

The PayPal Report

-by Mike Filsaime

How to properly use PayPal in Internet Marketing to avoid being shut down for violation their TOS and AUP

This report is written in the attempt to help online marketers understand how to abide by PayPal's AUP and TOS. Many marketers are reactive and not proactive and in doing so, get their accounts shut down and monies frozen. This report is to educate marketers to use PayPal properly to avoid any risks.

This report is not endorsed by or associated in any way with PayPal or Clickbank and is for entertainment purposes only.

Re: PayPal TOS and Internet Marketers problems.

Hi,

Mike Filsaime here

This letter is to explain the recent (and long time) issue with PayPal shutting sites down for different reasons.

Some usual Bull

- I am not an attorney
- This report is based on my understandings, opinions, and interpretation of PayPal TOS (and other programs.)
- Any questions – Call PayPal or speak to an attorney.
- Make sure to read PayPal's TOS for yourself.

<https://www.paypal.com/us/cgi-bin/webscr?cmd=p/gen/ua/ua>

IMPORTANT NOTE:

- For the respect, privacy, and safety of other Internet marketers, when calling PayPal to discuss a question or a problem you may have, never point to any other marketers web site to use as an example. i.e. Do not ever say, *“well if my account got shot down, can you explain how this members still has an account.”* Or, *“I have a question, can you tell me if this site violates your TOS for reasons x and y?”*

Use of Affiliate Program with PayPal

PayPal does allow you to have an affiliate program. They even say in their mass pay section, you can use PayPal to pay your affiliates.

They do state in this excerpt:

In determining whether a website or account violates our Pyramid, Multi Level Marketing, and Get Rich Quick Schemes Policy, PayPal will consider some or all of the following factors:

- Offering commissions to recruit new members

Now, be careful. This is a gray area and up for interpretation. You CAN offer commissions to people that refer people to your website that result in sales for your product.

If you have a free site, with a PAID One Time Offer, be sure **not** to use text or audio or video that states something like:

“Get paid just by referring people to our site.” - You see how that can get you in trouble?

You want to say something like:

“If you refer someone to our site, and they buy any of our products or services like you saw in our One Time Offer, we will pay you a commission for the sale of that product or service. We do not simply pay you for sending free members to us.”

Now, if you have a site that offers a downline but does not pay on the downline but delivers benefits of traffic down many levels, i.e. traffic exchange, you need to be very careful in and out of your site.

Your site is a non paying Network Marketing Site. It does not pay commissions down more than 1 level. But it does encourage the recruitment of members in a matrix. But you pay people for products or services purchased when they refer someone on the first tier.

If your site is not clear on this, you can confuse PayPal. A confused PayPal clerk reviewing your site leads to one thing. Getting shut down... Be proactive and make sure your site is clear about this. “You pay only on sales of products on 1 tier, not multi-tier.” Once you get shut down, it will be near impossible to try to get them to understand how the site works.

2 or more tiers

Under no circumstances, will PayPal’s AUP dept and their TOS allow you to have 2 or more levels (or 2 tier) affiliate program. If you do and you get shut down, you have no one to blame but yourself.

Make sure no where on your site does it say 2 tier.

Using the Spilt Pay Feature

PayPal states that they do not allow the splitting of payments. Sentence ends. They than say, in their example, to reduce fees by using splitting of payments is against their TOS.

Now, if you have a \$100 product and you do split \$50 to you and \$50 to your affiliate, they see that as you trying to save on fees. You only pay \$1.50 and not \$3.0. Although, in the end, they still get their 2 x \$1.50 = \$3 anyway.

The other issue is that the affiliate is getting paid as a “sponsor” and has not delivered a “Service” or “Product”. And also may have problems when it comes to a refund. Most will refund, but it still can get gray.

We have called PayPal last year, and although their customer service reps last year said they did not see a problem, they are just reps. You could call back and get a “there is a problem” answer from the next person you talk to. In the IM world, we have kept it hush and there have not been any issues.

