

The complaint

Ms L complains PayPal (Europe) Sarl et Cie SCA wouldn't close her account or delete her personal information from its system. She believes PayPal provided poor customer service and that the difficulties this caused were avoidable.

What happened

I issued my provisional decision on this complaint on 1 February 2022. I provisionally upheld the complaint in part and set out what PayPal needed to do to put things right. And I invited both parties to let me have any final comments. A copy of my provisional decision is below.

What happened

Ms L had a PayPal account, which she'd opened in 2012. Historically there was an existing limitation on this account. Ms L says she wasn't aware of this (certainly she couldn't recall anything).

In early July 2020, Ms L contacted PayPal - she wanted to pay for a purchase online but because she hadn't used her account for some time, she'd forgotten her password. PayPal sent Ms L a link to follow (to reset her password and re-connect with her account). But Ms L says that as soon as she did this, the effect of the limitation resulted in everything freezing. So, she couldn't make the payment she'd intended.

Ms L contacted PayPal about this via its online chat facility. She wanted it to remove her account details and close her PayPal account immediately. PayPal responded - it said there was a historical limitation on her account, and it couldn't carry out her request until she resolved this issue. In order to do this, it said Ms L needed to provide proof of her identification (such as her passport).

The limitation had arisen due to the account being opened with Ms L's first initial rather than her full first name. PayPal said it needed identification to verify her details. Ms L wasn't willing to do this – she said she had no intention of using the account now, so she considered the request excessive. She questioned the limitation on her account and repeated her request for her details to be removed and the account closed. As PayPal wouldn't agree Ms L raised a formal complaint and she also referred matters to the Luxemburg data commission (known as CNPD for short).

PayPal sent Ms L a final response. In summary, this said, in accordance with strict financial and regulatory legal obligations it was required to retain customer data to safeguard against fraud, money laundering and financial crime. And as its retention period for data was ten years (set out in its User Agreement) it couldn't delete the information until that time period had lapsed. It added that any personal data wouldn't be processed or used for any other purpose.

Ms L wasn't satisfied and referred her complaint to us. In doing so, she highlighted the following concerns:

- *PayPal hadn't been open and transparent with her when she'd contacted it about using her PayPal account again. There was no mention of the limitation and so PayPal had obtained her data about her bank account falsely. It now had this information for ten years and she was worried about its security.*
- *She considered PayPal's requests to provide identification excessive and its refusal to close the account unreasonable given that she no longer wished to use it.*
- *She had sent PayPal a number of emails, but she had only got a response to the complaint after writing to its CEOs office. She considered its customer service was been poor.*
- *PayPal had eventually closed her account but only after she had involved the CNPD. She couldn't understand why the closure couldn't have been actioned from the outset.*

One of our investigators looked into the complaint, but he didn't recommend it be upheld. In summary he concluded:

- *He didn't think the request for re-setting the password would've flagged the limitation. Evidence from PayPal showed the limitation had been on the account since 2014 And that Ms L had been told about this at the time, together with what she needed to do resolve the issue, which was to provide identification. Ms L had been unwilling to do this. In the circumstances, he didn't think PayPal had been unreasonable.*
- *There wasn't any basis for asking PayPal to delete Ms L's personal information outside of its data retention period.*
- *He noted that PayPal had closed the account following involvement from the CNPD. But this was an exception and, in his view, meant there wasn't anything more for it to do to resolve the complaint.*
- *He was satisfied PayPal had responded to the complaint within a reasonable period of time and within eight weeks of complaint handling rules.*

Ms L didn't agree with these conclusions. She asked that her complaint be passed to an ombudsman for review.

What I've provisionally 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. Having done so, I'm intending to uphold this complaint in part. I'll explain why.

Limitation and adding her information

The available evidence shows Ms L was reasonably aware of the limitation on her PayPal account in 2014. I say this because she and PayPal had been in communication about it. Given that nothing had changed since 2014, when she'd been notified, I don't think there was any reason for Ms L to suspect that position might have changed. Having said that, I appreciate it's possible she may have forgotten about things given the time that has passed. I know Ms L feels strongly about this particular point, but I haven't seen anything persuasive to say that in re-setting the password, PayPal should have also taken this opportunity to remind her about the limitation. So, based on this, I don't think it treated her unfairly here.

Closure of PayPal account

I have seen a copy of the 'live webchat' that happened immediately after Ms L tried to use her account but couldn't. The first thing to say about this is that much of the conversation is about Ms L wanting PayPal to unlink/delete her bank account details. I will comment on this under a separate heading below. But first I shall deal with her request to close her PayPal account. Ms L believes PayPal should have closed her account when she asked it to, and it shouldn't have been necessary to involve the CNPD or repeat the request a number of times.

