

The complaint

Mr B complains about PayPal (Europe) Sarl et Cie SCA and their decision to permanently restrict his account without providing an explanation. Mr B is also unhappy as he believes PayPal have shared this information with other companies.

What happened

Mr B held a PayPal account, which he used to both buy and sell items. On 29 July 2018, PayPal permanently restricted this account, saying Mr B had breached the accounts terms and conditions. Mr B was unhappy about this and appealed the decision. But PayPal rejected this appeal and the restriction remained in place. Mr B was unhappy about this, so he raised a complaint.

Mr B didn't think PayPal had acted fairly when restricting his account. And he didn't think it was reasonable for them to do so without explaining why they'd taken this action. Mr B also believed PayPal had reported this restriction to other companies, which had seem him lose access to certain services and unable to withdraw funds from a gambling account he held Mr B was also unhappy that £8.89 of his available balance hadn't been released for a significant period of time. So, he wanted to be provided with an explanation, refunded the £8.89 he couldn't withdraw and be compensated for the upset he'd been caused. He also wanted PayPal to remove any reporting of the account restriction.

Mr B says he didn't receive a response to his complaint, so he brought his complaint to us. Our service contacting PayPal about this issue, who then provided a response to Mr B's complaint.

PayPal thought they'd acted fairly, in line with the terms of the account, when restricting Mr B's account permanently. And they thought these terms made it reasonably clear they had no obligation to detail the reason why the account was restricted. So, they didn't think they'd done anything wrong here. But they recognised an IT system issue has prevented Mr B's full balance being released. So, they credited Mr B's account by £8.89 to allow him to withdraw this, which Mr B did. And they didn't think they needed to do anything more. Mr B remained unhappy with this response, so he asked our service to continue with our investigation.

Our investigator looked into the complaint and didn't uphold it. They thought PayPal acted in line with their terms and conditions when permanently restricting the account. And they didn't think PayPal were obligated to provide the reason for this, as well as explaining our service is also unable to disclose this as PayPal deem this information to be commercially sensitive. They also thought PayPal acted fairly by arranging for Mr B's account to be credited when they became aware not all the funds had been realised. And finally, they explained they had seen no evidence to suggest PayPal had shared information about Mr B's account being restricted. So, they didn't think PayPal needed to do anything more.

Mr B didn't agree with this. He thought PayPal were made aware of the £8.89 not being released much before they agreed to credit his account. And he thought PayPal had messages to show this, which he was now unable to provide. And Mr B provided screenshots of his attempts to withdraw funds from a gambling website, which explained a

balance needed to be settled with PayPal before he could complete this. So, he thought this showed PayPal had reported the account restriction and he explained this was damaging for his career. As Mr B didn't agree, the complaint has been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr B. I understand Mr B used his PayPal account to both buy and sell items. So, I appreciate how the permanent restriction to his account would've made it more difficult for him to do so. And I understand why Mr B would be left frustrated as he hasn't received a definitive reason from PayPal as to why this was. I also recognise Mr B's worry that PayPal's decision has impacted his dealings and reputation with other businesses and because of this, why he would want PayPal to remove the limitation to prevent this.

But for me to say PayPal should remove the account limitation, I'd need to be satisfied PayPal acted unfairly when applying it in the first place. So, I'd need to see evidence that shows they acted outside of their user agreement when limiting the account. Or, if I think they acted within this, that it was unfair for them to do so. And in this situation, I don't think that's the case.

I've seen PayPal's user agreement, which explains PayPal may limit a customer's account immediately, without penalty to them, if they believe a customer has engaged in what they believed to be restricted activities.

PayPal have confirmed they are unable to disclose the reason for the account limitation. And the user agreement explains "*We have no obligation to disclose the details of our risk management or security procedures to you*". So, I don't think I can say PayPal have acted unfairly, or outside of the agreement, by not detailing their reasoning to Mr B. And they've confirmed this decision is a commercially sensitive decision, so I'm also unable to disclose the reasoning. But PayPal have provided me with their reasoning, alongside supporting evidence, and from this I'm unable to say PayPal acted unfairly or disproportionately. So, I'm unable to say PayPal should remove the limitation on this occasion.

