[Template:Use American English](/wiki/Template:Use_American_English" \o "Template:Use American English) [Template:Use mdy dates](/wiki/Template:Use_mdy_dates) [Template:Infobox dot-com company](/wiki/Template:Infobox_dot-com_company)

[thumb|PayPal's corporate headquarters in San Jose, California](/wiki/File:PayPal_San_Jose_Headquarters.jpg) [thumb|upright|eBay, PayPal, Kijiji and StubHub in Toronto](/wiki/File:EBayTorontoOffice2.JPG)

**PayPal Holdings, Inc.** is an American company operating a worldwide online payments system. [Online money transfers](/wiki/Online_money_transfers) serve as electronic alternatives to traditional paper methods like [checks](/wiki/Cheque) and [money orders](/wiki/Money_order). PayPal is one of the world's largest Internet payment companies.<ref name=forbeslede>[Template:Cite web](/wiki/Template:Cite_web)</ref> The company operates as an [acquirer](/wiki/Acquirer), performing payment processing for online vendors, [auction](/wiki/Auction) sites and other commercial users, for which it charges a fee.

Established in 1998,<ref name=finextra07>[Template:Cite web](/wiki/Template:Cite_web)</ref> PayPal had its [IPO](/wiki/IPO) in 2002, and became a wholly owned subsidiary of [eBay](/wiki/EBay) later that year.[[1]](#cite_note-1)<ref name=nytimes02>[Template:Cite news](/wiki/Template:Cite_news)</ref>

In 2014, PayPal moved $228 billion in 26 currencies across more than 190 nations, generating a total revenue of $7.9 billion (44% of eBay’s total profits).[[2]](#cite_note-2) The same year, eBay announced plans to spin-off PayPal into an independent company by mid-2015 and this was completed on July 18, 2015.<ref name=reuters2014>[Template:Cite web](/wiki/Template:Cite_web)</ref> On July 20, 2015, PayPal had its second IPO that valued the company at $46.6 billion.[[3]](#cite_note-3)

## Contents

* 1 History[[edit](/index.php?title=(none)&action=edit&section=1)]
  + 1.1 Early history[[edit](/index.php?title=(none)&action=edit&section=2)]
  + 1.2 eBay subsidiary (2002–2014)[[edit](/index.php?title=(none)&action=edit&section=3)]
  + 1.3 Spin-off from eBay[[edit](/index.php?title=(none)&action=edit&section=4)]
  + 1.4 Acquisition of Xoom Corporation[[edit](/index.php?title=(none)&action=edit&section=5)]
  + 1.5 PayPal.Me[[edit](/index.php?title=(none)&action=edit&section=6)]
* 2 Offices[[edit](/index.php?title=(none)&action=edit&section=7)]
* 3 Services[[edit](/index.php?title=(none)&action=edit&section=8)]
  + 3.1 Business model evolution[[edit](/index.php?title=(none)&action=edit&section=9)]
    - 3.1.1 Phase 1[[edit](/index.php?title=(none)&action=edit&section=10)]
    - 3.1.2 Phase 2[[edit](/index.php?title=(none)&action=edit&section=11)]
    - 3.1.3 Phase 3[[edit](/index.php?title=(none)&action=edit&section=12)]
  + 3.2 Local restrictions[[edit](/index.php?title=(none)&action=edit&section=13)]
    - 3.2.1 Japan[[edit](/index.php?title=(none)&action=edit&section=14)]
    - 3.2.2 India[[edit](/index.php?title=(none)&action=edit&section=15)]
    - 3.2.3 Crimea[[edit](/index.php?title=(none)&action=edit&section=16)]
    - 3.2.4 Turkey[[edit](/index.php?title=(none)&action=edit&section=17)]
* 4 Regulation[[edit](/index.php?title=(none)&action=edit&section=18)]
* 5 Safety and protection policies[[edit](/index.php?title=(none)&action=edit&section=19)]
* 6 Security[[edit](/index.php?title=(none)&action=edit&section=20)]
  + 6.1 Security token[[edit](/index.php?title=(none)&action=edit&section=21)]
  + 6.2 MTAN[[edit](/index.php?title=(none)&action=edit&section=22)]
* 7 Fraud[[edit](/index.php?title=(none)&action=edit&section=23)]
  + 7.1 150,000 Paypal cards frozen[[edit](/index.php?title=(none)&action=edit&section=24)]
  + 7.2 PayPal MyCash Reloadable Card Embezzlement[[edit](/index.php?title=(none)&action=edit&section=25)]
* 8 Criticism[[edit](/index.php?title=(none)&action=edit&section=26)]
* 9 Litigation[[edit](/index.php?title=(none)&action=edit&section=27)]
  + 9.1 CFPB consent[[edit](/index.php?title=(none)&action=edit&section=28)]
* 10 See also[[edit](/index.php?title=(none)&action=edit&section=29)]
* 11 References[[edit](/index.php?title=(none)&action=edit&section=30)]
* 12 External links[[edit](/index.php?title=(none)&action=edit&section=31)]

## History[[edit](/index.php?title=(none)&action=edit&section=1)]

[Template:Further](/wiki/Template:Further)