Having looked at the webchat I can understand why Ms L was frustrated and upset – she couldn't make the payment she wanted to. This would have been disappointing. While I appreciate this was a result of the limitation on her account, I think this is the key point at which things started to go wrong in terms of the customer service she received.

In the webchat from July 2020, Ms L says, she doesn't want to use her PayPal account now and tells it, "I want you to close my account". But PayPal doesn't close the account until October 2020 and after it heard from the CNPD, when it says it made an exception. I asked PayPal about this and it has explained that a customer can close an account at any time, as long as it's in good standing. But not where it's limited in order to avoid further investigation. It's cited a suspicion of fraud as an example and mentioned a hypothetical situation.

I've thought about what it's said, but I haven't seen anything compelling from PayPal to support there was a reasonable suspicion of fraud in this specific case or that Ms L was under investigation. I also note that PayPal wasn't holding an account balance where it might be argued it needed additional information before it could release funds. Rather, PayPal had requested identification to verify Ms L's full first name given it says it only had her initial from the account opening. And presumably it had already satisfied itself as to her identity. Otherwise, I would have to question why it was corresponding with Ms L in any detail about the existence of the account.

So, in these circumstances when Ms L said she didn't want to use the account going forwards and asked PayPal to close it, I consider it should have reasonably actioned her request. And by not taking any action until things were escalated, I'm satisfied this caused Ms L distress and inconvenience.

Of course, the account is closed now so there's no action for PayPal to take in this respect, but I think it needs recognise the impact this had. I will say more about this later in my decision.

Unlinking the personal bank account and retention of data

As I said above, a lot of the conversation with PayPal in the webchat was about Ms L wanting it to unlink her bank account from her PayPal account and delete this information from its systems. In the chat Ms L says she's concerned about the security of her information. PayPal tells her that it can't unlink and delete the account until the issue of the limitation is resolved. It adds that this can't happen until Ms L provides documents verifying her identity.

I've considered these points but given what I have said about the closure of her account, I think it follows PayPal should have also unlinked her account, as I can't see what practical purpose would have been served in keeping it linked when no funding source have been required for it. In not doing so, I think this added to Ms L's frustration and her concerns about her personal information.

PayPal has said that still holds Ms L's bank account details and will do so (in accordance with its policy) for 10 years from when the account was closed. It says it has to do so for a number of reasons, which include complying with the law and preventing fraud. I've considered its response and had regard for Principles of General Data Protection Regulation. With this in mind – I acknowledge that PayPal is entitled to decide on its policies and procedures in terms of retaining information. But, in the individual circumstances of this complaint, I can't see the relevance of the information here to the obligations cited by PayPal, or what legitimate purpose is served in keeping these particular details given there isn't an active account. And that no transactions passed through the account using these details. So, in strictly applying that policy here, I think it's leading to an unfair outcome for Ms L in the circumstances.

So, in the individual circumstances of this case, in not acceding to Ms L's request about unlinking and deleting the account details, I think it treated her unfairly and this had an impact. In particular, I can see from the webchat response Ms L was getting increasingly upset and frustrated.

Complaint-handling

Ms L has said she repeatedly raised her concerns with PayPal and it was only after contacting the CEOs office that she eventually got a response to her complaint. I can understand her frustration and I hope I have in this decision recognised some of the poor service I feel she received. But complaint handling itself isn't a regulated activity under our rules so it's not something I can consider. That said, I think I can say Ms L received PayPal's final response letter within the timescales set out by the regulator, eight weeks.

Putting things right

Taking all these points together, I intend to require PayPal to delete all records of Ms L's personal bank account details from its servers, send her a letter of confirmation to say this has been completed and pay her £300 compensation to reflect the distress and inconvenience this caused (both at the time and in escalating matters further).

My provisional decision

My provisional decision is that I intend to uphold this complaint in part and direct PayPal (Europe) Sarl et Cie SCA to do the following:

- delete all records of Ms L's personal bank account details from its servers;*
- send a letter to confirm the deletion has been completed; and*
- pay her £300 compensation.*

Ms L responded to say she accepted the provisional decision. But PayPal didn't provide a response before the deadline I'd given.

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.

Given Ms L has accepted my provisional decision and PayPal hasn't responded to it at all, I see no basis to depart from I said. PayPal didn't treat Ms L fairly and I have explained why

this caused her distress and inconvenience. It's only right it should put things right and I've set out what it needs to do to resolve the complaint.

I hope Ms L can now put what happened behind her.

My final decision

My final decision is that I uphold this complaint in part and direct PayPal (Europe) Sarl et Cie SCA to do the following:

- delete all records of Ms L's personal bank account details from its servers;
- send her a letter to confirm the deletion has been completed; and
- pay her £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 30 March 2022.

Sarita Taylor
Ombudsman