

The complaint

Miss M complains PayPal (Europe) Sarl et Cie SCA have failed to remove a limitation placed on her account.

What happened

Miss M has a PayPal account, and in June 2020 a limitation was placed on it so that her identity could be verified. To do this, PayPal asked Miss M to send them proof of her identity and proof of her address. Miss M told PayPal she didn't have any photo I.D, and they explained she could be verified if she sent them a copy of her birth certificate and a valid bank statement.

Over the coming weeks and months, Miss M provided the information PayPal had requested. On occasions, PayPal explained the bank statements provided weren't in the correct format. So, Miss M provided alternative copies – and even did so while on the phone with them to try and ensure she was sending the information they needed. However, despite her efforts, the limitation on her account wasn't removed.

Miss M complained to PayPal about the time it was taking to remove the limitation on her account. They looked into her concerns and issued their final response. In this, they explained they needed to verify her identity for their due diligence obligations, and that they needed her to provide photo I.D. This letter didn't comment on what Miss M had told them about not having photo I.D. Miss M remained unhappy, so she brought her complaint to our service.

Our investigator felt Miss M's complaint should be upheld. She felt PayPal's communication with Miss M should have been clearer. She asked them to pay £100 in recognition of the inconvenience their mistakes caused. PayPal didn't respond to our investigator's view, and Miss M still wanted access to the funds held in her PayPal account. Our investigator didn't change her opinion, so the case was passed to me for a decision.

I issued my provisional decision on 10 March 2022. In this, I came to a different outcome to our investigator because I considered her award didn't go far enough to put things right. I explained PayPal providing Miss M with inconsistent information caused significant delays in their verification process. I also wasn't satisfied it was fair for PayPal to keep hold of Miss M's funds indefinitely. So, I said I was minded to ask them to release Miss M's funds, increase the award for distress and inconvenience to £300, and for them to confirm to Miss M if her account needs to be closed given she doesn't have photo I.D.

Both Miss M and PayPal had until 24 March 2022 to provide any further points and/or evidence for me to consider. However, I didn't receive a response from either of them. In light of no new information, my decision remains the same.

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 upholding Miss M's complaint, but in a different way to our investigator. I'll explain my reasoning below.

PayPal said a limitation was placed on Miss M's account because they needed to verify her identity. Having looked at the terms and conditions that apply to Miss M's PayPal account, I can see this is something they tell their customers they might do. So, I'm satisfied Miss M ought to have been aware this is something that might happen with her account. In addition to this, it's not unusual for a financial business such as PayPal to take steps to verify their customers. In fact, this is common practice to help protect the interest of their customers and themselves. Given the purpose of these checks, I couldn't automatically say that preventing access to an account while checks are carried out is unfair. However, if a consumer is prevented from accessing their account, I would expect any checks to be carried out efficiently to prevent unnecessary inconvenience. In this case, Miss M complains about the amount of time the limitation has been in place. So, I've had to decide if PayPal has acted reasonably by keeping the limitation in place, or whether it should have been removed sooner.

The limitation was placed on Miss M's account in June 2020 and has remained in place ever since. This means she hasn't had access to her account, or the funds held in it, for nearly two years, and this is an incredibly long period of time. I could somewhat understand this happening had Miss M not engaged with PayPal when she was told her account needed to be verified. However, the information from both parties suggests that wasn't the case. From what I've seen, I'm persuaded Miss M told PayPal, at the earliest opportunity, that she didn't have photo I.D. – and that was the right thing to do. It also demonstrates she was willing to work with them to ensure they had what they needed to carry out their checks. So, when Miss M was told to provide her birth certificate and bank statement instead, I don't consider it was unreasonable for her to rely on this information.

When this complaint first came to our service, PayPal told us they'd received Miss M's birth certificate. They also explained they only needed a valid bank statement to verify Miss M's identity. They clarified that a valid bank statement needed to show the following:

- Miss M's full name;
- her address;
- her bank's logo; and
- the date.

When we asked PayPal for copies of the bank statements Miss M had sent to them, they said they couldn't provide us with copies because they hadn't received any photo I.D. When the case came to me, I had nothing that showed the format of the statements Miss M had sent PayPal. I needed this information to determine whether the information detailed above wasn't visible on the statements she'd provided – and if that was the case, it would explain why the limitation hadn't been removed. So, I asked Miss M to send me copies of what she'd previously sent PayPal. I also asked her to send me her most recent bank statement which showed all the information PayPal had asked for.

When I received the statements from Miss M, they contained all the information PayPal needed to see to deem them "valid". Therefore, I didn't consider it was fair the limitation hadn't been removed and asked if they were now prepared to remove it. PayPal explained their position remained the same, and that they had written to Miss M in August 2021 outlining the information they needed to verify her account.