### Early history[[edit](/index.php?title=(none)&action=edit&section=2)]

PayPal was established in December 1998 as [Confinity](/wiki/Confinity),<ref name=techrepublic>[Template:Cite web](/wiki/Template:Cite_web)</ref> a company that developed security software for handheld devices<ref name=entrepreneur>[Template:Cite web](/wiki/Template:Cite_web)</ref> founded by [Max Levchin](/wiki/Max_Levchin), [Peter Thiel](/wiki/Peter_Thiel), [Luke Nosek](/wiki/Luke_Nosek) and [Ken Howery](/wiki/Ken_Howery).[[4]](#cite_note-4)<ref name=bizfounders>[Template:Cite web](/wiki/Template:Cite_web)</ref> PayPal was developed and launched as a money transfer service at Confinity in 1999, funded by John Malloy from [BlueRun Ventures](/wiki/BlueRun_Ventures).[[5]](#cite_note-5)[[6]](#cite_note-6) In March 2000, Confinity merged with X.com, an online banking company founded by [Elon Musk](/wiki/Elon_Musk).<ref name=fastco2012>[Template:Cite web](/wiki/Template:Cite_web)</ref> Musk was optimistic about the future success of the money transfer business Confinity was developing.<ref name = elonmuskbiography>[Template:Cite web](/wiki/Template:Cite_web)</ref> Musk and then-president and CEO of X.com, [Bill Harris](/wiki/Bill_Harris_(American_businessman)), disagreed on this point and Harris left the company in May 2000.<ref name = elonmuskbiography/> In October of that year, Musk made the decision that X.com would terminate its other Internet banking operations and focus on the PayPal money service.[[7]](#cite_note-7) The X.com company was then renamed PayPal in 2001,<ref name=fundinguniverse>[Template:Cite web](/wiki/Template:Cite_web)</ref> and expanded rapidly throughout the year until company executives decided to take PayPal [public](/wiki/IPO) in 2002.[[8]](#cite_note-8)<ref name=autogenerated1>[Template:Cite web](/wiki/Template:Cite_web)</ref> Paypal's IPO listed under the ticker PYPL at $13 per share and ended up generating over $61 million.<ref name=ecommerce02>[Template:Cite web](/wiki/Template:Cite_web)</ref>

### eBay subsidiary (2002–2014)[[edit](/index.php?title=(none)&action=edit&section=3)]

Shortly after PayPal's [IPO](/wiki/IPO), the company was acquired by [eBay](/wiki/EBay) in July 2002 for $1.5 billion.[[7]](#cite_note-7)[[9]](#cite_note-9)<ref name=fastcompany2014>[Template:Cite web](/wiki/Template:Cite_web)</ref> More than 70 percent of all eBay auctions accepted PayPal payments, and roughly 1 in 4 closed auction listings were transacted via PayPal.[[10]](#cite_note-10) PayPal became the payment method used by a majority of eBay users (it was also the default choice), and the service competed with eBay's subsidiary [Billpoint](/wiki/Billpoint), as well as [Citibank's](/wiki/Citibank) [c2it](/wiki/C2it), [Yahoo!'s](/wiki/Yahoo!) [PayDirect](/wiki/PayDirect), [Google Checkout](/wiki/Google_Checkout) and Western Union's [BidPay](/wiki/BidPay) service, all of which closed in subsequent years.

PayPal acquired the [VeriSign](/wiki/VeriSign) payment solution in 2005 to expand its e-commerce business and provide added security support.<ref name=ecommerce05>[Template:Cite web](/wiki/Template:Cite_web)</ref><ref name=kerner>[Template:Cite web](/wiki/Template:Cite_web)</ref> In 2007, PayPal announced a partnership with [MasterCard](/wiki/MasterCard) that led to the development and launch of the PayPal Secure Card service, a software that allows customers to make payments on websites that do not accept PayPal directly by generating a unique, single-use MasterCard number for each checkout.<ref name=reuters2007>[Template:Cite web](/wiki/Template:Cite_web)</ref> By the end of 2007, the company generated $1.8 billion in revenue.<ref name=cnnmoney>[Template:Cite web](/wiki/Template:Cite_web)</ref>

In January 2008, PayPal acquired Fraud Sciences, a privately held Israeli start-up company with expertise in online risk tools, for $169 million, in order to enhance PayPal's proprietary fraud management systems.<ref name=techcrunchha>[Template:Cite web](/wiki/Template:Cite_web)</ref> In November 2008, the company acquired [Bill Me Later](/wiki/Bill_Me_Later), an online payments company offering transactional credit at over 9000 online merchants in the US.<ref name=incmag08>[Template:Cite web](/wiki/Template:Cite_web)</ref> PayPal revenues for Q1 2009 were $643 million, up 11 percent year over year. 42 percent of revenues in Q1 2009 were from international markets. PayPal's Total Payment Volume (TPV), the total value of transactions in Q1 2009 was nearly $16 billion, up 10 percent year over year.[[11]](#cite_note-11) By 2010, PayPal had over 100 million active user accounts in 190 markets through 25 different currencies.<ref name=galeecommerce>[Template:Cite book](/wiki/Template:Cite_book)</ref> In July 2011, fourteen alleged members of the [Anonymous](/wiki/Anonymous_(group)) [hacktivist](/wiki/Hacktivist) group were charged with attempting to disrupt PayPal's operations. The [denial of service](/wiki/Denial_of_service) attacks occurred in December 2010, after PayPal stopped processing donations to [Wikileaks](/wiki/Wikileaks). On December 5, 2013, 13 of the [PayPal 14](/wiki/PayPal_14) pleaded guilty to misdemeanor and felony charges related to the attacks.[[12]](#cite_note-12)[[13]](#cite_note-13) The company continued to focus on international growth and growth of its Merchant Services division, providing [e-payments](/wiki/E-payment) for retailers on eBay. In 2011, PayPal announced that it would begin moving its business offline so that customers can make payments via PayPal in stores.[[14]](#cite_note-14) In August 2012, the company announced its partnership with [Discover Card](/wiki/Discover_Card) to allow PayPal payments to be made at any of the 7 million stores in Discover Card's network.<ref name=forbesbarth>[Template:Cite web](/wiki/Template:Cite_web)</ref> By the end of 2012, PayPal's total payment volume processed was [Template:Currency](/wiki/Template:Currency).[[15]](#cite_note-15) and accounted for 40% of eBay's revenue, amounting to [Template:Currency](/wiki/Template:Currency) in the 3rd quarter of 2012.<ref name=samuels2012/>