But I'm aware Mr B believes this limitation has impacted his dealings with other organisations. In particular, his ability to sell items through retailer E and to withdraw funds from a gambling website, who I'll refer to as "F".

And from what I've seen, I think it's reasonably clear Mr B has had issues with these companies, in particular F. But I don't think I can say this is because of anything PayPal have done wrong.

PayPal have stated they don't report the limitation of an account to central databases for other companies to see. And I've seen no evidence that shows me otherwise. So, I don't think it would be fair for me say what they've stated is untruthful or incorrect. But even so, I've seen PayPal's user agreement, which states under the heading "*Actions we may take if you engage in restricted activities*" that PayPal may "*contact third parties and disclose details of the restricted activities in the manner set out in our privacy statement*".

I've looked at PayPal's privacy statement, which provides several reasons as to why they may share a customer's data. And I think from the two examples Mr B have provided, both with retailer E and F, any data shared with these would fall under the terms of the statement. So, even though I have no evidence to show PayPal have shared information about the limitation, if they had I don't think they would've done anything wrong by doing so as I believe the decision to place the limitation in the first place was fair.

I've also seen that F have stated Mr B is unable to withdraw funds until he's cleared an outstanding balance with PayPal. But PayPal have provided me with evidence that shows their system records Mr B's limited account with a balance of £0. So, I don't think I can say that PayPal are responsible for F's decision to prevent withdrawals into the affected bank account and this is something Mr B should raise with F directly.

Finally, I've thought about the £8.89 that wasn't released to Mr B in 2018. PayPal have recognised this failure to release was caused by an internal system error. And they say once they were made aware of this, they credited Mr B's account, so he was able to withdraw it, which he since has. So, I've thought about whether I think this fairly resolved the issue. And I think it did.

Mr B has fairly referred to PayPal's user agreement, which explains funds in a limited account should be released after 180 days. And it's not in dispute that this didn't happen on this occasion. But PayPal have said this resulted from a system issue which they weren't aware of. And as soon as they were aware, they took steps to rectify the issue.

Mr B says he messaged PayPal on several occasions through PayPal's message centre asking for the money to be released. And so, he thinks PayPal purposely delayed this until our service became involved. But Mr B has been unable to evidence these messages, as they are cleared from PayPal's message centre after 90 days. PayPal have confirmed this is the case. But PayPal have confirmed they are still able to access messages after this point and they they've been unable to locate any messages from Mr B relating to the £8.89 and making them aware he was unable to access this.

So, I have to think about what I think it most likely to have happened, based on the information I have available. On one hand, Mr B who is unable to access messages after 90 days say these messages were sent. But PayPal, who can access these messages, say none were sent and so, can't be located. And what I can see is that the account was limited in 2018. So, if Mr B was aware of the £8.89 not being released at this time, and that PayPal weren't responded to his messages, I would've expected him to contact our service around that time about this. Instead, Mr B didn't contact our service until April 2021. Considering Mr B's unhappiness about the unreleased funds, and how long it's taken to be given back to him, I would've expected Mr B to have taken steps sooner to contact us.

So, on the balance of probability, I think it's most likely that Mr B only realised the issue with the funds around the time he contacted our service. And because of this, I think this is when PayPal became aware of this issue. I can see they rectified the issue with two weeks of this, which I think is within a reasonable amount of time. So, I don't think they need to do anything more in relation to this.

I understand this isn't the outcome Mr B was hoping for. And I recognise this leaves him with a permanently limited account with PayPal, which he believes will have ramifications on his ability to use the services retailer E and F. But I can't say these difficulties have arisen from anything PayPal have done wrong and so, I won't be asking PayPal to do anything more on this occasion.

My final decision

For the reasons outlined above, I don't uphold Mr B's complaint about PayPal (Europe) Sarl et Cie SCA.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 June 2022.

Josh Haskey
Ombudsman