

The complaint

Mr F complains PayPal (Europe) Sarl et Cie SCA ("PayPal") restricted access to his account without giving a reason. Mr F also complains PayPal delayed returning his funds, provided poor customer service, and caused him distress and inconvenience.

What happened

In May 2020, PayPal told Mr F it was placing a permanent limitation on his account. PayPal added, that after reviewing Mr F's account, it had determined he'd violated its Acceptable Use Policy. It also said that in line with the terms of the account, funds in the account will be held for 180 days.

In October 2020, PayPal asked Mr F to provide it with documents to prove his identity. Mr F says he sent this to PayPal. But PayPal say it never received any such documentation.

Unhappy with PayPal's actions, Mr F complained. Mr F says he sent two written complaints to PayPal in November 2020, but never got a response. Because of that he complained again in the Summer of 2021.

As PayPal didn't uphold Mr F's complaint, he referred it to this service.

In September 2021, Mr F received an email from PayPal which said he could now withdraw his funds. But Mr F still wanted this service to consider the customer service he had received; PayPal not responding to his complaint emails for several months; not getting a explanation for why his funds were withheld, and why it took this service's intervention for his funds to be returned.

One of our Investigator's then looked into the matter. In summary, they initially found that:

- PayPal had acted fairly in reviewing and restricting Mr F's account as it has legal and regulatory obligations it must follow
- PayPal applied the terms of its Acceptable Use Policy fairly which permitted it to hold any funds in the account for 180 days
- Once the 180 days had passed, PayPal asked Mr F to provide proof of his identity in line with its regulatory obligations. And once Mr F satisfied PayPal's verification checks, his funds were released. So PayPal has acted fairly in handling the account
- They hadn't seen anything which persuaded them PayPal should pay compensation for poor customer service

Mr F did not agree with our Investigator's initial findings. In summary, he said:

- He hasn't complained about PayPal placing a limitation on his account
- He provided PayPal with his identity documents as requested in October 2020, after which it still didn't release his funds. And if he hadn't done this, there's no reason why

he continued to complain to PayPal

- PayPal released his funds in October 2021, well after 180 days from the limitation being placed, and well after he had provided his identity documents
- He made complaints in June and July 2021 without any response from PayPal
- PayPal's customer service is appalling, and it should pay him compensation

PayPal reiterated it had not received any identity documents from Mr F nor any complaint correspondence from June and July 2021. It added it can hold funds for longer than 180 days. And, in September 2021, PayPal deemed there was no longer any significant concern, so it returned Mr F's funds – in turn, no longer requiring proof of identity.

Our Investigator then changed their opinion and said they recommended Mr F's complaint is upheld in part. Some of the key findings they made were:

- PayPal released Mr F's funds in September 2021 without sight of the proof of identity it had been asking for. And, only a month before in its submission to this service, it had said it still required this
- Mr F had provided copy of emails where he had attempted to contact PayPal about withdrawing his funds in June 2021 and July 2021. PayPal appear to have sent automated responses, saying that if the account was under review and they needed anything from Mr F, it would get in touch.

If at this point, PayPal had not received the proof of identity, it would've have been fair for it to have highlighted and repeated its request to Mr F

- Mr F was able to withdraw his funds in September 2021 without PayPal having received his identity proof. This along with PayPal's lack of proactive contact means it acted unfairly in holding onto Mr F's funds for nearly a year after the initial 180-days limitation had elapsed
- There's no evidence to show PayPal withholding Mr F's funds prevented him from meeting essential living costs
- PayPal should pay Mr F £50 for the trouble and upset it caused by not giving him access to his funds for nearly a year longer than it likely should have

Mr F didn't agree £50 was fair compensation for the time it's taken him to sort his complaint out – and the trouble and upset he's suffered. He adds this amount of compensation will not lead to PayPal changing its practices to the benefit of other customers.

PayPal did not agree with our Investigator's latest findings. So, given PayPal do not agree, and as Mr F has questioned the amount of compensation recommended, the complaint has now been passed to me to decide.

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 that, I've decided to uphold Mr F's complaint in part. I'll explain why.

Financial businesses in the UK are strictly regulated and must take certain actions in order to

meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means regulated firms need to restrict, or in some cases go as far as closing, customers' accounts.

I've closely reviewed PayPal's terms - which includes its Acceptable Use Policy. Given the legal and regulatory obligations placed on PayPal, and what its terms say, I'm satisfied it acted fairly when deciding to review and then restrict Mr F's account.

PayPal's terms say it can block an account and/or hold any funds in the reserve account for more than 180 days if required. By holding onto Mr F's funds for 180 days from when the initial limitation was placed, I'm persuaded PayPal acted in line with the terms of the account.

I'm also persuaded this action was proportionate given PayPal's concerns that initiated the review. To that end, Mr F wants to know PayPal's reasons for deciding to review and place a restriction on his account. I'm not aware of any obligation that compels either PayPal, or myself, to disclose this reason.

PayPal say that when the 180-day period ended it asked Mr F to provide it with proof of his identity. Mr F says he supplied it – but PayPal say it never got this from him. PayPal doesn't have any records to show it received this. Nor have I seen anything from Mr F that shows conclusively he did send it. Given the lack of any evidence here, I don't make a finding on this point.

I have however seen emails Mr F sent PayPal around the Summer of 2021. I've also seen the automated responses from PayPal that shows it will get in touch with Mr F if it needs anything from him.

Given Mr F was asking for his funds, I think PayPal should have looked into the matter – and at the very least explained it was still waiting for proof of his identity.

Moreover, PayPal say it decided to give Mr F's funds back to him in September 2021 without seeing the identification document as the risk was no longer that significant to it. But I haven't seen any evidence which persuades me something changed at that point – especially as PayPal said it needed this a month earlier. So I question why PayPal didn't return the funds earlier – or at the least, chase Mr F to provide it with identification documents.

I'm also not persuaded, from what I've seen, that the funds withheld had a meaningful impact on Mr F's ability to meet essential living costs. But I do think PayPal could've been more proactive in responding to Mr F so that this matter could have been concluded much sooner than it has. This no doubt has caused avoidable inconvenience to Mr F.

So, with that in mind, I think £50 is fair compensation for PayPal to pay Mr F for the inconvenience he's suffered – and its lack of proactive management of the issue and poor communication. I don't think PayPal should pay any interest on the funds for the time they've been withheld as Mr F has said they were earmarked for other living costs.

Lastly, and for the sake of completeness, Mr F says this amount of compensation will not lead to PayPal making any changes to the way it operates – and thereby will not result in other customers benefitting. My role is to look at the individual merits of this complaint – not the broader impact of how a business' practices affects its customers.

My final decision

For the reasons I've given above, I uphold this complaint in part. I now direct PayPal (Europe) Sarl et Cie SCA to pay Mr F £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 July 2022.

Ketan Nagla
Ombudsman