In 2013, PayPal acquired IronPearl, a [Palo Alto](/wiki/Palo_Alto) startup offering engagement software,<ref name=venturebeat2013>[Template:Cite web](/wiki/Template:Cite_web)</ref> and [Braintree](/wiki/Braintree_(company)), a [Chicago](/wiki/Chicago)-based [payment gateway](/wiki/Payment_gateway), to further product development and mobile services.<ref name=techcrunchrao>[Template:Cite web](/wiki/Template:Cite_web)</ref> In June 2014 [David Marcus](/wiki/David_A._Marcus) announced he was leaving his role[[16]](#cite_note-16) as PayPal President; Marcus joined PayPal in August 2011 after its acquisition of [Zong](/wiki/Zong_mobile_payments), of which he was the founder and CEO.<ref name=duryee2012>[Template:Cite news](/wiki/Template:Cite_news)</ref> David Marcus succeeded [Scott Thompson](/wiki/Scott_Thompson_(businessman)) as president, who left the role to join [Yahoo](/wiki/Yahoo).<ref name=duryee2012/> PayPal announced that Marcus would be succeeded by [Dan Schulman](/wiki/Dan_Schulman), who previously served as CEO of [Virgin Mobile](/wiki/Virgin_Mobile) and Executive vice president of [American Express](/wiki/American_Express).<ref name=bizjournal2014>[Template:Cite web](/wiki/Template:Cite_web)</ref>

### Spin-off from eBay[[edit](/index.php?title=(none)&action=edit&section=4)]

It was announced on September 30, 2014, that eBay would spin off PayPal into a separate publicly traded company, a move that was demanded already in 2013 by activist hedge fund magnate [Carl Icahn](/wiki/Carl_Icahn). The spin-off was completed on July 18, 2015.[[17]](#cite_note-17)[[18]](#cite_note-18)[[19]](#cite_note-19) [Dan Schulman](/wiki/Dan_Schulman) is the current President and CEO, with former eBay CEO [John Donahoe](/wiki/John_Donahoe) serving as chairman.[[20]](#cite_note-20)

### Acquisition of Xoom Corporation[[edit](/index.php?title=(none)&action=edit&section=5)]

On July 1, 2015, PayPal announced that it was acquiring digital money transfer company [Xoom Corporation](/wiki/Xoom_Corporation). PayPal spent $25 a share in cash to acquire the publicly traded Xoom, or about $1.09 billion. The deal was closed in the fourth quarter of 2015. The move strengthened PayPal’s international business, giving it access to Xoom’s 1.3 million active U.S. customers that sent about $7 billion in the 12 months ending on March 31 to people in 37 countries.[[21]](#cite_note-21)[[22]](#cite_note-22)

### PayPal.Me[[edit](/index.php?title=(none)&action=edit&section=6)]

On September 1, 2015, PayPal launched their peer-to-peer payment platform "PayPal.Me," a service that allows users to send a custom link to request funds via text, email, or other messaging platforms.[[23]](#cite_note-23) Custom links are set to be structured as PayPal.me/username/amountrequested.[[23]](#cite_note-23) PayPal.Me was launched in 18 countries including United States, United Kingdom, Germany, Australia, Canada, Russia, Turkey, France, Italy, Spain, Poland, Sweden, Belgium, Norway, Denmark, Netherlands, Austria and Switzerland.[[24]](#cite_note-24) PayPal had 170 million users, as of September 2015, and the focus of PayPal.Me was to create a mobile-first user experience that enables faster payment sharing than PayPal's traditional tools.[[23]](#cite_note-23) In June 2016, it was announced that PayPal had joined the [Fortune 500](/wiki/Fortune_500) for the first time.[[25]](#cite_note-25)

## Offices[[edit](/index.php?title=(none)&action=edit&section=7)]

[thumb|PayPal Operations Center and main office in](/wiki/File:PayPal_Headquarters.jpg) [Omaha, NE](/wiki/Omaha,_NE)

PayPal's corporate headquarters are located in [San Jose, California](/wiki/San_Jose,_California),<ref name=samuels2012>[Template:Citation](/wiki/Template:Citation)</ref> at North First Street campus.<ref name=bizjournalsanjose>[Template:Cite web](/wiki/Template:Cite_web)</ref> The company's operations center is located in [Omaha, Nebraska](/wiki/Omaha,_Nebraska), which opened in 1999.<ref name=journalstar>[Template:Cite web](/wiki/Template:Cite_web)</ref>[[26]](#cite_note-26) Since July 2007, PayPal has operated across the [European Union](/wiki/European_Union) as a Luxembourg-based bank. The PayPal European headquarters are located in [Luxembourg](/wiki/Luxembourg) and the international headquarters are in [Singapore](/wiki/Singapore). PayPal opened a technology center in [Scottsdale, Arizona](/wiki/Scottsdale,_Arizona) in 2006,[[27]](#cite_note-27) and a software development center in [Chennai](/wiki/Chennai), India in 2007.[[28]](#cite_note-28) In October 2007, PayPal opened a data service office on the north side of [Austin, Texas](/wiki/Austin,_Texas),<ref name=bizjournalatx>[Template:Cite web](/wiki/Template:Cite_web)</ref> and also opened a second operations center in [La Vista, Nebraska](/wiki/La_Vista,_Nebraska) that same year.[[29]](#cite_note-29) In 2011, joining similar customer support operations located in Berlin (Germany), Chandler (Arizona), Dublin (Ireland), Omaha (Nebraska), and Shanghai (China), PayPal opened a second customer support center in Kuala Lumpur (Malaysia) and began the hiring process.[[30]](#cite_note-30) In 2014, PayPal opened a new global center of operations in Kuala Lumpur (Malaysia)[[31]](#cite_note-31)

## Services[[edit](/index.php?title=(none)&action=edit&section=8)]

[Template:As of](/wiki/Template:As_of), PayPal operates in 203 markets and has 179 million active, registered accounts. PayPal allows customers to send, receive and hold funds in 26 currencies worldwide.<ref name=forbeslede/><ref name=pphistory>[Template:Cite web](/wiki/Template:Cite_web)</ref>

PayPal's services allow people to make [financial transactions](/wiki/Financial_transactions) online by granting the ability to [transfer funds electronically](/wiki/Electronic_funds_transfer) between individuals and businesses.<ref name=howitworks>[Template:Cite web](/wiki/Template:Cite_web)</ref> Through PayPal, users can send or receive payments for online auctions on websites like eBay, purchase or sell goods and services, or donate money or receive donations. It is not necessary to have a PayPal account to use the company's services.<ref name=howitworks/>

