

## **The complaint**

Mr N complains that PayPal UK Ltd didn't handle his chargeback request properly.

## **What happened**

On 15 April 2024 Mr N purchased a laptop which he says was advertised as being touchscreen, but when it was delivered he discovered it didn't have this feature. He paid for this using his PayPal Business Debit Mastercard. Mr N complained to the merchant but was unable to resolve the situation. I gather the merchant offered him various options including a full refund if the item was returned.

On 4 February 2025 Mr N contacted PayPal to seek its assistance. It said the claim was made out of time and so it was unable to assist. However, as a gesture of goodwill since Mr N was a long standing customer it offered him a credit on his account of £500.

Mr N brought a complaint to this service. He said PayPal was confusing its own Buyer Protection regime with the chargeback system. He said he invoked the 540-day chargeback time limit for his claim and PayPal had not acted as it should have done.

## **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.

When the evidence is incomplete, inconclusive or contradictory as some of it is here – I've reached my outcome on the balance of probabilities – that is, what I consider likely to have happened given the available evidence and the wider circumstances.

I want to acknowledge that I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I also want to assure Mr N that I've reviewed everything on file. If I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I do not perform the role of the industry regulator and I do not have the power to make rules for financial businesses or to punish them.

Having given the evidence due consideration I do not consider I can uphold this complaint. I will explain why.

Firstly, I need to address the type of account Mr N held with PayPal. It has explained that its Business Debit MasterCard is a simplified version of a debit card, and does not entitle a PayPal customer to the various features a MasterCard customer may receive. Its sole use is to access funds from a PayPal account where PayPal funds are the funding source.

PayPal Business Debit MasterCard is issued and powered by PayPal UK and is linked

directly to the users PayPal account thus acting as a prepaid debit card rather than a credit card.

Although MasterCard (a separate card issuer), has their own chargeback framework, the agreement in place with Mr N is the PayPal Business Debit Card and PayPal User Agreement therefore handled by PayPal's resolutions and protections. Thus it used its Buyer's Protection regime to consider his request and concluded it had been made out of time.

Mr N wished PayPal to use the chargeback regime. Chargeback is a voluntary scheme run by the card scheme operator (here it's Mastercard) to process settlement disputes. So PayPal would not be obliged to make a chargeback if it didn't consider it appropriate assuming the transaction qualified for a chargeback. I do not need to address the issue of whether PayPal should have explored a chargeback since I do not believe the request was made in time under the Mastercard Chargeback guidance.

The most appropriate code for Mr N's circumstances would be code 4853 Goods or Services were either not as described or defective.

Mastercard's chargeback Guide covering claims under code 4853 states:

*"For disputes involving the interruption of ongoing services: 120-calendar days from when the services ceased. The issuer must wait 5-calendar days from the Settlement Date of the disputed transaction before submitting a chargeback but not to exceed 540-calendar days from the Settlement Date of the disputed transaction."*

*• For all other disputes involving Goods or Services Were Either Not as Described or Defective:*

*One of the following:*

*– Between 15 and 120-calendar days from the delivery/cancellation date of the goods or services.*

*– Between 15 and 120-calendar days from the Settlement Date of the disputed transaction."*

Mr N says he invoked the 540-day deadline, but this is not something a consumer can do. A 540-day Mastercard chargeback window generally applies to specific situations where a product or service is not immediately provided, such as pre-orders, future services, or gift cards with no expiration date. It does not apply to the transaction Mr N made to buy the laptop. He did not acquire ongoing services nor was the delivery significantly delayed and so Mr N had only 120 days from the delivery or the settlement date in which to make a chargeback. The time does not start running later because Mr N entered into discussions with the merchant.

Mr N has also suggested that a claim could be made under code 4863. Mastercard chargeback reason code 4863 is for a "Cardholder Does Not Recognize—Potential Fraud" claim, which means the cardholder disputes a transaction because they do not recognise it on their statement. This code is used for card-not-present transactions where the cardholder claims they did not authorise the charge, believing it to be fraudulent. This does not apply to Mr N's situation.

So I am satisfied that both the claim under PayPal's Buyer Protection regime and the claim under the chargeback regime were made out of time.

I would add that even if a chargeback had been made in time I doubt it would have succeeded. From what I have seen it is more than likely that the merchant would have defended it and any appeal would have proved to be futile.

I note PayPal referred to Mastercard direct customers having different rules which I believe was misleading. However, while there may have been some confusion about the application of PayPal's rules and the use of chargeback I cannot say PayPal has done anything materially wrong in rejecting Mr N's request and I consider its offer of a £500 credit to be more than fair.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 8 December 2025.

Ivor Graham  
**Ombudsman**