

The complaint

U complains about PayPal Europe Sarl & Cie, SCA's decision to permanently limit its account following a review and withholding its money.

Mr G brings the complaint on U's behalf.

What happened

U held an account with PayPal to allow it to take payments from its customers. In June 2020, PayPal placed a limitation on U's account following a review.

Mr G holds three PayPal accounts in total – one relating to a personal account, one relating to U and one to another company. Mr G's personal account had a limitation on it which PayPal admitted was added incorrectly, and therefore removed it. However, the limitation on Mr G's two business accounts, remained in place.

PayPal informed U that it had violated their acceptable use policy and confirmed its account would be permanently limited. Mr G, on behalf of U, disagrees that U violated their policy.

The funds held in the account were withheld for around 180 days – being available to U around December 2020.

Our investigator reviewed things and didn't think PayPal had acted unfairly. In summary, he found that PayPal had previously asked U not to provide services to particular territories and as they'd found further payments from those particular countries, they were entitled to close U's account.

U remained unhappy. In summary, Mr G (on behalf of U) thought PayPal were entitled to make the decision to close U's account – but shouldn't have said U violated the policy, as he didn't think it had.

As an agreement couldn't be reached, the complaint has been passed to me.

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.

Firstly, our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. Some of the information PayPal has provided is information that we considered should be kept confidential.

Like our investigator, I'm satisfied that PayPal were entitled to review U's account and subsequently close it. The user agreement which U would have agreed to when it opened its account with PayPal sets out the terms under which PayPal operates the account. The term explains that PayPal can close an account at any time if;

You are in breach of this user agreement and/or we are otherwise entitled to close your account under this user agreement.

I recognise U doesn't accept it breached PayPal's policy – it thinks PayPal's decision was related to the activity on a linked account. But I'm satisfied based on the evidence I've received that PayPal's actions were fair. Ultimately, PayPal reviewed the use of U's account and identified an issue with the use of it so made the decision to permanently limit the use of the account. While I appreciate U doesn't necessarily agree with the reasons, I can't fairly uphold U's complaint on that point. This service won't generally intervene in a bank's commercial discretion. PayPal exercised their right to no longer offer U facilities and I've seen nothing to suggest that they've made an unfair decision. So, I can't fairly ask them to do anything differently.

PayPal's user agreement also states that PayPal can '*...Block your PayPal account and/or hold any funds in the reserve account (including, without limitation, for more than 180 days if so required by PayPal, where PayPal's rights arise from your engagement in the restricted activity)....*'. Based on this, while I appreciate the inconvenience and disruption caused to U by PayPal holding on to its funds, I can't reasonably say they did anything wrong. I'm pleased PayPal have since released the money to U as they should have.

I've thought carefully about what Mr G has said relating to PayPal making an unfair decision as he feels U's activity was only linked to violations rather than violating itself. I've reviewed all of the evidence and arguments I've received but I've seen nothing to suggest PayPal's decision is unfair. So – while I appreciate that U will be disappointed by my decision, I won't be asking PayPal to do anymore here.

My final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask U to accept or reject my decision before 5 December 2022.

Hayley West
Ombudsman