

The complaint

Mr C complains that PayPal UK Ltd did not refund a series of payments he says he did not authorise.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them again in detail here. In summary, Mr C says his phone was stolen on a night out. He then noticed a payment on his PayPal account to an online travel merchant for £1,836.80.

Mr C raised a claim for the outstanding £1,836.80 but PayPal said there was no evidence the payment was unauthorised, as his account was protected by biometrics and a password. Our Investigator investigated it and felt it was more likely the transaction was authorised.

Mr C disagreed and asked for an Ombudsman's review. In summary, he said that there was plenty of evidence in the media now that the make and model of his phone was susceptible to hacking by thieves and that he didn't authorise the payment. He mentioned that other firms had agreed he hadn't authorised disputed payments on his other accounts, so he didn't understand why PayPal was refusing to do the same.

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.

The evidence from PayPal suggests that Mr C's account was logged into at 03:27am on 23 November 2024 – which was a few hours after he says his phone was stolen. The evidence suggests the phone used was Mr C's (and had been used on his PayPal account before the reported theft) and the PayPal account was accessed via his fingerprint (which Mr C denies was set up on his phone). But no changes were made to the password for the PayPal account at that time. A payment was then made to the online travel merchant roughly nine hours later from a different device with the password for Mr C's PayPal account being entered and from a similar IP address to those used for genuine activity on Mr C's PayPal account.

In order for Face ID or a fingerprint to be changed on Mr C's phone, my understanding is that the passcode would need to be entered. I've considered the evidence from Mr C about the security issues that have been discussed in the media about his type of phone, but that doesn't sufficiently explain how a third-party would be able to access Mr C's biometrics and PayPal password without him present. I've also noted that Mr C told this service that his PayPal details are not held on his phone. If so, that doesn't explain how the reported thief was able to access his PayPal account at 03.27am with his biometric data and then decided not to change his password.

I also accept that there was some unusual activity on other accounts Mr C held (such as loans and searches by other firms on his credit file) after he said the phone was stolen.

However, the evidence available does not align with the type of unauthorised fraud that Mr C has described in relation to the PayPal transaction.

So, I'm satisfied – on balance – that it was reasonable for PayPal not to refund the disputed transaction, because the logins to the app, as well as the transaction itself, was verified by Mr C's password and biometric data. This could not be bypassed simply by the phone being unlocked when it was taken, so there has not been a reasonable explanation as to how this could have been compromised.

On balance, I think PayPal has acted reasonably when it declined Mr C's claim, so I can't fairly recommend a refund in the circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 January 2026.

Mark Dobson
Ombudsman