PayPal launched Student Accounts for teenagers in August 2009, allowing parents to set up a student account, transfer money into it and obtain a debit card for student use. The program provides tools to teach how to spend money wisely and take responsibility for actions.[[32]](#cite_note-32)<ref name=nybits>[Template:Cite web](/wiki/Template:Cite_web)</ref> In November 2009, PayPal opened its platform, allowing other services to get access to its code and to use its infrastructure in order to enable peer-to-peer online transactions.[[33]](#cite_note-33) In 2008, PayPal acquired the online credit product Bill Me Later, Inc. which has since been rebranded as PayPal Credit, and provides services for Comenity Capital Bank, the lender of PayPal Credit accounts. Founded in 2000, Bill Me Later is headquartered in Timonium, Maryland, with additional offices in Hunt Valley, Maryland, Chandler, Arizona and San Francisco, California. PayPal Credit offers shoppers access to an instant online revolving line of credit at thousands of vendors that accept PayPal, subject to credit approval. PayPal Credit allows consumers to shop online in much the same way as they would with a traditional credit card. The rebranding of Bill Me Later as PayPal Credit also means that consumers can use PayPal Credit to fund transactions virtually anywhere PayPal is accepted.[[34]](#cite_note-34) In 2015 PayPal agreed that PayPal Credit would pay a $25 million fine to settle a complaint filed in Federal Court by the [Consumer Financial Protection Bureau](/wiki/Consumer_Financial_Protection_Bureau).[[35]](#cite_note-35) The PayPal app is available online or at the [iTunes App Store](/wiki/ITunes_App_Store) and [Google Play](/wiki/Google_Play). One year after acquiring [Braintree](/wiki/Braintree_(company)), PayPal introduced its "One Touch" service, which allows users to pay with a one-touch option on participating merchants websites or apps.<ref name=recode2014>[Template:Cite web](/wiki/Template:Cite_web)</ref>

On November 28, 2011, PayPal reported [Black Friday](/wiki/Black_Friday_(shopping)) brought record mobile engagement including a 538% increase in global mobile payment volume when compared with Black Friday 2010.<ref name=post1>[Template:Cite news](/wiki/Template:Cite_news)</ref>

In 2012, the company launched "PayPal Here," a small business mobile payment system that includes a combination of a free [mobile app](/wiki/Mobile_app) and a small card-reader that plugs into a smart phone.<ref name=mashable2012>[Template:Cite web](/wiki/Template:Cite_web)</ref>

PayPal launched an updated app for [iOS](/wiki/IOS) and [Android](/wiki/Android_(operating_system)) in 2013 that expanded its mobile app capabilities by allowing users to search for local shops and restaurants that accept PayPal payments, order ahead at participating venues, and access their PayPal Credit accounts (formerly known as Bill Me Later).[[34]](#cite_note-34)

### Business model evolution[[edit](/index.php?title=(none)&action=edit&section=9)]

PayPal's success in users and volumes was the product of a three-phase strategy described by former eBay CEO [Meg Whitman](/wiki/Meg_Whitman): "First, PayPal focused on expanding its service among eBay users in the US. Second, we began expanding PayPal to eBay's international sites. And third, we started to build PayPal's business off eBay."<ref name=wallstfolly>[Template:Cite web](/wiki/Template:Cite_web)</ref>

#### Phase 1[[edit](/index.php?title=(none)&action=edit&section=10)]

In the first phase, payment volumes were coming mostly from the eBay auction website. The system was very attractive to auction sellers, most of which were individuals or small businesses that were unable to accept credit cards, and for consumers as well. In fact, many sellers could not qualify for a credit card Merchant account because they lacked a commercial credit history. The service also appealed to auction buyers because they could fund PayPal accounts using credit cards or bank account balances, without divulging credit card numbers to unknown sellers. PayPal employed an aggressive marketing campaign to accelerate its growth, depositing $10 in new users' PayPal accounts.<ref name=wallstfolly/>

#### Phase 2[[edit](/index.php?title=(none)&action=edit&section=11)]

Until 2000, PayPal's strategy was to earn interest on funds in PayPal accounts. However, most recipients of PayPal credits withdrew funds immediately. Also, a large majority of senders funded their payments using credit cards, which cost PayPal roughly 2% of payment value per transaction.

To solve this problem, PayPal tailored its product to cater more to business accounts. Instead of relying on interests earned from deposited funds, PayPal started relying on earnings from service charges. They offered seller protection to PayPal account holders, provided that they comply with reimbursement policies. For example, PayPal merchants are either required to retain a traceable proof of shipping to a confirmed address or to provide a signed receipt for items valued over $750.

#### Phase 3[[edit](/index.php?title=(none)&action=edit&section=12)]

After fine-tuning PayPal's business model and increasing its domestic and international penetration on eBay, PayPal started its off-eBay strategy. This was based on developing stronger growth in active users by adding users across multiple platforms, despite the slowdown in on-eBay growth and low-single-digit user growth on the eBay site. A late 2003 reorganization created a new business unit within PayPal—Merchant Services—to provide payment solutions to small and large e-commerce merchants outside the eBay auction community. Starting in the second half of 2004, PayPal Merchant Services unveiled several initiatives to enroll online merchants outside the eBay auction community, including:<ref name=wallstfolly/>

* Lowering its transaction fee for high-volume merchants from 2.2% to 1.9% (while increasing the monthly transaction volume required to qualify for the lowest fee to $100,000)
* Encouraging its users to recruit non-eBay merchants by increasing its referral bonus to a maximum of $1,000 (versus the previous $100 cap)
* Persuading credit card gateway providers, including CyberSource and Retail Decisions USA, to include PayPal among their offerings to online merchants.
* Hiring a new sales force to acquire large merchants such as Dell, Apple's iTunes and Yahoo! Stores, which hosted thousands of online merchants
* Reducing fees for online music purchases and other "micropayments"
* Launching PayPal Mobile, which allowed users to make payments using text messaging on their cell phones

### Local restrictions[[edit](/index.php?title=(none)&action=edit&section=13)]

Countries not supported by PayPal include [Ghana](/wiki/Ghana), [Turkey](/wiki/Turkey), [Pakistan](/wiki/Pakistan), [Iraq](/wiki/Iraq), [Afghanistan](/wiki/Afghanistan), in addition to the countries on the [US economic sanction list](/wiki/United_States_embargoes).[[36]](#cite_note-36)

