



# MORE THAN A PENNY FOR YOUR THOUGHTS

**PAYPAL'S INCONSISTENT ACCEPTABLE  
USE POLICY**



**PayPal**

2211

transforming Money.  
Powering Potential.



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# PAYPAL'S EVOLUTION



Peter Thiel



Max Levchin



Dan Schulman

# **CORPORATE** **IDENTITY**

## **Mission**

To democratize financial services to ensure that everyone, regardless of background or economic standing, has access to affordable, convenient, and secure products and services to take control of their financial lives

## **Vision**

To make the movement and management of money as simple, secure, and affordable as possible

## **Values**

Inclusion  
Innovation  
Collaboration  
Wellness



# VALUES IN ACTION



PayPal  
**MAGGIE  
LENA  
WALKER**  
AWARD



Cherie Blair  
**FOUNDATION  
FOR WOMEN**



**xoom**

**Safaricom**  
M-PESA



# TIMELINE

PayPal closes the accounts associated with Us For Them, Free Speech Union and Toby Young

**SEP 15**

PayPal reinstates the accounts associated with Us For Them, Free Speech Union and Toby Young

**SEP 27**

PayPal releases Acceptable Use Policy (AUP) update notice

**OCT 07**

PayPal releases statement claiming the AUP update was an error

**OCT 08**

United Kingdom media criticizes PayPal's decision

**2022**

David Marcus, Elon Musk and David Sacks react on Twitter and the stock price drops

Republican Sen. Tim Scott sends an open letter to CEO Dan Schulman questioning PayPal's policies

**OCT 14**

House Republicans send a time-sensitive inquiry to PayPal about its AUP and violation fine

**OCT 19**

PayPal releases new AUP with no mention of 'misinformation' or the \$2,500 fine

**OCT 29**

PayPal releases new User Agreement where the \$2,500 fine is restricted \*

**NOV 07**

\*Punishable conducts include fraud and the sale of goods that are counterfeit or infringe intellectual property rights



# CASE

# SIGNIFICANCE

## ACCEPTABLE USE POLICY

Last updated on September 21, 2021.

You are independently responsible for complying with all applicable laws in all of your actions related to your use of PayPal's services, regardless of the purpose of the use. In addition, you must adhere to the terms of this Acceptable Use Policy. Violation of this Acceptable Use Policy constitutes a violation of the PayPal User Agreement and may subject you to damages, including liquidated damages of \$2,500.00 U.S. dollars per violation, which may be debited directly from your PayPal account(s) as outlined in the User Agreement (see "**Restricted Activities and Holds**" section of the PayPal User Agreement).

*PayPal's Acceptable Use Policy \$2,500 Fine Clause*

## Pre-Existing Fine

Its Acceptable Use Policy details a \$2,500 fine for policy violation liquidated damages, since 2013

## History of Monitoring Speech and Backtracking

Reversed its decision to close Toby Young's accounts because of hate speech and misinformation after public backlash in Sep. 2022

## Prior Emphasis on Trust

World Economic Forum interviews CEO Dan Schulman about trust and its role in a company like PayPal's foundation



**Which Page Principles Apply?**

*Manage for Tomorrow, Tell the Truth and Listen to Stakeholders*



# INITIAL RESPONSE

## Notable Stakeholders

PayPal's former president David Marcus, co-founder Elon Musk and founding chief operations officer David Sacks shared negative sentiments about the brand, publicly rebuking its actions

## Trending Topics

Users around social media and consumers mentioned how their PayPal accounts would be deleted and shared opinions on this new and "mistaken" agreement policy

 **David Marcus**  @davidmarcus · Oct 8 8 ...

It's hard for me to openly criticize a company I used to love and gave so much to. But @PayPal's new AUP goes against everything I believe in. A private company now gets to decide to take your money if you say something they disagree with. Insanity. [paypalobjects.com/marketing/ua/p](https://paypalobjects.com/marketing/ua/p)

...

 3,284  15.7K  62.3K 

 **Elon Musk**  @elonmusk ...

Replying to @davidmarcus and @PayPal



Agreed

2:33 PM · Oct 8, 2022 · Twitter for iPhone

2,534 Retweets 166 Quote Tweets 33.4K Likes

 **David Sacks**  @DavidSacks ...

Get your money out of paypal right now.

 **David Marcus**  @davidmarcus · Oct 8

It's hard for me to openly criticize a company I used to love and gave so much to. But @PayPal's new AUP goes against everything I believe in. A private company now gets to decide to take your money if you say something they disagree with. Insanity. [paypalobjects.com/marketing/ua/p](https://paypalobjects.com/marketing/ua/p)...

