

The complaint

Mrs C is unhappy that PayPal (Europe) Sarl et Cie SCA permanently limited her account and restricted access to funds within it.

What happened

Mrs C telephoned PayPal and asked whether she could open a PayPal account to run a raffle at work for a charity event. PayPal told Mrs C that this would be acceptable to them, and Mrs C then proceeded accordingly. However, PayPal then proceeded to limit Mrs C's account and suspend her ability to withdraw money from the account on the basis that Mrs C had contravened their acceptable use policy. Mrs C wasn't happy about this, so she raised a complaint.

PayPal looked at Mrs C's complaint, but they maintained that by using the account to administer a raffle, that Mrs had contravened their acceptable use policy, and so they didn't uphold Mrs C's complaint.

Mrs C wasn't satisfied with PayPal's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They didn't feel that it was fair that PayPal would tell Mrs C that her intended use was acceptable verbally, only to later limit go back on this statement and to limit the account. So, they recommended that this complaint be upheld in Mrs C's favour on that basis.

PayPal didn't agree with the recommendations put forwards by our investigator, so the matter was escalated to an ombudsman for a final decision.

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.

PayPal's acceptable use policy includes a reference to a lottery contract as a prohibited activity. Given that a raffle is in essence a form of lottery, it seems reasonable that PayPal would consider this use as being in contravention of their acceptable use policy. However, it can be the case that a corporate policy such as acceptable use policy can be correctly applied in an unfair manner, and I feel that this is what's happened in this instance.

It would be expected the PayPal's staff would have a clear understanding of the acceptable use policy. And given that Mrs C asked whether using the account to administer a lottery would be acceptable to PayPal – and was told that it would be acceptable – it doesn't feel fair that PayPal would then subsequently limit this account in the manner which they did.

If PayPal felt their staff member had given incorrect information to Mrs C, then I feel that PayPal should have made every effort to allow Mrs C to withdraw the money and close her account so that she wasn't adversely impacted by the receipt of such incorrect information.

Additionally, PayPal haven't provided any compelling reason as to why they didn't provide

such an opportunity to Mrs C here, including that PayPal haven't provided any evidence of potential financial irregularities conducted by Mrs C on the account – which I acknowledge may have been difficult to provide given that it appears Mrs C was administering a raffle for colleagues and friends as she initially explained to PayPal that she was.

Ultimately, PayPal told Mrs C that she could use her account to administer a lottery. And having been given this information by PayPal, I don't see any reason why Mrs C should have questioned it and not used the account in the manner which she'd been told was acceptable.

Furthermore, I can't rationalise any reason why it should then be considered fair for PayPal to have gone back on their word and to have applied their acceptable use policy in a manner which I'm satisfied was unfair here as a result – including restricting Mrs C's account and her access to the money within it in the manner that PayPal did.

All of which means that I'll be upholding this complaint in Mrs C's favour. I'm aware that PayPal have now allowed Mrs C access to the money in the account and that this has now been withdrawn. However, I feel that PayPal should pay 8% interest on the account balance on a pro-rata daily basis for the time from which Mrs C's account access was limited to the date when Mrs C withdrew the money from the account.

Finally, I will be instructing PayPal to make a further payment of £200 to Mrs C which I feel fairly compensates her for the trouble, upset, and inconvenience that has incurred here.

Putting things right

PayPal must make a payment to Mrs equal to the daily interest that would have accrued on the account balance at 8% per annum from the date that PayPal limited the account to the date the Mrs C later withdrew the money from the account.

PayPal must also make a further payment of £200 compensation to Mrs C.

My final decision

My final decision is that I uphold this complaint against PayPal (Europe) Sarl et Cie SCA on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 12 May 2022.

Paul Cooper
Ombudsman