

The complaint

Miss L complains PayPal UK Ltd debited her account for chargebacks it received.

What happened

Miss L says she was helping out a friend order some things from overseas. The friend made several payments to Miss L's PayPal account, and Miss L posted the items out to her friend.

It seems Miss L's friend didn't receive the items, and raised chargebacks with their card provider. PayPal asked Miss L for some details about the payments and delivery and passed this on to the friend's card provider.

The chargebacks were decided in the buyer's favour and the friend was refunded. Miss L's PayPal account was debited the amounts the friend was refunded.

Miss L complained to PayPal and it said it had explained the chargeback process to Miss L and personal payments weren't covered by its seller protection. PayPal said the chargeback was initiated outside of PayPal and the decision made by the card issuer.

Unhappy with this response, Miss L brought her complaint to this service. An investigator looked into things but didn't think Miss L's complaint should be upheld.

The investigator said Miss L had received personal payments, ones without fees attached, so she didn't qualify for seller protection. The investigator said Miss L had provided the information about the transactions, but still lost the chargebacks.

Because of this, Miss L's account had gone into a negative, and the investigator thought it was fair for PayPal to ask Miss L to repay this amount.

Miss L disagreed and said the payments she received weren't commercial payments, she was helping out a friend. Miss L said she was aware there was no protection on the payments she received, and said the lack of protection should extend to the chargebacks.

Miss L said it was unfair she had to suffer when the person she sent the items to changed their mind.

Miss L said it was the postal service's fault the items went missing. And Miss L said she'd spoken to her friend's card issuer, and it said the chargebacks shouldn't have been raised or been successful and she should appeal this with PayPal.

Miss L provided some comment about the buyer and how they've behaved with other claims. And Miss L said PayPal should have done more to defend her, like the card issuer told her.

Miss L said it was the sender of the money picking the payment type, she can't do anything when receiving the payments and said, specifically for the payments she received, a personal payment was better as there were no fees.

Miss L asked for an ombudsman to decide things.

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.

PayPal's provided the transactions for Miss L's PayPal account. Miss L receives a mix of personal, or friends and family, payments and commercial payments.

Miss L's also got payments to a postal service showing on her transactions. Miss L says the payments she received were for helping out a friend, but I'm not persuaded by this.

Where evidence is contradictory, I can reach a decision on the balance of probabilities, what's more likely to have happened.

I think it's more likely Miss L is selling things and receiving payments through PayPal. And I think it's more likely Miss L is receiving friends and family payments when she should be receiving commercial payments.

Commercial payments come with a fee attached, but this fee is to pay for things like seller protection. Friends and family payments are fee free but don't qualify for seller protection.

I think Miss L is aware of the difference, she receives both types of payment, but I think specifically for the three payments she received these should have been commercial payments, but Miss L received fee free payments.

Miss L sent items to the buyer, but it seems the package was delayed or temporarily lost. The buyer then went to their card issuer because they couldn't raise a buyer protection claim through PayPal, they'd sent a friends and family payment.

When PayPal received the chargebacks it asked Miss L for further information and she provided it. I can see PayPal sent this information to the card issuer and defended, quite robustly, the chargebacks against Miss L.

I think PayPal's done all it could in defending these chargebacks, it pointed out to the card issuer the buyer was abusing the friends and family payment scheme. Despite this, the chargebacks were decided in the buyer's favour.

PayPal said it's the card issuer making the decision on the chargeback, but this isn't quite right. The card scheme makes the decision, and PayPal has little influence on this other than to defend the claims, which I'm satisfied it did.

Miss L's said she's spoken to the card issuer, and it said it shouldn't have raised the chargebacks and they shouldn't have been successful. I can't comment on this, the card issuer isn't part of this complaint.

But if Miss L thinks the card issuer's done the wrong thing she may want to take things further with the card issuer, it seems to have admitted it shouldn't have raised these chargebacks for their card holder.

I can only consider what PayPal's done, and here it defended the chargebacks to the best of its ability. And, once Miss L lost the chargebacks PayPal thought about whether seller

protection might apply.

But since Miss L had received friends and family payments there was no seller protection, so PayPal couldn't refund Miss L.

Miss L says it's unfair she has no protection but the card holder does. Had Miss L received the payments as commercial payments she may well have had protection, but instead she received fee free payments, I can't hold PayPal responsible for this.

And I can't hold PayPal responsible for anything the buyer's done before or since, or consider whether the buyer is trustworthy or not.

Miss L says the buyer is a friend, otherwise she wouldn't be receiving a friends and family payment. Since Miss L must know this person, I'd recommend she speak to them, or consider legal action against them, to recover the money they had refunded to them.

Looking at what PayPal's done, I think it's acted fairly. I think PayPal tried its best to defend the chargebacks Miss L received.

But once the chargebacks were lost, and the money refunded to the buyer, I don't think PayPal had any other option but to debit the refunds from Miss L's PayPal account, she didn't qualify for seller protection.

Since there was no money in Miss L's account, the refunds have placed it into a negative balance. PayPal's since asked Miss L to pay off this balance, and I think PayPal's acting fairly by asking Miss L to pay in and clear the negative balance.

Because I don't think PayPal's made a mistake here, so I won't be asking it to do more to resolve things for Miss L.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 23 March 2026.

Chris Russ
Ombudsman