1:38 PM · Oct 8, 2022 · Twitter for iPhone

1,738 Retweets 137 Quote Tweets 10.3K Likes



# ADDITIONAL REACTIONS



**Brendan Carr** ✓  
@BrendanCarrFCC

Orwellian.

Paypal reserves the right to take your money if you post a message that Paypal decides is "misinformation."

This is why it is so vital that state and federal legislatures pass laws that prohibit discrimination by tech companies and protect free speech.

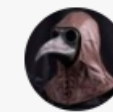


**David Marcus** ✓ @davidmarcus · Oct 8

It's hard for me to openly criticize a company I used to love and gave so much to. But @PayPal's new AUP goes against everything I believe in. A private company now gets to decide to take your money if you say something they disagree with. Insanity. paypalobjects.com/marketing/ua/p...

2:14 PM · Oct 8, 2022 · Twitter Web App

285 Retweets 25 Quote Tweets 1,020 Likes



**theMFMF** @theMFMF · Oct 10

When **PayPal** says they're going to **FINE YOU** to "fight misinformation," you should -

1. #BelieveThem
2. #DeletePayPal
3. #DeleteVenmo
4. #Publicize #PayPalCancelled
5. #Fight The #WEF

We're sorry to see you go

To help us improve our services, please tell us why you want to close your account (select all that apply).

- I have another PayPal account.
- This is my only PayPal account, but I don't use it.
- I'm concerned about data privacy.
- I receive too many emails and notifications.
- Other reasons (please specify below).

Add your comments here

PayPal's decision to claim authority to seize customer funds as penalty. Paypal does not have that right. In reply, I am closing my account.

Close My Account

47 120 428

Which Page Principles Apply?

Listen to Stakeholders and Manage for Tomorrow





**Janet Watkins**

I closed my account yesterday after receiving the email COTR are talking about. Before that I detached & remove all my banking Accts. Thank God I have a zero balance. Did you see how PayPal stock plummeted 2 days ago.

Like Reply 1w



↪ 1 Reply

**Mack EmJay**

I stopped using PayPal when they failed to refund me on a product I purchased that was a complete rip-off and incomplete. Fortunately my bank covered it.

Like Reply 6d

**Renee Kuhlmann Lewis**

Bad move. I'm out

Like Reply 6d

**Dana C. Morris**

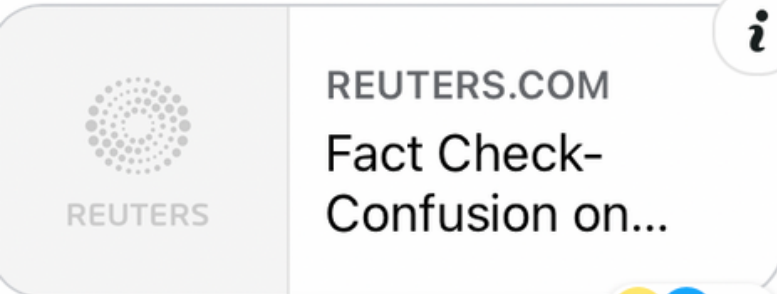
Dispute the charge on your card.

Like Reply 5d

**Chicks On The Right** ✓

Correction notice: PayPal says its policy was issued in error. Read more here:

<https://www.reuters.com/.../fact-check-confusion-on.....> See more



Like Reply 2w

**Mack EmJay**

**Chicks On The Right** Yeh, of corse it was an "accident".



Like Reply 6d

**Críostóir Ó Síodhacháin**

**Chicks On The Right** My account is being cancelled moving to revolute .

Like Reply 6d

**Donna Bohana**

**Chicks On The Right** THEY LIE. got caught and back peddled. I cancelled them.

Like Reply 2w



# SOCIAL MEDIA RESPONSE

## Facebook Example

Chicks On The Right shared a reel on their Facebook profile reacting to PayPal's new agreements criticizing the platform for being a 'psycho'

After PayPal's "confusion" statement, users kept expressing their unlikeliness to keep using their PayPal accounts

Which Page Principles Apply?

Tell The Truth and Listen to Stakeholders





# SOCIAL MEDIA RESPONSE

## Statement Retraction

PayPal got even more negative attention for spreading "misinformation" about its misinformation policy fine



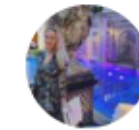
**Kyle Becker** @kylenabecker · Oct 8

In a major plot twist, @PayPal is claiming its new policy to **fine** users \$2,500 per infraction for "misinformation" is, in fact... "misinformation."

337

1,681

6,280



**Christina Pushaw** @ChristinaPushaw

Well, well... looks like PayPal spread misinformation about itself. Maybe they should pay a \$2,500 fine to all of us?

PayPal has backtracked on a published policy that would have fined users \$2,500 for spreading "misinformation," claiming the update had gone out "in error."

