

The complaint

Mr K complains that PayPal UK Ltd trading as PayPal unfairly refuses to refund him money he says he lost in an investment scam and it also refuses to compensate him for his consequential losses.

What happened

The circumstances surrounding this complaint are well known to both parties, so I haven't set them out in detail here. Instead, I've summarised what I consider to be the key points.

Mr K says he was contacted about an investment by someone through social media. He describes the person he was dealing with, who I'll refer to as T, as a sole investor, rather than someone who claimed to be from an investment company. Mr K explains that T appeared to have positive reviews and Mr K was persuaded to invest with him. Mr K describes being manipulated into setting up an account with PayPal, using false information, to enable payments to be made to a cryptocurrency account. From there, he made payments to a wallet he says was controlled by T.

He made an initial investment, using his wages and then borrowed some money from relatives to make further investments when he could see the value of his initial investment growing. In total, Mr K made 18 payments with a combined value of £1,522.56 between December 2023 and March 2024. By March 2024, he was unable to contact T and he realised he had been scammed.

Mr K has provided very detailed submissions about the effect he considers this scam and the service he received from PayPal, has had on him, in terms of his health, lost job opportunities, the direct and indirect financial consequences and the distress it has caused. Mr K says if he had been refunded £1,522.56 in March 2024, this would have prevented a chain of events that led him into serious debt, lost job opportunities and has led his health to deteriorate significantly. He says he is seeking £445,000 in compensation from PayPal, plus interest.

Mr K considers the payments were unusual and PayPal should have intervened to stop them and ask him questions about the payments. He believes PayPal didn't do enough when he was setting up the account, because he was able to open a PayPal account, while he was a minor, in his father's name, when his father already had a PayPal account. If PayPal had intervened at any point and provided warnings or asked probing questions, he considers this would have prevented the scam.

PayPal says the payments were authorised in accordance with the Payment Services Regulations and the account terms and conditions. It does not consider the loss occurred from PayPal, but when Mr K moved the money on to the scammer from a cryptocurrency account. It says the PayPal account had been set up in September 2023 and the payments made from the account did not appear unusual for this type of account, as they were relatively small payments, to a variety of payees, including deposits and withdrawals to and from his own bank, as well as small payments to a cryptocurrency account. It says six payments were made into the PayPal account from a cryptocurrency account too. PayPal

says it sent verification text messages to Mr K, on the phone number associated with the account, asking him to confirm he was making the payments, which Mr K did.

One of our investigator's considered Mr K's complaint but didn't uphold it. The Investigator was not persuaded the evidence was sufficient to show that Mr K had been the victim of a scam. The Investigator had not seen evidence that clearly linked the payments to a scam. In particular, the Investigator asked for copies of messages Mr K exchanged with the scammer, but little evidence had been provided to show Mr K's money had been lost to a scam. He was also not persuaded PayPal ought to have intervened to block the payments or ask questions about them, even if he had been persuaded Mr K had been the victim of a scam. This was because the payments were all relatively low value and wouldn't have appeared suspicious or likely to represent a significant risk.

Mr K didn't accept the Investigator's assessment and asked for an ombudsman's decision. He provided further evidence which he considers shows he was the victim of a scam. He provided further argument, some of which appears to relate to the actions of his bank, rather than PayPal and which is the subject of a separate complaint against his bank which I am considering. For example, he said he does not accept the payments from his bank were low value. He says the typical payments he made from his bank account could be considered low value but his bank still intervened, on occasion. The payments he made as part of this scam were relatively higher in value, compared to his usual spending and far higher than on the occasions when his bank had intervened.

Mr K also provided further medical evidence, which he says shows that his health deteriorated as a result of PayPal's actions in failing to stop the fraud and in refusing to provide him with a refund.

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.

While I have summarised much of the evidence and the circumstances of this complaint, I have read and considered everything that has been submitted.

In order to uphold Mr K's complaint, the first step would be that I would need to be satisfied he has been the victim of a scam. I consider it follows that if there is insufficient evidence to show he lost this money in a scam, then the arguments about PayPal having failed to protect him from this scam, about the setting up of the PayPal account or having failed to refund him money he lost in this scam, and all the losses he says followed as a result, cannot succeed.

