

The complaint

Mr E complains that PayPal (Europe) Sarl et Cie SCA closed his account and withheld the balance for too long.

What happened

Mr E had an account with PayPal. In August 2020, a limitation was placed on the account and PayPal carried out a review. Following the review, PayPal placed a permanent limitation on Mr E's account and said it would hold onto the funds for 180 days. Dissatisfied, Mr E complained to PayPal and referred the complaint to us.

Mr E continued to have difficulties withdrawing the funds. Although he regained access to the account, he says he wasn't able to add bank details to allow him to make withdrawals. Mr E says it wasn't until August 2021 that he was finally able to do this. He also says he wasn't able to withdraw his funds in US dollars – and so incurred currency exchange fees.

I issued my provisional findings on this complaint on 22 February 2023. I said:

“I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

“Like all financial businesses, PayPal is subject to a number of legal and regulatory requirements. These mean it needs to monitor its customers' accounts and may need to review them at any time. While it is doing this it may need to block the relevant account.

“In this case, PayPal reviewed Mr E's account in August 2020 and decided to place a permanent limitation on the account. Based on what I've seen, I'm satisfied PayPal was acting in line with its legal and regulatory requirements, and the terms and conditions that applied to Mr E's account.

“That said, PayPal says it intended to hold onto Mr E's funds for 180 days. I see this is something the terms and conditions allowed PayPal to do. But in Mr E's case, shortly after the expiry of 180 days, PayPal limited the account again. This meant a new 180 day period started. It was only in July 2021 that PayPal says it realised what had happened and allowed Mr E to withdraw his funds.

“PayPal accepts that this was a mistake: PayPal has told us the funds should have been released by March 2021 – but it didn't lift the restrictions until 21 July. Based on what PayPal has said, I think this was avoidable – and that Mr E was deprived of money because of what PayPal did wrong.

“As such, and in line with our long-established approach to cases where customers are deprived of money, PayPal should pay interest to compensate Mr E for the time he's been out of pocket. The usual rate is 8% simple per year, and I have no reason to depart from that in this case. PayPal should pay this from 25 February 2021, when the initial 180 day period expired, until the Mr E got the money back.

“Mr E says he also lost out because he was required to pay currency exchange fees in order to withdraw his funds. He says that previously he’d been able to withdraw the funds to a US dollar account, but PayPal required him to withdraw these funds in pounds sterling – which meant that in addition to incurring these currency exchange fees he then incurred these again when he converted the funds back to US dollars through his bank.

“We’ve asked PayPal about this. It says that although Mr E’s account was set to US dollars, the bank account he withdrew to is a GB pounds account. Mr E has confirmed this. As such, the funds were converted to pounds. The terms and conditions that applied to Mr E’s account state that if Mr E transfers funds to a funding source denominated in a currency other than the original opening currency of his account, the conversion would be performed using PayPal’s transaction exchange rate.

“Thinking about everything, though, I can’t safely conclude that Mr E would have kept these funds in dollars had things happened as they should have. In particular, Mr E also told our investigator that if he’d had access to the funds sooner he could have converted the balance to GB pounds, to avoid currency risk. We’ve also asked him what he planned to do with the funds – he says that the transactions on the account were between people he gambled with, although he also planned to invest the savings in the PayPal account in his business, a separate limited company. Finally, I understand that withdrawals in US dollars to US bank account would also have incurred a 3% fee.

“While I accept that Mr E has been kept out of money, it would be speculative to say that he would definitely have avoided currency exchange fees had things happened as they should have done. And to work out the actual position Mr E would have ended up in would involve an in-depth examination of his finances, including whether he could have mitigated any losses by finding dollar funding from elsewhere and whether and if he had a requirement for pounds or dollars which may not have resulted in definitive answers. With all this in mind, I conclude that the simple interest will most fairly compensate Mr E for being deprived of these funds.

“I note Mr E’s comments about the impact this all had on his business. But his business is a separate legal entity, and so I cannot award him compensation for this.”

I concluded that the complaint should be upheld in part and that PayPal should pay Mr E simple interest to compensate him for the time he’s been out of pocket.

PayPal didn’t send me anything further to consider. Mr E agreed that he should get compensation for the time he was deprived of funds. But he thinks he should get back the currency exchange fees he incurred. In particular:

- Although he withdrew his US dollars to an account denominated in pounds sterling, this was because PayPal required him to, whereas before he’d been able to withdraw funds to a US dollar account
- Had he been allowed to use his US dollar account, he could have converted the funds to pounds a lot cheaper, and although PayPal did introduce a fee to transfer funds in US dollars this was after it decided to block his account.