#### Japan[[edit](/index.php?title=(none)&action=edit&section=14)]

In late March 2010, new Japanese banking regulations forced PayPal Japan to suspend the ability of personal account holders registered in Japan from sending or receiving money between individuals and as a result are now subject to PayPal's business fees on all transactions.[[37]](#cite_note-37)[[38]](#cite_note-38)

#### India[[edit](/index.php?title=(none)&action=edit&section=15)]

As of March 2011, PayPal made changes to the User Agreement for Indian users to comply with [Reserve Bank of India](/wiki/Reserve_Bank_of_India) regulations.[[39]](#cite_note-39) The per transaction limit had been set to USD $3,000, since October 14, 2011. However, on July 29, 2013 PayPal has increased the per transaction limit to USD $10,000.[[40]](#cite_note-40) This brings the per transaction limit for India in line with the restrictions imposed by PayPal on most other countries.

PayPal has disabled sending and receiving personal payments in India, thus forcing all recipients to pay a transaction fee.[[41]](#cite_note-41) PayPal plans to make India an incubation center for the company's employee engagement policies. In 2012, PayPal hired 120 people for its offices in Chennai and Bangalore.[[42]](#cite_note-42)

#### Crimea[[edit](/index.php?title=(none)&action=edit&section=16)]

In January 2015, PayPal ceased operations in the [Crimea](/wiki/Crimea) in compliance with international sanctions against Russia and Crimea.[[43]](#cite_note-43)

#### Turkey[[edit](/index.php?title=(none)&action=edit&section=17)]

Eight years after the company first started operating in the country, Paypal ceased operations in Turkey on 6 June 2016 when Turkish financial regulator BDDK denied it a payments license. The regulators had demanded that Paypal's data centers be located inside Turkey to facilitate compliance with government and court orders to block content, and to generate tax revenue. PayPal said that the closure will affect tens of thousands of businesses and hundreds of thousands of consumers in Turkey.[[44]](#cite_note-44)[[45]](#cite_note-45)

## Regulation[[edit](/index.php?title=(none)&action=edit&section=18)]

Thiel, the founder of PayPal, has stated that PayPal is not a bank because it does not engage in [fractional-reserve banking](/wiki/Fractional-reserve_banking).<ref name=ecorner>[Template:Cite web](/wiki/Template:Cite_web)</ref> Rather, PayPal's funds that have not been disbursed are kept in commercial interest-bearing checking accounts.[[46]](#cite_note-46) In the [United States](/wiki/United_States), PayPal is licensed as a [money transmitter](/wiki/Money_transmitter), on a state-by-state basis.<ref name=Wolverton>[FDIC decides PayPal's no bank](http://www.zdnet.com/news/fdic-decides-paypals-no-bank/121346). ZDNet (March 13, 2002). Retrieved on 2013-08-12.</ref>[[47]](#cite_note-47) But state laws vary, as do their definitions of banks, narrow banks, money services businesses and money transmitters. Although PayPal is not classified as a bank, the company is subject to some of the rules and regulations governing the financial industry including [Regulation E](/wiki/Regulation_E) consumer protections and the [USA PATRIOT Act](/wiki/USA_PATRIOT_Act).[[48]](#cite_note-48) The most analogous regulatory source of law for PayPal transactions comes from [P2P](/wiki/Peer-to-peer) payments using credit and [debit cards](/wiki/Debit_cards). Ordinarily, a credit card transaction, specifically the relationship between the issuing bank and the cardholder, is governed by the [Truth in Lending Act](/wiki/Truth_in_Lending_Act) (TILA) 15 U.S.C. §§ 1601-1667f as implemented by Regulation Z, 12 C.F.R. 226, (TILA/Z). TILA/Z requires specific procedures for billing errors, dispute resolution and limits cardholder liability for unauthorized charges.<ref name=margaretjane>Margaret Jane Radin et al., Internet Commerce The Emerging Legal Framework 1174–1175 Foundation Press (2d ed. 2006)</ref> Similarly, the legal relationship between a debit cardholder and the issuing bank is regulated by the [Electronic Funds Transfer Act](/wiki/Electronic_Funds_Transfer_Act) (EFTA) 15 U.S.C. §§ 1693-1693r, as implemented by Regulation E, 12 C.F.R. 205, (EFTA/E). EFTA/E is directed at consumer protection and provides strict error resolution procedures. However, because PayPal is a *payment intermediary* and not otherwise regulated directly, TILA/Z and EFTA/E do not operate exactly as written once the credit/debit card transaction occurs via PayPal. Basically, unless a PayPal transaction is funded with a credit card, the consumer has no recourse in the event of fraud by the seller.[[49]](#cite_note-49) In 2007, PayPal Europe was granted a Luxembourg banking license, which, under European Union law, allows it to conduct banking business throughout the EU.[[50]](#cite_note-50) It is therefore regulated as a bank by Luxembourg's banking supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF).[[51]](#cite_note-51)[[52]](#cite_note-52)[[53]](#cite_note-53) All of the company's European accounts were transferred to PayPal's bank in Luxembourg in July 2007.[[54]](#cite_note-54) Prior to this move, PayPal had been registered in the [United Kingdom](/wiki/United_Kingdom) as PayPal (Europe) Ltd, an entity which was licensed as an Electronic Money Issuer with the UK's [Financial Services Authority](/wiki/Financial_Services_Authority) (FSA) from 2004. This ceased in 2007, when the company moved to Luxembourg.[[55]](#cite_note-55) In [India](/wiki/India), as of January 2010, PayPal has no cross-border money transfer authorization. In The New York Times article "India's Central Bank Stops Some PayPal Services", Reserve Bank of India spokesman Alpana Killawalla stated: "Providers of cross-border money transfer service need prior authorization from the Reserve Bank under the Payment and Settlement Systems Act, PayPal does not have our authorization."[[56]](#cite_note-56) PayPal is not listed in the "Certificates of Authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007 for Setting up and Operating Payment System in India".[[57]](#cite_note-57)PaisaPay is an Indian sister service to PayPal, and is also owned by eBay.<ref name=paisapay>[Template:Cite web](/wiki/Template:Cite_web)</ref> PaisaPay makes possible payments from abroad by PayPal account holders to Indian sellers on eBay.in.

