

The complaint

Mr R, a sole trader, complains that PayPal (Europe) Sarl et Cie SCA (PayPal) unfairly decided his transaction isn't eligible for a refund under PayPal's Seller Protection Policy ("SPP").

What happened

In September 2022, Mr R's customer raised a chargeback as they said they'd not received the service he started to provide in May 2022. The credit card issuer found in favour of the customer and reversed a payment of around £4,600 from Mr R's PayPal account.

PayPal says that for Mr R to have benefited from its SPP, he would have needed to provide evidence of fulfilling the customer's order. PayPal says that as it didn't receive this evidence, Mr R wasn't eligible for a refund.

As Mr R's account was then left in a negative position, PayPal instructed a third party debt collection agency. PayPal said that going forward Mr R should work with that agency.

The investigator didn't initially uphold Mr R's complaint. She explained that PayPal doesn't control the outcome of chargebacks so it wasn't wrong to reverse the customer's payment. The investigator agreed that Mr R didn't benefit from the SPP as he'd not provided evidence of delivering the service to his customer.

Mr R wasn't happy with the investigation outcome. He said he provided evidence to PayPal that his customer had benefited from the service he provided. Mr R sent this service screenshots of messages with PayPal detailing the service he'd delivered to the customer. Mr R said that he'd provided the evidence to PayPal using an online form and gave the investigator a reference number.

After considering the additional evidence, the investigator issued a second outcome. She thought Mr R met the terms of SPP as he'd forwarded evidence to PayPal which demonstrated that Mr R had delivered the service to his customer. The investigator asked PayPal to refund the payment and take the debt back from the debt collection business. She also asked PayPal to remove any negative information associated with the outstanding debt from Mr R's credit file.

PayPal disagreed with the investigation outcome. It said it hasn't any record of receiving the evidence and that as a minimum it would need to see evidence that the customer either received or benefited from the purchase made from Mr R.

After the investigator forwarded the evidence to PayPal, it said that at the time of the chargeback it didn't receive the evidence required and that a ticket was opened to make sure the correct decision was made at the time.

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.

In cases like this where the evidence is inconclusive or contradictory, I reach my decision based on the balance of probabilities. That means I'll look at all the available evidence and decide what I think is most likely to have happened.

The decision about the chargeback was ultimately made by the card issuer, not PayPal. So, I don't find PayPal was wrong to reverse the payment after the buyer filed a successful chargeback claim. However, PayPal's SPP means that in certain circumstances, sellers don't lose money to chargebacks – this includes where an item has not been received.

Mr R says that he submitted the evidence via an online form as directed by PayPal. Unfortunately, Mr R hasn't been able to access his PayPal account to provide further evidence of this. However, he has given this service screenshots which show him trying to discuss the information he provided with PayPal.

PayPal's SPP means that in certain circumstances, sellers don't lose money to chargebacks – this includes where an item has not been received. So, although PayPal could not defend the chargeback from the customer's credit card company, Mr R could still have been covered under PayPal's SPP.

The evidence provided by Mr R indicates that the buyer received the service that he sold. This includes screenshots of the social media growth gained by the buyer which ties in with the minimum follower information which Mr R set out on his business website. It seems likely to me that the buyer did receive and/or benefit from the service Mr R provided.

Although there is some dispute over whether or when this information was shared with PayPal, based on Mr R's testimony I'm satisfied that he provided the information to PayPal online as requested, using the reference number that he'd been given.

As I find Mr R did provide the service to his customer, it follows that I agree that he should have benefited from PayPal's SPP and I uphold his complaint.

Putting things right

To put things right, PayPal should:

- Refund Mr R the money that it withdrew from his account in relation to the successful chargeback claim;
- Pay Mr R simple interest at the rate of 8% per annum calculated from the day it withdrew the money until the date of settlement;
- Recall the debt from the debt collection company;
- Remove any negative information from Mr R's credit file that it has recorded in relation to the chargeback amount; and
- Direct the debt collection company to remove any negative information that it may have recorded about the debt.

My final decision

My final decision is that I uphold this complaint. In full and final settlement, I require PayPal (Europe) Sarl et Cie SCA to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 September 2023.

Gemma Bowen
Ombudsman