

## The complaint

Mr B complains that PayPal (Europe) Sarl et Cie SCA ("PayPal") have insisted he provide government issued photo identification before they will release funds they hold and allow him to close his account with them.

## What happened

In or around August 2020, Mr B attempted to make a payment for a purchase using his PayPal account. He experienced problems using their system on his computer which ultimately led to payment being processed by PayPal from Mr B's personal credit card.

As a result of the transaction problems encountered, Mr B discovered his PayPal account had been limited. So, Mr B complained to PayPal about this. PayPal told him he needed to provide a government issued identity document which included his photo and date of birth details. They said this would enable them to lift the account limitation.

Due to personal circumstances, Mr B didn't have the requested identification available, so wasn't able to meet PayPal's requirement. Mr B also thought PayPal's requirement for sensitive personal data breached guidance on the General Data Protection Regulation (GDPR) issued by the Information Commissioner's Office (ICO).

Mr B is able to continue accessing his PayPal account using additional text message verification. He's also able to continue making purchases using the account with payment made from his personal credit card. But PayPal aren't willing to close his PayPal account or return any balance without provision of the photo identification.

In or around October 2020, Mr B complained again to PayPal. In response, PayPal sent him details of their account recovery process. But this still resulted in a request for photo identification. Mr B escalated his complaint further in or around December 2020. PayPal wouldn't change their position. So, in January 2021, Mr B decided to refer his complaint to this service.

PayPal wrote to Mr B on 7 January 2021. They confirmed the limitation had been applied to his account as they believed it may have been accessed by a third party. They said their actions were explained and permitted in their user agreement and lifting the account limitation required Mr B to provide the requested identification documents.

Having considered the circumstances of Mr B's complaint, our investigator didn't think PayPal had acted unfairly or unreasonably, so didn't need to take any further action.

Mr B didn't agree with our investigator's findings. He said the primary issue was not whether PayPal were justified in refusing to recognise his identity, but that they demanded a government photo ID containing his date of birth, when he doesn't have one.

As an agreement couldn't be reached, Mr B's complaint has been passed to me to consider. In doing so, I reached a different outcome to that of our investigator. Because of that, I issues a provisional decision on 4 August 2022 – giving both Mr B and PayPal the opportunity to respond to my findings below before I reach a final decision.

In my provisional decision, I said:

*PayPal told Mr B that the limitation on using his account was because they had reason to believe his account may have been accessed by a third party. Mr B has explained that*

*changes PayPal made to their software meant cookies were sent to his computer's browser. Cookies are small information files used by secure software systems to help them recognise an individual's computer and its browser as authorised. But the browser Mr B used automatically deleted those cookies. Mr B says this meant PayPal's system was unable to recognise his computer when he tried to access his account.*

*Such measures are commonly used by financial institutions when an individual uses their account and payment software. So, I can understand why this may have created a problem. I'm unable to conclude this was the specific reason that led to PayPal's limitation. But given, PayPal's concerns, I can understand why they would do what they did.*

*Mr B says PayPal still allow him to process payments. But only when he uses his personal credit card. PayPal's service includes various features. They include the ability to deposit funds to make payments or receive payments from other parties. The PayPal account can also be used to process payments using a credit or debit card. And as those payment cards are normally verified by the issuer, I can understand why PayPal are willing to continue processing them.*

*The issue here relates to the balance still held on Mr B's PayPal account. Given PayPal's belief his account may have been accessed by a third party, I can understand why they require Mr B to provide satisfactory identification in order to authenticate that any request for release of the funds held is legitimate. And, having considered the terms and conditions within their user agreement, I don't think PayPal's request is unreasonable.*

*Unfortunately, Mr B doesn't have identification documents available to meet PayPal's stated requirement (i.e. government issued with a photo and confirmation of his date of birth). I accept this is PayPal's process. And it isn't the role of this service to ask a business to alter its procedures or processes or impose improvements on the level of service offered to their customers. These aspects fall firmly within the remit of the regulator – in this case, the Financial Conduct Authority (FCA).*