In [Australia](/wiki/Australia), PayPal is licensed as an Authorised Deposit-taking Institution (ADI) and is thus subject to Australian banking laws and regulations.[[58]](#cite_note-58)

## Safety and protection policies[[edit](/index.php?title=(none)&action=edit&section=19)]

[Template:Contradict-self](/wiki/Template:Contradict-self) The PayPal Buyer Protection Policy states that the customer may file a buyer complaint if he or she did not receive an item or if the item he or she purchased was significantly not as described. The customer can open a dispute within 180 days (for registered UK residents 180 days, changed 14 June 2014) from the date of payment and escalate it to a claim within 20 days from opening the dispute. If the buyer used a credit card, he or she might get a refund via [chargeback](/wiki/Chargeback) from his or her credit-card company. However, in the UK, where such a purchaser is entitled to specific statutory protections (that the credit card company is a second party to the purchase and is therefore equally liable in law if the other party defaults or goes into liquidation) under Section 75 Consumer Credit Act 1979, the purchaser loses this legal protection if the card payment is processed via PayPal.[[59]](#cite_note-59) Also, the Financial Ombudsman Service position is that section 75 protection does not apply where PayPal or any eMoney service becomes involved in the credit card transaction. This leaves consumers with no recourse to pursue their complaint with the Financial Ombudsman Service. They only have recourse with the courts. However, The key issues which determine the applicability of section 75 are identified very clearly in Office of Fair Trading v Lloyds TSB Bank Plc and others [2006] EWCA Civ 268 7 and the Bank of Scotland v Alfred Truman (a firm) [2005] [EWHC] 583 (QB). This is legal authority that section 75 protection does exist where one has paid on credit card for a product, via an eMoney service.[[60]](#cite_note-60) According to PayPal, it protects sellers in a limited fashion via the Seller Protection Policy. In general the Seller Protection Policy is intended to protect the seller from certain kinds of chargebacks or complaints if seller meets certain conditions including proof of delivery to the buyer. PayPal states the Seller Protection Policy is "designed to protect sellers against claims by buyers of unauthorized payments and against claims of non-receipt of any merchandise." The policy includes a list of "Exclusions" which itself includes "Intangible goods," "Claims for receipt of goods 'not as described'" and "Total reversals over the annual limit."<ref name=ppsafety>[Template:Cite web](/wiki/Template:Cite_web)</ref> There are also other restrictions in terms of the sale itself, the payment method and the destination country the item is shipped to (simply having a tracking mechanism is not sufficient to guarantee the Seller Protection Policy is in effect). The PayPal Seller Protection Policy does not provide the additional consumer protection afforded by UK consumer legislation (e.g., Sale of Goods Act) and in addition it cannot be enforced in the Courts because PayPal operates from Luxembourg, outside all three of the UK legal jurisdictions.<ref name=ppagreement>[Template:Cite web](/wiki/Template:Cite_web)</ref>

## Security[[edit](/index.php?title=(none)&action=edit&section=20)]

### Security token[[edit](/index.php?title=(none)&action=edit&section=21)]

[Template:Main](/wiki/Template:Main) In early 2006, PayPal introduced an optional [security key](/wiki/Security_token) as an additional precaution against fraud.<ref name=forbessecurity>[Template:Cite web](/wiki/Template:Cite_web)</ref> A user account tied to a security key has a modified login process. The account holder enters his or her login ID and password as normal, but is then prompted to enter a six-digit code provided by a credit card sized hardware security key or a text message sent to the account holder's mobile phone. For convenience, the user may append the code generated by the hardware key to his or her password in the login screen. This way he or she is not prompted for it on another page. This method is required for some services, such as when using PayPal through the eBay application on iPhone.

This [two-factor authentication](/wiki/Two-factor_authentication) is intended to make it difficult for an account to be compromised by a malicious third party without access to the physical security key, although it does not prevent so-called [Man in the Browser](/wiki/Man_in_the_Browser) (MITB) attacks. However, the user (or malicious third party) can alternatively authenticate by providing the credit card or bank account number listed on his or her account. Thus the PayPal implementation does not offer the security of true two-factor authentication.<ref name=techhivepp>[Template:Cite web](/wiki/Template:Cite_web)</ref>

### MTAN[[edit](/index.php?title=(none)&action=edit&section=22)]

It is also possible to use a mobile phone to receive an [mTAN](/wiki/MTAN) (Mobile Transaction Authentication Number) via SMS.[[61]](#cite_note-61) Use of a security code that is sent to the account holder's mobile phone is currently free.[[62]](#cite_note-62)

## Fraud[[edit](/index.php?title=(none)&action=edit&section=23)]

As early as 2001, PayPal had substantial problems with [online fraud](/wiki/Online_fraud), especially international hackers who were hacking into PayPal accounts and transferring small amounts of money out of multiple accounts. Standard solutions for merchant and banking fraud might use government criminal sanctions to pursue the fraudsters. But with PayPal losing millions of dollars each month to fraud, while experiencing difficulties with using the [FBI](/wiki/FBI) to pursue cases of international fraud, PayPal developed a private solution: a "fraud monitoring system that used artificial intelligence to detect potentially fraudulent transactions. ... Rather than treating the problem of fraud as a [legal problem](/wiki/Legal_matter_management), the company treated it as a [risk management](/wiki/Risk_management) one."<ref name=stringham2013>[Template:Cite journal](/wiki/Template:Cite_journal)</ref>[[63]](#cite_note-63)

### 150,000 Paypal cards frozen[[edit](/index.php?title=(none)&action=edit&section=24)]

In 2015, in a still developing process, 150,000 Spanish card holders had their funds frozen in an apparent fraud case involving a PayPal service provider, Younique Money, which was the de facto administrator of the cards. Previously, PayPal had charged €15 to all its card users without authorization (150,000 users). As of March 2015 most funds have not been returned.[[64]](#cite_note-64)[[65]](#cite_note-65)[[66]](#cite_note-66)

