

The complaint

Mr D complains about the closure of his account with PayPal (Europe) Sarl et Cie SCA and that the money in his account was blocked.

What happened

Mr D received a large payment into his account with PayPal and this was flagged for identification checks. Mr D says he provided the correct documents, but his account was limited, and the money withheld. Later Mr D was able to withdraw most of the money, but PayPal withheld £2,500.

Mr D contacted PayPal and was told that he had breached its terms and conditions by opening an account under the age of 18. Mr D was now 25 years old, so he logged a complaint with PayPal.

PayPal looked into the complaint but didn't uphold it. So, Mr D brought his complaint to our service.

Our investigator looked into the complaint and thought it should be upheld. Our investigator said that the decision to hold Mr D's money and close his account was unfair. He recommended PayPal pay Mr D £400 compensation for the trouble and upset it caused.

PayPal didn't agree with the investigator's view. So, the complaint's been passed to me for a final 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.

Having done so I've decided to uphold this complaint, for largely the same reasons as the investigator. I'll explain why.

PayPal has said in its response to our service that Mr D agreed to the User Agreement when underage, and this makes it invalid. PayPal has also said Mr D is free to open another account and sign up to the same User Agreement. As it's my understanding that the same User Agreement is used for all accounts, this seems like an inconvenience to Mr D that's not required and doesn't achieve anything.

Mr D may have been underage when he opened his PayPal account and if it had picked up on this at that time and limited his account, I'd be satisfied it was fair. Given Mr D is now the required age and does qualify for the same account, it would've made more sense to allow him to continue with his original account.

PayPal also seems to be indicating that the User Agreement is invalid, as Mr D was underage when he opened the account, but this is the same User Agreement that PayPal is relying on when it has decided to limit and close the account. So again, this makes little logical sense to me.

When limiting Mr D's account, PayPal has also held some of Mr D's funds. Given that I'm satisfied it was unfairly in the first place, I find it also unfair they deprived Mr D of this money. And I agree with the investigator that Mr D should be compensated for not being able to access and use this money.

In summary and in the circumstances of this complaint, taking all the information I've been given by both parties into account, I've found some discretion needed to be applied by PayPal here and by limiting and closing the account, Mr D has been treated unfairly. This has in turn caused trouble and upset that I believe Mr D should be compensated for.

Putting things right

PayPal should pay Mr D a total of £400 for the trouble and upset the limitation and closing of his account caused him.

My final decision

My final decision is that I uphold this complaint and require PayPal (Europe) Sarl et Cie SCA to pay Mr D in line with the above award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 November 2023.

Tom Wagstaff
Ombudsman