To put things right, Mr E asks if PayPal can refund the currency conversion fee they forced him to pay, reimburse the fee he paid to convert the funds back to US dollars, and to pay the difference between the currency exchange rate in August 2020 and August 2021 when he

was finally able to withdraw the funds. He also thinks he should get compensation for the time he's spent trying to resolve matters with PayPal.

I've therefore considered the complaint afresh.

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.

I'm satisfied that PayPal was acting in line with its legal and regulatory obligations – and its terms and conditions – when it initially decided to restrict Mr E's account. I'm also satisfied that PayPal was acting in line with its terms and conditions when it decided to permanently restrict Mr E's account. The terms and conditions allowed PayPal to hold onto these funds for 180 days. So the earliest Mr E should have regained access to these funds was 25 February 2021, when that initial block expired. Instead Mr E didn't gain access to those funds until August 2021.

I've considered the further points Mr E has raised about PayPal not allowing him to withdraw his money in US dollars. He says he was forced to withdraw his funds to an account denominated in pounds sterling, and had PayPal not done so he'd have been able to convert his funds into pounds at a better rate.

We've asked PayPal about this. It said that as Mr E withdrew the funds to a UK bank account, the funds were converted to pounds in line with its terms and conditions. And it says it's unable to support US dollar bank accounts that aren't located on US soil. It's unwilling to refund the currency exchange fees.

I've carefully read what Mr E has said, alongside the applicable terms and conditions. I note that the terms and conditions say that PayPal may limit the availability of funding sources. The terms and conditions also state that

“You may only withdraw PayPal balance in the opening currency of your account, unless we agree otherwise. In order to withdraw PayPal balance held in another currency you will have to convert the currency to the opening currency of your account, or it will be converted for you at the time of withdrawal. Our transaction exchange rate will be used.

“This means that if you withdraw:

- a PayPal balance held in a currency other than the original opening currency of your account, you will be charged a fee for the conversion into your original opening currency; and
- to a funding source (for example, bank account or card) denominated in a currency other than the original opening currency of your account, you will be charged a fee for the conversion into the currency in which the funding source is denominated.”

The terms and conditions go on to explain that if the customer is registered as resident in the United Kingdom, the “opening currency” of the account would be “pounds sterling”.

Mr E was withdrawing his funds to a UK bank account. It follows that he would be charged PayPal's transaction exchange rate. And given the terms and conditions I've cited above, I can't say that PayPal was wrong to have required Mr E to do so. I accept that PayPal may

have previously allowed Mr E to use a US dollar bank account. But that was before they'd restricted his account – which I've found they had grounds to do.

I've also considered what Mr E has said about the currency exchange fluctuations between August 2020 and August 2021. As I've said, I find that PayPal was entitled to block Mr E's account until February 2021 – and it appears that much of the change in value of dollars and sterling had already taken place by that point. Indeed, it appears that the value of US dollars was slightly greater in August than it had been in February.

With all this in mind, I don't change my conclusions. I accept that Mr E was kept out of funds he would have had earlier. But given the above, I'm satisfied simple interest (the rate is 8%) on the withheld balance from 25 February 2021 until the date he got the funds back will fairly compensate him for being kept out of the funds. I'm not persuaded Mr E should get the currency exchange fees back, given it appears the terms and conditions meant he would have incurred them in any event.

Finally, I've considered what Mr E has said about the inconvenience this caused. He says he needed to contact PayPal more than 20 times to resolve this issue – and says his time is worth £500 an hour. Looking at everything that happened, though, I'm not persuaded to award anything extra for distress and inconvenience. I'm satisfied the real impact here was being denied access to the funds – Mr E has mentioned he wanted to pay the funds to his business and that the transactions from the account were with people he was gambling with. I accept Mr E may have called PayPal a number of times but that's something Mr E chose to do. In all the circumstances, I conclude that 8% simple interest will fairly compensate Mr E for what happened. I'm not persuaded to award more.

Putting things right

PayPal should pay simple interest (the rate is 8%) on the funds it withheld from 25 February 2021 (when the initial 180 day block expired) until the date Mr E got those funds back.

If PayPal is required by HM Revenue & Customs to deduct tax from that interest, it should tell Mr E how much it has taken off. It should also give Mr E a certificate setting out how it has worked this out if he asks for one.

My final decision

For the reasons above, I uphold this complaint. PayPal (Europe) Sarl et Cie SCA should put things right by doing what I've said above/

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 28 April 2023.

Rebecca Hardman
Ombudsman