"An AUP notice recently went out in error that included incorrect information. PayPal is not fining people for misinformation and this language was never intended to be inserted in our policy. Our teams are working to correct our policy pages. We're sorry for the confusion this has caused," a spokesperson told National Review in a written statement.

8:28 PM · Oct 8, 2022 · Twitter for iPhone

3,261 Retweets 292 Quote Tweets 15.9K Likes



**Which Page Principles Apply?**

Manage for Tomorrow, Prove It with Action and Listen to Stakeholders

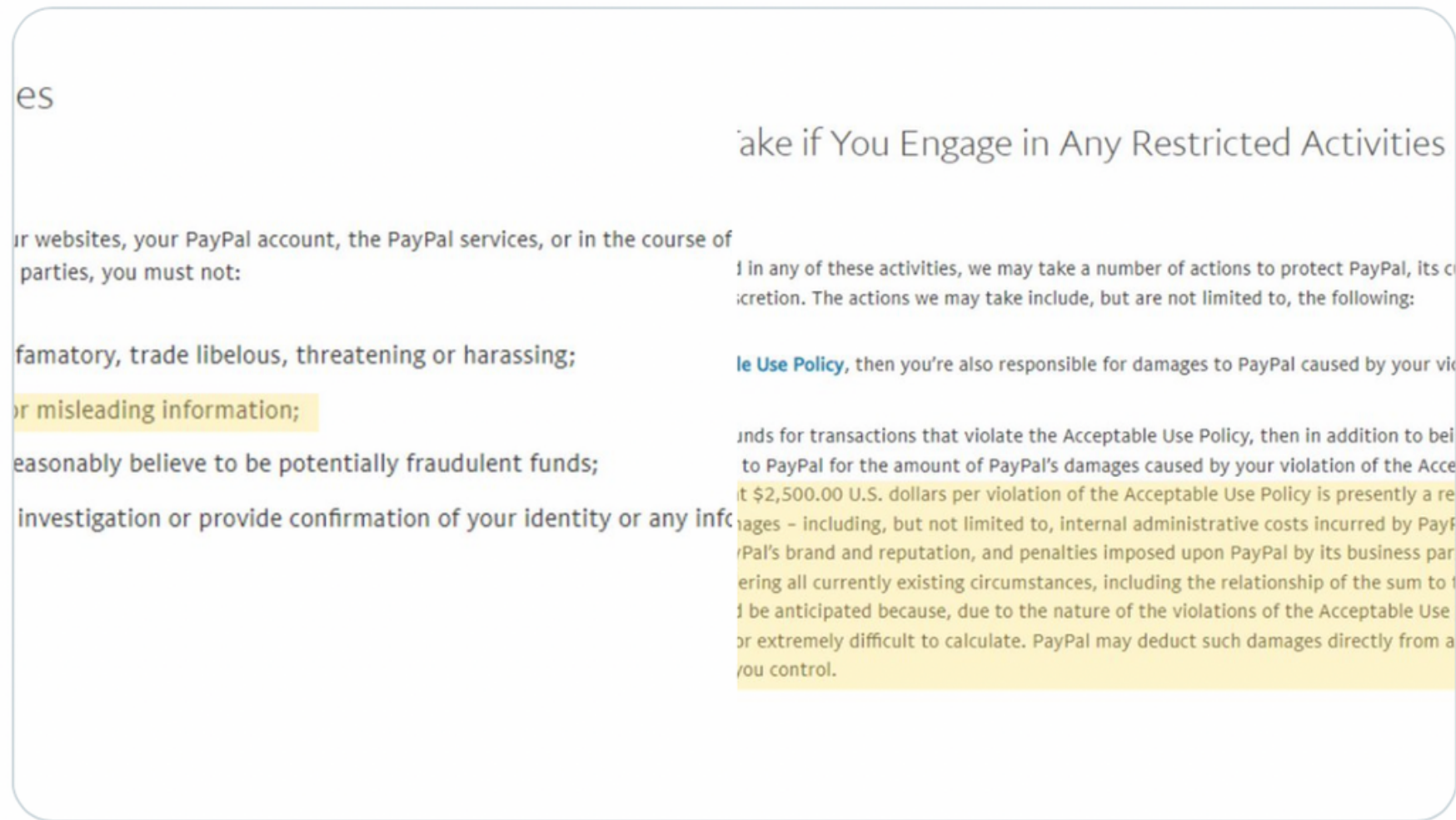




Tom Emmer @RepTomEmmer



Concerned about this language still in PayPal’s terms of service – it’s vague and seems like it could be weaponized to control speech. Looking forward to PayPal’s response to the @FinancialCmte and @HouseCommerce’s investigative letter, due today.



