred to Mr M's own account with a crypto-exchange (before they were sent on to the scam). If any remained to be recovered, Mr M would have been able to access them himself.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2026.

Thomas Cardia
Ombudsman