

LEGAL MEMORANDUM

TO: Robert J. Campos, Esq.

FROM: Bryan Pavlovic

DATE: January 5, 2026

SUBJECT: PayPal Holdings, Inc.: A Case Study in Digital Custodial Fraud & The Systemic Denial of Property Rights

I. EXECUTIVE SUMMARY

This memorandum presents evidence of systemic fraud and bad faith practices by PayPal Holdings, Inc. ("PayPal") regarding the custodial management of digital assets. While marketed as a platform for purchasing and holding cryptocurrency, PayPal operates a "walled garden" model designed to prevent users from taking actual possession of their property.

This case is not an isolated customer service dispute but a documented instance of **systemic custodial fraud**. It serves as a critical companion to the Marriage Recovery Center (MRC) class action prospectus, demonstrating a unified pattern of control where institutional actors—whether therapeutic or financial—systematically strip individuals of their agency and property rights.

The evidence herein details a specific incident involving the obstruction of a Bitcoin withdrawal, exposing the mechanisms by which PayPal creates arbitrary barriers to exit, effectively seizing user assets under the guise of "security."

II. FACTUAL BACKGROUND

A. The Origin of Funds: A Legacy of Systemic Failure

The assets in question (0.0071 BTC) are the remnants of a larger holding originally lost in the collapse of Celsius Network, a fraudulent crypto lender. The bankruptcy court's resolution forced claimants to receive their recovered assets through PayPal, transferring victims from one custodial trap to another. This context is crucial: the claimant is already a victim of systemic financial fraud, now being victimized a second time by the very "solution" mandated by the legal system.

B. The Incident: Obstruction of Property Rights

On or about January 2026, the claimant attempted to withdraw 0.0071 BTC from their PayPal account to a private, non-custodial wallet. This action is the fundamental exercise of

property rights in the digital asset space—taking physical possession of the asset.

Sequence of Events:

1. **The Block:** PayPal blocked the transaction, citing unspecified "security" concerns.
2. **The Pretext:** When challenged, PayPal demanded "location verification," a requirement with no technical relevance to a cryptographic transfer secured by private keys.
3. **The Compliance:** The claimant, a customer in good standing for 16 years, complied with the verification demand.
4. **The Continued Refusal:** Despite compliance, PayPal continued to block the transfer.
5. **The Coercion:** PayPal representatives suggested the claimant "sell the asset" for fiat currency instead of withdrawing the property itself.

C. The Role of Chase Bank

Further investigation revealed that the obstruction extended to the banking layer. Attempts to link the PayPal account to a Chase Bank account for withdrawal were also flagged and blocked. A Chase representative confirmed on record that **no restrictions existed on the Chase account**, indicating that the obstruction was a unilateral policy decision by PayPal to prevent the exit of capital.

III. LEGAL ANALYSIS

A. Constructive Fraud and Conversion

PayPal's business model relies on the representation that users are "buying Bitcoin." However, if a user is systematically prevented from taking possession of that Bitcoin, they have not purchased the asset; they have purchased a **derivative claim** that PayPal refuses to honor.

By creating arbitrary and shifting barriers to withdrawal (e.g., irrelevant location checks, "security" flags on 16-year-old accounts), PayPal is engaging in **conversion**—the unauthorized act of depriving an owner of their personal property without their consent.

B. Deceptive Trade Practices

PayPal's marketing suggests a seamless, user-friendly experience for crypto ownership. The reality—a labyrinth of blocks, holds, and coerced liquidation—constitutes a **deceptive trade practice**. The suggestion to "sell the asset" is particularly damning, as it forces the user to incur a taxable event and exit the asset class entirely, benefiting PayPal's ecosystem at the user's expense.

C. The "Security" Ruse

The use of "security" as a justification for seizing assets is a fraudulent pretext.

- **Fact:** A crypto transfer is secured by cryptographic keys, not the user's physical location.
- **Fact:** The user had a 16-year history of good standing.
- **Conclusion:** The "security" flag is a feature, not a bug. It is a deliberate friction mechanism designed to retain assets under PayPal's custody.

IV. STRATEGIC RELEVANCE TO THE MRC LITIGATION

This case is vital to the broader legal strategy for two reasons:

1. **Proof of Systemic Pattern:** It demonstrates that the "therapeutic tyranny" of the MRC (diagnosing men to destroy families) has a parallel in the "financial tyranny" of institutions like PayPal (using "security" to seize property). Both systems operate by:
 - Pathologizing normal behavior (masculinity in MRC, self-custody in PayPal).
 - Usurping agency (counselor knows best, custodian knows best).
 - Creating a trap where the only exit is total submission (divorce or liquidation).
2. **The "Two-Front War" Narrative:** Presenting this evidence to Robert Campos positions the litigation not as a single grievance but as a **systemic challenge**. It invites the firm to lead a high-profile assault on the interconnected mechanisms of institutional control.

V. CONCLUSION AND RECOMMENDATION

The obstruction by PayPal is a clear violation of property rights and consumer protection laws. It is recommended that this dossier be included in the strategic briefing for Robert Campos to illustrate the scope of the battle.

Immediate Action Items:

1. File a formal complaint with the Consumer Financial Protection Bureau (CFPB) detailing the obstruction.
2. Document all interactions with PayPal and Chase as evidence of bad faith.
3. Present this memorandum to legal counsel as proof of the systemic nature of the fight.

Respectfully Submitted,

Bryan Pavlovic

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