But again, recently, when you logged into PayPal, they had a new TOS for their MasterCard, and you had to agree. In there, it stated no SPLIT payments.

What does that mean? **I would not suggest using Split Payments.** Point blank, get paid upfront, pay later. Once per month or once per week... The sooner you pay, the better your affiliates should perform. Keep in mind, you now have Tax information you need to keep records of for the IRS. You may want to get full profile information including SSN/EIN and a completed W-9 form from your affiliates.

What About Paying Affiliates Instant 100%

This is essentially part of the split payment feature. But it is not a split payment. It is one payment. Payment number 2 is zero and thus, the system bypasses it and only one payment is made.

Only drawback is Refunds and Customer Service.

What I would do if this was the case, is give your members, in your TOS, limited rights to the product to allow them to make the sale but only deliver it thru your members area and they must refund if you request they do or you may terminate their membership without warning. Then refund the customer yourself.

For customer service, make sure that those getting 100% know how to handle the customer service issues. Make sure they know where the help desk is and how to contact you for assistance to help the customer if they have a PayPal problem.

Again, some may argue not to use this. If you have any doubts or fears, then collect all the money, and pay affiliates monthly. You are well within your rights to do so.

I am not giving you advice, but I have no issue with the 100% instant to affiliates. I do it often with my JV partners. Most likely you will only pay 100% to your JV partners anyway. These are people you trust and they will make sure the customer is happy. Again, if any fears then you should collect and pay later.

Resale Rights and Master Rights / Get Rich Quick

Many people are being shut down left and right for this. And most think it is because of spilt pay or other reasons. PayPal is often vague and it leaves people to assume it is one thing when indeed it is this problem.

The problem is, members at PayPal do not know how to interpret their own rules. Their rules are in fact vague and state “at our discretion.” The problem is, once anyone makes a decision, most managers will stand by their staffs decision.

The problem many face with resale rights and Master rights, is the wording used. Basically, it is O.K. to sell the rights, or Master rights, but when you state that they can make their investment back by reselling it, it starts to smell (to PayPal) like a get rich quick or pyramid.

Keep your focus on the product, and the benefit of the product. Do not focus on how “If they buy then they can resell and make back their money.”

Remember, even if you take my advice, PayPal can still, “at its discretion,” have issues with Master Rights. Mainly “How to Make Money Reselling This Product” Master rights. Bass Fishing, most likely not. But anything is possible.

In this case, I would call PayPal and get approval **without** an order button on the site. (not after you have a button and made sales.) If you get an O.K., it will be easier to get your account back fast once it is documented. Get the reps name and badge number when you do.

As for Hype and get Rich Quick. If you are selling a “how to make money” product or software, make sure it is not hyped or get rich quick or make ANY claims to success they can have. Have your legal and earnings disclaimers in place (get an attorney). Make sure to say things like

“I will show you how I made \$xxx, and the step-by-step plan I did that you can follow with a few hours a day of not so hard work.”

Do **NOT** say things like:

“I will show you how you can make \$xxx, by doing literally no work while you sleep at the beach.”

Again, no hype or false claims. Make sure claims in your testimonials are actual and provable if ever needed.

Make sure you are not selling an information product on MLM. Remember, they leave the GRAY door open “at its discretion,” and even if you sell a legit information product on how to be a legal MLM marketer for \$47 with ‘no affiliate

program' they may see MLM and shut you down for violation of TOS. 'No MLM.'

They would be wrong if you ask me, but it is "at their discretion,"

Many people get shut down for these things. Remember, call before you add a PayPal button when in doubt.

Unusual Activity

This is another biggy. All the more reason to use many options, and not just PayPal. But, if your account is new, or not used to doing \$100+ a day for at least a year... Doing \$25,000 in a day can have your funds frozen for review for about 6 months. What a way to spoil your day.

Solutions, get a PayPal account ASAP. Keep it as active as you can with payments coming in. The earlier you do this, the easier it will be when you launch in the future.