PayPal provided us with the email sent to Miss M in August 2021. This said they needed her to provide photo I.D. to verify her account. Nowhere in this email did it acknowledge what Miss M had told them about not having any, or why they now needed this despite what they'd told her in 2020. I consider this email lacked vital detail needed to clearly explain things for Miss M, and in turn was poor customer service. I consider this poor service was exacerbated by the fact Miss M's complaint was with our investigator in August 2021 – and despite being aware of this, PayPal didn't tell our investigator if/why their position had changed. Given PayPal were aware Miss M was already unhappy with their service – and what they'd told us when providing their file, I consider this email was inappropriate and unreasonable in the circumstances. While they may have felt it supported their position that Miss M hadn't provided what they needed; all it did was further persuade me they had been giving Miss M unclear and conflicting information when verifying her account.

After questioning PayPal about what they needed, they've now confirmed that after speaking with their compliance department, they need to see photo I.D. from Miss M. Given the importance of these checks (that PayPal themselves have highlighted on multiple occasions), I consider a reasonable business should be fully aware of the information they need at all stages of their verification process. But, in any event, Miss M was in frequent contact with PayPal, so I don't consider it's reasonable they only came to this realisation after Miss M's complaint was with our service. Furthermore, they should have picked up on needing photo I.D. when they initially dealt with Miss M's complaint and explained that clearly – not after it was escalated to us. But what I find the most disappointing, is that they only clarified why their position had changed after I had probed them on several occasions when trying to build a picture of what had happened and why. This isn't a particularly complex case, so I can't agree PayPal have treated Miss M fairly when verifying her identity.

From the information I've seen, I'm persuaded that PayPal's mistakes are the main cause of what I deem to be avoidable delays in the verification of Miss M's identity. It's for this reason I consider they need to do something to put things right.

Putting things right

Our investigator felt PayPal should pay Miss M £100 for the inconvenience she experienced due to the conflicting information they provided. While I agree Miss M has experienced inconvenience, I don't agree this award went far enough to recognise the back-and-forth Miss M had with PayPal for over a year when trying to provide the information they had asked for. I also can't ignore that Miss M still wouldn't have had access to the funds in her PayPal account had she accepted this resolution.

PayPal has confirmed they have been carrying out normal checks on Miss M's account. So, I consider it's reasonable to conclude they don't have any specific concerns about Miss M or the source of her funds. It's for this reason I'm not persuaded it's reasonable for them to keep her funds indefinitely.

While I appreciate they'd like photo I.D., Miss M has made it clear this isn't something she has. However, she has provided them, with her birth certificate and multiple bank statements. So, given PayPal hasn't identified Miss M as a high risk, and she has willingly co-operated with their information requests, I consider they should release the funds in Miss M's PayPal account and send them to her. I'm satisfied this is fair and appropriate in the circumstances because PayPal hasn't sent me anything that suggests my conclusion on this point is incorrect.

I do have to be fair to both parties. So, I can't ignore that PayPal say they normally need to have sight of photo I.D. from their customers. While I don't think it's unusual that some people may not have this, it's for PayPal to determine who they are prepared to provide services to. And if they're not happy to open or hold accounts for those without photo I.D., I can't force them to. With that in mind, once Miss M's funds have been returned to her, they will need to let her know whether her account will be closed. When making this decision, I would expect PayPal to discuss this with all their necessary departments at the earliest opportunity to give Miss M an answer on this quickly – and one that is correct and consistent with other customers that have circumstances similar to hers.

The final part of my award needs to recognise the inconvenience Miss M has experienced because of PayPal's mistakes. I consider it would have been incredibly stressful and frustrating being unable to get clear and consistent answers from PayPal. It also would have been worrying not having access to the funds held in her account – particularly given I'm aware there is just over £300 in there and Miss M has a child.

As mentioned above, I consider what Miss M has been through was avoidable. My award also needs to recognise these issues have persisted for over a year. As such, I'm asking PayPal to pay Miss M £300 in recognition of the distress and inconvenience she's experienced.

Given the reasons above, I'm upholding Miss M's complaint.

My final decision

I'm upholding Miss M's complaint about PayPal (Europe) Sarl et Cie SCA.

To put things right, I'm asking PayPal (Europe) Sarl et Cie SCA to:

- release the funds in Miss M's PayPal account and return them to her;
- pay Miss M £300 for the confusion and inconvenience caused by their failure to provide her with clear and consistent information about the documents they needed to verify her account; and
- tell Miss M whether she can continue using her PayPal account, or if it will be closed unless she's able to provide them with photo I.D.

PayPal (Europe) Sarl et Cie SCA should pay simple interest at 8% a year on the funds held in Miss M's PayPal account, from the date her account was limited until the date of settlement.

If PayPal (Europe) Sarl et Cie SCA considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss M how much it's taken off. It should also give Miss M a tax deduction certificate if she asks for one, so she can reclaim tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 May 2022.

Sarrah Turay
Ombudsman