12:07 PM · Oct 27, 2022 · Twitter Web App

# AFTER THE BACKTRACK

## Politicians Seek Answers. No Response.

Republican Sen. Thom Tillis and Tom Emmer, U.S. representative for Minnesota's 6th congressional district, and other Republican politicians wrote a letter to PayPal seeking answers

Which Page Principles Apply?

Prove It with Action and Listen to Stakeholders





How do you think PayPal's actions impacted the company's finances and reputation? What societal implications can this case have for society at large?



# BEYOND FINANCIAL STATEMENTS

## Guided Discussion

How did PayPal's adherence (or lack thereof) to the Page Principles impact how it fared? How would things be different if it changed its approach?



## Market Value

**Before:** \$104 Billion Market Value, Q3 28% Share Price Rise and \$94.42 Stock Price

**After:** \$88.53 Billion Market Value, Stock Reaches Low of \$75.18

## Account Deletion

“How to delete PayPal” search engine search spike and "how to cancel PayPal" and "cancel PayPal account" Google search spike

## Full-Year Revenue Forecast Cut

Outweighed progress on the cost-savings program detailed in 2Q22's earnings report

## Post-Pandemic Recovery Plan

Affected core platforms' growth and increased the monetization of its 426 million active consumers and merchants

# FINANCIAL IMPACT



PayPal's Stock Value

Which Page Principles Apply?

Listen to Stakeholders and Manage for Tomorrow







# REPUTATIONAL IMPACT

## Account Deletion

Seventy thousand accounts engaged with the #DeletePayPal hashtag on social media, and there was a spike in how to delete and cancel PayPal searches on numerous search engines. However, PayPal had nearly 400 million users beforehand

## Continuing Critiques

Despite backtracking the update, it did not regain favor among all its stakeholders. There were continuing critiques from former employees like Sacks, conservative government official and customers





# **SOCIETAL** **IMPACT**

## **An Organization's Ability to Restrict Free Speech, Combat Misinformation & Regulate Banking Access**

U.S. House Republicans launch an inquiry into PayPal, and the Free Speech Union lobbies to prevent consumer political belief discrimination in Great Britain. Legislation like the proposed Fair Access to Banking Act is also called for in the U.S. because financial system access is a matter of human rights.



**Which Page Principles Apply?**

*Manage for Tomorrow*





# INVESTING IN THE FUTURE

**Oct. 29, 2022**

New AUP update

**Nov. 7, 2022**

User Agreement update

**Onward**

Potential implications for PayPal's future policies and calls for government legislation like the Fair Access to Banking Act

 **PayPal** User Agreement



**PAYPAL USER AGREEMENT**

Restricted Activities, Holds, and Other Actions We May Take

- Taking legal action against you;
- If you've violated our [Acceptable Use Policy](#), then you're also responsible for damages to PayPal caused by your violation of this policy; or
- If you are a seller and receive funds for transactions that violate the [Acceptable Use Policy](#) and said violation is associated with fraud or the sale of goods that are counterfeit or otherwise infringe on intellectual property rights, then in addition to being subject to the above actions you will be liable to PayPal for the amount of PayPal's damages caused by said violation. You acknowledge and agree that \$2,500.00 U.S. dollars per violation is presently a reasonable minimum estimate of PayPal's actual damages - including, but not limited to, internal administrative costs incurred by PayPal to monitor and track violations, damage to PayPal's brand and reputation, and penalties imposed upon PayPal by its business partners resulting from said violation associated with fraud or the sale of goods that are counterfeit or otherwise infringe on intellectual property rights - considering all currently existing circumstances, including the relationship of the sum to the range of harm to PayPal that reasonably could be anticipated because, due to the nature of the violation, actual damages would be impractical or extremely difficult to calculate. PayPal may deduct such damages directly from any existing balance in any PayPal account you control.



**Which Page Principles Apply?**

*Prove It with Action and Listen to Stakeholders*



# INVESTING IN THE FUTURE

## Lessons Learned

The importance of listening to stakeholders and living up to established corporate values and the impact they have on public perception and trust

## Questions to Consider

What does this mean for other brands – fintech or not – moving forward? How does the PayPal case impact the future of brands trying to impact society like this?

Texas A&M University Professor Valerie Hudson stated that the issue raised by the PayPal case is a matter of human rights. If so, what does this case mean for the future of businesses and their operating practices? What about future government regulations?

Now that the initial crisis is over, how should PayPal proceed to manage and/or rebuild its reputation? Advise the C-Suite on how to proceed.

# INVESTING IN THE FUTURE

## Breakout Activity

Consider all stakeholders and use the Page Principles and learnings from this case to guide your discussion.





**THANK YOU**