Solutions –

- Call PayPal before and show the site with no PayPal button
- Tell them how much you plan to do and explain how, when, and why.
- Use more than just PayPal as your option.
- Launch your site with out PayPal and add it a few days later after the flood of sales come in
- (Be sure to tell your other merchant account providers as well.)

If your Clickbank account is new, you do not need to call them. They see all the sales come in from so many different affiliates. So that tells them it is not credit card fraud by the merchant. PayPal and credit card companies have no way to know, so they can not understand "affiliate marketing" or how anyone can do \$0 today and \$25,000 in 8 hours tomorrow.

Be Proactive

I have said it many times before. Read PayPal's TOS. Do not add a button. Call them with any questions or if you have any doubts. Explain how the site 'will' work (not how it works with PayPal), how much you plan to make, and what you are selling.

Try to call and get an account rep too. They are great.

Handling PayPal Buyer Disputes

Make sure to login daily and honor your refund policy if you get a request. If you get a dispute, make sure to respond ASAP to the issue. If you slack on this, it looks bad in your account should you ever need to plead your case that you are a valued PayPal user.

Having 2 accounts.

An individual may not have 2 accounts, but you can and so can your spouse.

Also, anyone may have one personal account and one business account. So it is possible to have 4 accounts in the same household.

Actually, any legal business may have a PayPal account. So you could have access to many PayPal accounts.

Multiple accounts are good to have if one sites gets shut down, your business and all your other sites are not shut down. You can just change those to one of the active accounts until you can work with PayPal to get it back.

(Keep in mind. If they shut one, they may shut down others at the same address.)

If your site does get shut, do NOT add one of the other PayPal accounts on that site to replace it. It too will get shut down (and never use a friends.)

If you do get shut down

Be calm. Do not over react.

Call PayPal and be polite. Never sound desperate. Be sympathetic to how they are trying to the right things by customers to protect them against fraud. Show that you are willing to comply to anything needed. Even if shutting down the site. (Yes, you heard me.)

Speak to a supervisor if needed. In most cases, you can get it back. Do not lay down. Get an attorney involved if needed if they decide to freeze your funds and not reopen your account.

If you followed much of my advice in this report, most likely it will not come to this. But if you have unusually activity, they could temporarily suspend your account while they investigate for fraud. Remember, be patient.

Use ClickBank or more than one account.

I recommend using Clickbank for your BM script. They take credit cards, just as many countries (or maybe more), e-check, and even PayPal. It works well with Butterfly Marketing, affiliates like it, they pay on time, and you do not have to do taxes for anyone but yourself.

Trade off – very high fees. But they make it so easy, who cares.

With BM, you can use it stand alone or with PayPal. This will help slow the amount of money flooding into your PayPal account too.

If you previously got shut down by PayPal, you can now use Clickbank and they have PayPal. But I would remove the PayPal logo from your site. PayPal may come back and see you are taking ClickBank and ask ClickBank to tell you to stop selling. If this happens, ClickBank is great and will just ask you to “Shut off PayPal option if needed” in your account by logging into Clickbank and:

[] un checking ‘Accept payments by PayPal.

I have a separate Clickbank account approved to do sales of \$197. Their standard is only \$50. You have to ask for an increase. I would recommend asking for an increase on one of your long standing established accounts. They do not need to see a sales page, they will just be OK with your current product and assume you’re raising the price.

For a new account application, you have to show them a site with a value of \$197 and hope they approve you.

One thing you MUST remember, ClickBank will NEVER pay an affiliate over \$100 maximum. So if you set your product to \$197, you can not pay any affiliate or JV partner more that 50%

So if your price is \$197, then do not promise people 60% or 70%. You will have to eat a lot of cake and look bad going back on your promise.

You can always use other options with or without PayPal rather than PayPal alone and I suggest it. You never want to put all of your eggs in one basket. This is something I learned and I myself am making drastic changes to all of my sites. I will be using ClickBank for the One Time Offers and not using Split pay any more.

I hope you found this report useful.

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