

The complaint

C, a limited company, complains PayPal UK Ltd restricted its account and refunded buyers. The restriction of the account has led to a loss of sales. Mr H, a director, is representing C.

What happened

C's PayPal account was restricted. PayPal said this was due to a higher than usual number of buyer claims. When PayPal restricted the account, it refunded outstanding buyer claims.

C complained and PayPal responded to say it hoped it had resolved things for C.

C didn't think things were resolved and brought its complaint to this service. C said it had lost over £1,500 in stock and money on the account, and seen a 40% drop in online sales.

An investigator looked into things but didn't think C's complaint should be upheld. The investigator said C's account was restricted in line with PayPal's user agreement and the disputes were handled correctly.

The investigator said they had been sent evidence in confidence, but were satisfied PayPal had handled things fairly. The investigator said £103.61 would be available to C once the 180 day hold expired.

Mr H disagreed and said the items had been sent to the buyers, tracking had been provided to PayPal and yet it had still refunded the buyers. PayPal was now saying C owed it money and this didn't seem fair. Mr H asked for an ombudsman to decide things.

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've read C's complaint form, and Mr H explains C was a growing business and found it difficult to respond to all its buyers' emails chasing orders. I think it's also clear C wasn't sending items out as quickly as buyers expected.

PayPal has asked this service to keep some of the information it sent in confidential. But I'm not sure why this is, as the information PayPal says is confidential is messages on PayPal's platform between Mr H and some of the buyers.

I don't think this information is confidential, Mr H sent the messages, he knows what the content of these messages is.

Several buyer protection claims were raised against C, and I can see Mr H told buyers C hadn't sent out some orders a month later. And it seems some orders were only sent after buyers chased C for an answer as to where the items ordered were.

I think it's reasonable PayPal considered C's behaviour a risk to other buyers and PayPal, and I think it was fair in limiting C's account.

There were four open buyer claims against C at the point the account was limited. PayPal's user agreement explains once an account is limited it may suspend C's eligibility to buyer and seller protection.

PayPal says it closed the four open buyer claims in favour of the buyers at the point C's account was limited. C might have been able to use seller protection to recover these refunds, by providing valid proof of postage.

But since PayPal had fairly limited C's account, it couldn't use seller protection, and, in the circumstances, I think this was a fair thing for PayPal to do in line with its user agreement.

Mr H has said C lost sales because it can't use PayPal anymore. But PayPal is under no obligation to offer its services to everyone. PayPal's taken a decision to not allow C to use it and looking at how C was carrying out its business, I think this is a fair decision.

PayPal says C's account has a negative balance, but there are also some credits on hold. The credits are on hold for 180 days, and if there are no successful claims against these payments then C will have a positive balance of a little over £100.

I don't think C currently owes PayPal any money. And I think PayPal reached a reasonable decision in placing incoming payments on hold. C has had several buyer protection claims, and by holding these payments PayPal is, I think, protecting C.

If C receives further claims on the money on hold, PayPal will return it to the buyers. If PayPal was to return this money now, and there were successful claims, C would owe PayPal money. I know Mr H is eager for this not to happen, so holding the money is fair.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 10 December 2024.

Chris Russ
Ombudsman