*But it is our role to examine and decide whether PayPal have been fair and reasonable in the manner in which those policies and procedures are applied in the individual circumstances of Mr B's experience with them. When considering what's fair and reasonable, I'm required to consider; relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice; and, where appropriate, what I consider was good industry practice at the relevant time.*

*The UK Government website provides guidance on how to prove and verify someone's identity. Having considered this guidance, I think PayPal have other options available which would enable them to verify Mr B's identity. And these wouldn't necessarily include the provision of the specific documents they've insisted upon. Having considered the various exchanges between PayPal and Mr B, I'm not persuaded that PayPal explored or offered those options in Mr B's case.*

*Our investigator did ask PayPal what would be reasonable for Mr B to provide in order to verify his identity. PayPal responded saying Mr B had, at no time, provided any form of identity. I think PayPal should've done more here. Mr B made it clear he couldn't meet their requirements. But I can't see he's ever refused to provide identification. I believe PayPal should've engaged further with Mr B to explore alternatives and resolve the situation.*

*To summarise, I don't think PayPal's request to verify Mr B's identity before they released the funds held was unreasonable. But I do think they should've been more proactive in seeking an appropriate resolution. For that reason, I intend to uphold Mr B's complaint. I also acknowledge that the whole situation has caused Mr B some inconvenience and is likely to have caused some distress. For this reason, I intend to reflect this within my 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.

In my provisional decision, I asked both parties to respond with any new information or comments they wanted me to consider.

Mr B says he believes my provisional decision is *"a fair summary of both the issues and resolution"*. He also says he now has access to his PayPal account by logging on with his username and password, coupled with additional confirmation with a code sent to his mobile phone. But he's still unable to update his linked bank account details or transfer his balance and close the account. He also says he's been able to send funds to PayPal using a verified bank account. He thinks this should be sufficient for PayPal to verify that the account he attempted to link was the one used for that payment and establish his identity.

PayPal didn't agree with my findings. They said, *"We require the customer to provide photo ID to confirm his identity. This is a requirement and most financial institutions will request this when opening an account or during the lifetime of the account and we are no different"*.

I've considered Mr B's further comments. While I appreciate why he might think that PayPal's acceptance of payments from a verified bank account should be sufficient to establish his identity, I don't agree on this occasion. It's possible for payments to be made to Mr B's PayPal account from any party using a debit or credit card. This is part of the payment processing service provided by PayPal. But this doesn't enable PayPal themselves to specifically verify that Mr B is the rightful account holder and, therefore, the beneficiary of any balance held.

As I explained in my provisional decision, I don't think PayPal's requirement for updated identification is unreasonable here. And I can appreciate why they won't release any funds held or close his account until they've verified his identity.

I also agree that PayPal are required to complete appropriate checks in order to verify Mr B's identity and meet their regulatory obligations. But I don't agree this should be limited to government issued photo identification.

PayPal's user agreement includes the following: *"We may request information from you as we reasonably require to facilitate our actions described in this user agreement, enable us to reduce the risk of fraud or comply with our regulatory (including anti-money laundering) obligations"*

But the key word here is *"reasonably"*. This service makes its decisions on the basis of what would be fair and reasonable. Mr B doesn't hold either a passport or driving license displaying his photo. And government issued personal photo identification isn't currently a legal requirement in the UK. So, I don't think it's reasonable for PayPal to insist that Mr B provides something he doesn't hold. That wouldn't be fair here.

In my provisional decision, I referred to the UK Government's website which provides guidance on how to prove and verify someone's identity. I think this is clear there are alternative forms of identification that would be acceptable and would enable PayPal to meet their regulatory obligations. And for that reason, I'm not persuaded to vary from my provisional decision.

### **My final decision**

For the reasons set out above, I uphold Mr B's complaint.

I require PayPal (Europe) Sarl et Cie SCA to:

- engage with Mr B to agree upon an acceptable form of identification, taking into consideration current published guidance; and
- pay compensation to Mr B of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 October 2022.

Dave Morgan  
**Ombudsman**