### PayPal MyCash Reloadable Card Embezzlement[[edit](/index.php?title=(none)&action=edit&section=25)]

PayPal MyCash (PPMC) cards are purchased and loaded at retail and pharmacy stores in the US. These cards are provided by the corporation InComm. Funds can only be loaded to PayPal accounts, and are done so by scratching off silvering on the rear of the card to reveal a secure PIN. It has been discovered that these secure PIN numbers are stored plaintext in a database, accessible to many InComm IT employees. Employees have taken PINs and loaded or traded them for their own purposes. Meanwhile victims have their claims investigated by the company ITC Financial Licenses under InComm, with a very broken model which blames victims as participants in Victim Assisted Fraud. The extent of this situation is not yet known, but a victim with a small blog was able to find $5000 in victims while researching his own case to ultimately prove this. A video reveals a PIN number being known before silvering has been scratched off, and the victim was able to trace the account one of the cards was loaded to back to a former InComm Database Administrator.[[67]](#cite_note-67)

## Criticism[[edit](/index.php?title=(none)&action=edit&section=26)]

[Template:See also](/wiki/Template:See_also)

In 2003, PayPal voluntarily ceased serving as a payment intermediary between gambling websites and their online customers. At the time of this cessation it was the largest payment processor for online gambling transactions. In 2010, PayPal resumed accepting such transactions, but only in those countries where online gambling is legal, and only for sites which are properly licensed to operate in said jurisdictions.[[68]](#cite_note-68) If an account is subject to fraud or unauthorized use, PayPal puts the "Limited Access" designation on the account. PayPal has had several notable cases in which the company has frozen the account of users such as Richard Kyanka, owner of the website [Something Awful](/wiki/Something_Awful), in September 2005,[[69]](#cite_note-69) [Cryptome](/wiki/Cryptome) in March 2010,[[70]](#cite_note-70)[[71]](#cite_note-71)[[72]](#cite_note-72) or [April Winchell](/wiki/April_Winchell), the owner of Regretsy, in December 2011. The account was reinstated, PayPal apologized and donated to her cause.[[73]](#cite_note-73) In September 2010, PayPal froze the account of Markus Persson, developer of independent video game [*Minecraft*](/wiki/Minecraft). Persson stated publicly that he had not received a clear explanation of why the account was frozen, and that PayPal was threatening to keep the money if they found anything wrong. His account contained around €600,000.[[74]](#cite_note-74) PayPal's partner [MasterCard](/wiki/MasterCard) ceased taking donations to [WikiLeaks](/wiki/WikiLeaks) in 2010, and PayPal also suspended, and later permanently restricted, payments to the website after the U.S. State Department deemed WikiLeaks activities as illegal. Online supporters and activists retaliated by subjecting PayPal and MasterCard, along with other companies, to coordinated [cyber attacks](/wiki/Cyberattack).[[75]](#cite_note-75) In February 2011 PayPal [unbanned](/wiki/Wikt:unbanned) the account of a website that supports [Iraq War resisters](/wiki/List_of_Iraq_War_resisters) after it had enough information to fulfill its [know your customer](/wiki/Know_your_customer) guidelines. The [Chelsea Manning](/wiki/Chelsea_Manning) Support Network claimed the backdown was a reaction to a petition to the company to reinstate the account.[[76]](#cite_note-76) As of December 2011, PayPal is involved in several [class-action](/wiki/Class-action) lawsuits<ref name=ecommercelit>[Template:Cite web](/wiki/Template:Cite_web)</ref> in a controversy over their policy of holding 30% of vendor transactions for 90 days for some merchants and sellers, which PayPal argues is intended to make funds available to customers in the event that a transaction is found to be fraudulent; to provide PayPal the funds to refund the seller.[[77]](#cite_note-77) In May 2013, PayPal declined to pay a reward offered in its Bug Bounty Program[[78]](#cite_note-78) to a 17-year-old German student who discovered a [cross-site scripting](/wiki/Cross-site_scripting) flaw on its site. The company took the position that because the student was under 18 years old he did not qualify to participate in the program in violation of the program's terms and conditions.[[79]](#cite_note-79) In August 2013, entrepreneurs who had used PayPal to collect the funds they raised on [crowdfunding](/wiki/Crowdfunding) platforms like [Kickstarter](/wiki/Kickstarter) and [Indiegogo](/wiki/Indiegogo) reported difficulty in being able to withdraw the money. Most notable victims are [Ouya](/wiki/Ouya), GlassUp (a rival to [Google Glass](/wiki/Google_Glass)) and [Mailpile](/wiki/Mailpile).[[80]](#cite_note-80)[[81]](#cite_note-81) As of January 2015, a class-action lawsuit against PayPal has been filed in [Israel](/wiki/Israel),[[82]](#cite_note-82) claiming that they arbitrarily freeze accounts and hold funds for up to 180 days without paying interest and thereby directly profit from it. The lawsuit requests that PayPal be declared a monopoly and thus regulated accordingly.

In May 2014 PayPal blocked the account of a Russian human rights organisation "RosUznik", which supported political prisoners arrested at [Bolotnaya Square case](/wiki/Bolotnaya_Square_case).[[83]](#cite_note-83)[[84]](#cite_note-84) In May 2015 PayPal blocked an account intended to raise money for the distribution of [Boris Nemtsov's](/wiki/Boris_Nemtsov) report "[Putin. War](/wiki/Putin._War)".[[85]](#cite_note-85)[[86]](#cite_note-86) The explanation by PayPal was that "PayPal does not offer the opportunity to use its system for collecting funds to finance the activities of political parties or for political aims in Russia", though PayPal's Acceptable Use Policy does not mention financing for political goals.[[87]](#cite_note-87) Non-governmental organization [Freedom House](/wiki/Freedom_House) issued a statement that "PayPal should immediately lift this ban, to help, rather than hinder, press freedom in Russia."[[88]](#cite_note-88)