Mr K says he has been the victim of a scam and his recollections are evidence I have taken into account but there is very little supporting evidence and not enough to persuade me that I can safely conclude that it's more likely than not that a scam has taken place.

Mr K has provided evidence showing payments were made from his bank account to a PayPal account he set up and controlled and onwards from there to a cryptocurrency account he controlled, before being sent on to an external wallet. The large number of low value transactions to the same payee, routed through more than one account, appears similar to some patterns of fraudulent activity I have seen in other cases. Mr K has also provided a copy of an email to T in which he asks if he can now make a withdrawal. Difficulties being able to withdraw money from an investment is also a common feature of investment scams. I have considered the further evidence Mr K has sent, including messages he received in December 2023 from someone promoting another investment. Mr K says he didn't invest on that occasion, but he thinks this might have been connected to the

scam he was drawn into.

I have considered everything very carefully. However, Mr K has not provided copies of any communication from a third party asking him to make these payments. Nor has he provided copies of any communication from a third party providing any details about this investment, promising any returns, making misleading comments, asking him to pay fees, or any other communication that might be indicative of a scam. Mr K says he was manipulated and coerced into setting up accounts, but there is no supporting evidence of this either. I do understand why Mr K says he deleted this information, but without it, there is little to show he was contacted by someone who made misleading claims or otherwise scammed him.

The messages he has provided, which he was sent in December 2023 and which do look like they might be part of an attempted scam, do not relate to the particular scam that is the subject of this complaint. He says he didn't invest on that occasion. I'm not persuaded evidence of a separate scam that Mr K didn't invest in is particularly helpful in showing that he lost his money to a scam, although I do accept it might suggest he was being targeted by scammers around the relevant time.

Overall, while it is possible Mr K has been the victim of a scam here, I consider it is reasonable to expect him to provide evidence to support this and I'm not persuaded the evidence he has provided is sufficient for me to safely conclude a scam has taken place, rather than for example, him having lost money as a result of general trading in cryptocurrency through a third party.

Because I am not satisfied Mr K has been the victim of a scam, it follows that I cannot reasonably uphold the remainder of his complaint. His complaint that PayPal failed to protect him from the risk of falling victim to this scam is dependent on it being established that he has actually been the victim of a scam. I cannot reasonably find PayPal failed to do enough to protect him from scams and that this caused him loss when I am not satisfied this was a scam. This is also true for the consequential losses he claims. Mr K claims these losses flow naturally from PayPal's refusal to reimburse him, but he has not provided sufficient evidence to show he has been scammed and therefore that PayPal failed to stop the scam and should refund him for that.

In terms of his complaint about the setting up of the PayPal account, it seems clear from his testimony that he set up the account, controlled the account and made the payments to and from it. He says he did so by providing false information to PayPal so I don't find it at fault for that. Again, in any event it's not clear that this resulted in him losing money to a scam.

In general, Mr K has provided little evidence to demonstrate that his consequential losses, such as medical bills and loss of job opportunities were due to PayPal. For example, the evidence he has provided shows that he was offered one job but he appears to have turned it down due to travel difficulties and a forthcoming holiday and there is no clear indication his other job application was unsuccessful due to anything PayPal did or did not do. No reason appears to have been given by his prospective employer. The medical bills, reports and letters Mr K has sent us show that he has been unwell from at least 2023 onwards and I am deeply sympathetic for that. But they do not demonstrate a connection between anything PayPal did or did not do and Mr K's health. For example, Mr K says PayPal's actions exacerbated his symptoms and caused a relapse in his condition. Some of the medical evidence does indicate Mr K was experiencing health issues around the time he says he first reported the scam to PayPal, but there is nothing in the medical evidence to show PayPal was the cause of any deterioration in health.

Overall, while I am sorry to disappoint Mr K, for the reasons set out above, I am not persuaded there is sufficient evidence to show he has been the victim of a scam.

My final decision

I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 April 2026.

Greg Barham
Ombudsman