## Litigation[[edit](/index.php?title=(none)&action=edit&section=27)]

In March 2002, two PayPal account holders separately sued the company for alleged violations of the Electronic Funds Transfer Act (EFTA) and California law. Most of the allegations concerned PayPal's dispute resolution procedures. The two lawsuits were merged into one class action lawsuit (In re: PayPal litigation). An informal settlement was reached in November 2003, and a formal settlement was signed on June 11, 2004. The settlement requires that PayPal change its business practices (including changing its dispute resolution procedures to make them EFTA-compliant), as well as making a US$9.25 million payment to members of the class. PayPal denied any wrongdoing.[[89]](#cite_note-89) In June 2003, [Stamps.com](/wiki/Stamps.com) filed a lawsuit against PayPal and eBay claiming breach of contract, breach of the implied covenants of good faith and fair dealing, and interference with contract, among other claims. In a 2002 license agreement, Stamps.com and PayPal agreed that Stamps.com technology would be made available to allow PayPal users to buy and print postage online from their PayPal accounts. Stamps.com claimed that PayPal did not live up to its contractual obligations and accused eBay of interfering with PayPal and Stamps.com's agreement, hence Stamp.com's reasoning for including eBay in the suit.<ref name=nytimesarchive>[Template:Cite news](/wiki/Template:Cite_news)</ref>[[90]](#cite_note-90) Craig Comb and two others filed a class action against PayPal in *Craig Comb, et al. v. PayPal, Inc.*. They sued, alleging illegal misappropriation of customer accounts and detailed their customer service experiences, including freezing deposited funds for up to 180 days until disputes were resolved by PayPal. PayPal argued that the plaintiffs were required to arbitrate their disputes under the [American Arbitration Association's](/wiki/American_Arbitration_Association) Commercial Arbitration Rules. The court ruled against PayPal, stating that "the User Agreement and arbitration clause are substantively unconscionable under California law."[[91]](#cite_note-91) In September 2002, [Bank One Corporation](/wiki/Bank_One_Corporation) sued PayPal for allegedly infringing its cardless payment system patents.[[92]](#cite_note-92) The following year, PayPal countersued, claiming that Bank One's online bill-payment system was an infringement against PayPal's online bill-payment patent, issued in 1998.[[93]](#cite_note-93) The two companies agreed on a [settlement](/wiki/Settlement_(litigation)) in October 2003.[[94]](#cite_note-94) In November 2003, [AT&T Corporation](/wiki/AT&T_Corporation) filed suit against eBay and PayPal claiming that their payment systems infringed an AT&T patent, filed in 1991 and granted in 1994.[[95]](#cite_note-95) The case was settled out of court the following month, with the terms of the settlement undisclosed.[[96]](#cite_note-96) In June 2011, PayPal and Israel Credit Cards–Cal Ltd. were sued for [NIS](/wiki/New_Israeli_Shekel) 16 million. The claimants accused PayPal of deliberately failing to notify its customers that ICC-Cal was illegally charging them for currency conversion fees.[[97]](#cite_note-97)

### CFPB consent[[edit](/index.php?title=(none)&action=edit&section=28)]

On 21 May 2015 PayPal agreed that PayPal Credit would pay a $25 million fine to settle a complaint filed in Federal Court by the [Consumer Financial Protection Bureau](/wiki/Consumer_Financial_Protection_Bureau).[[35]](#cite_note-35) The complaint alleged that consumers using PayPal were signed up for PayPal credit accounts without their knowledge nor consent. It alleged that PayPal had promised discounts and payment options the consumers never received, and that users trying to sign up for the regular, non-credit, PayPal accounts were signed up for credit accounts instead.[[35]](#cite_note-35)[[98]](#cite_note-98) The complaint was filed in the [United States District Court for the District of Maryland](/wiki/United_States_District_Court_for_the_District_of_Maryland), which ordered PayPal Credit to refund $15 million to consumers and to pay a $10 million fine.[[35]](#cite_note-35)

## See also[[edit](/index.php?title=(none)&action=edit&section=29)]

* [E-commerce payment system](/wiki/E-commerce_payment_system)
* [Electronic money](/wiki/Electronic_money)
* [Interchange fee](/wiki/Interchange_fee)
* [List of online payment service providers](/wiki/List_of_online_payment_service_providers)
* [Micropayment](/wiki/Micropayment)
* [Payment service provider](/wiki/Payment_service_provider)
* [PayPal Mafia](/wiki/PayPal_Mafia)
* [Stripe (company)](/wiki/Stripe_(company))

## References[[edit](/index.php?title=(none)&action=edit&section=30)]

[Template:Reflist](/wiki/Template:Reflist)

## External links[[edit](/index.php?title=(none)&action=edit&section=31)]

[Template:Commons category](/wiki/Template:Commons_category)

* [Template:Official website](/wiki/Template:Official_website)

[Template:Mobile payments](/wiki/Template:Mobile_payments) [Template:Elon Musk](/wiki/Template:Elon_Musk)

[Category:PayPal](/wiki/Category:PayPal) [Category:Companies based in San Jose, California](/wiki/Category:Companies_based_in_San_Jose,_California) [Category:Financial services companies established in 1998](/wiki/Category:Financial_services_companies_established_in_1998) [Category:EBay](/wiki/Category:EBay) [Category:E-commerce](/wiki/Category:E-commerce) [Category:Digital currencies](/wiki/Category:Digital_currencies) [Category:Foreign exchange companies](/wiki/Category:Foreign_exchange_companies) [Category:Internet companies of the United States](/wiki/Category:Internet_companies_of_the_United_States) [Category:Mobile payments](/wiki/Category:Mobile_payments) [Category:Electronic funds transfer](/wiki/Category:Electronic_funds_transfer) [Category:Information technology companies of the United States](/wiki/Category:Information_technology_companies_of_the_United_States) [Category:Security companies](/wiki/Category:Security_companies) [Category:Payment systems](/wiki/Category:Payment_systems) [Category:Financial technology companies](/wiki/Category:Financial_technology_companies) [Category:Android Wear software](/wiki/Category:Android_Wear_software) [Category:Companies listed on NASDAQ](/wiki/Category:Companies_listed_on_NASDAQ)