

The complaint

M, a limited company, complains PayPal UK Ltd permanently limited its account and didn't explain why. M is represented by Mr G, a director.

What happened

M's PayPal account was blocked, or limited, and then permanently limited. Mr G complained to PayPal as the permanent limitation was impacting M's sales.

PayPal responded to say it limited M's account and asked M for some further information, which it received. But, after reviewing the information, it decided to permanently limit the account. PayPal said it couldn't disclose the reasons for the limitation, but it was fair.

Unhappy with this response, M brought its complaint to this service. Mr G wanted to know why PayPal had permanently limited the account.

An investigator looked into things but didn't think M's complaint should be upheld. The investigator said PayPal had provided information in confidence, but having reviewed it, the investigator thought PayPal had acted fairly in permanently limiting M's account.

Mr G didn't accept this outcome, and said there was a lack of transparency in the decision making of PayPal and this denied M the chance to defend itself. Without knowing why PayPal limited the account, M couldn't know if the decision was fair.

The investigator then told Mr G the reasons behind the permanent limitation, I didn't think this information was confidential. The investigator explained Mr G had accessed M's PayPal account from a country PayPal doesn't provide services to.

The investigator explained this was a breach of PayPal's acceptable use policy, so they thought the permanent limitation was fair.

Mr G disagreed, and said if he'd been told earlier, he could have addressed this issue without the need for this service's involvement. Mr G said M was a legitimate business based in the UK but trading globally.

Mr G felt the permanent limitation was unfair as there's no guidance from PayPal about how a global business could comply with its user agreement. Mr G said by enforcing this term, PayPal was effectively discriminating against international business owners.

Mr G said he could have used a virtual private network (VPN) to access but was instead open and honest with where he was accessing M's PayPal account.

Mr G felt PayPal's decision was inconsistent with the needs of legitimate global businesses and 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.

When M opened its PayPal account it agreed to PayPal's user agreement, including PayPal's definitions of restricted activities.

PayPal list several things it considers a restricted activity, and says users must not:

Access the PayPal services from a country that is not included on our permitted countries list

Use an anonymising proxy

PayPal says the country M's PayPal account was accessed from isn't on its permitted countries list, and I couldn't see it there either. There are a lot of countries on the permitted list, so I don't think PayPal's unreasonably limiting its use.

And PayPal has the discretion to decide which countries it wants to provide services into, it needs to ensure it's abiding by each country's laws and regulations, and some countries' rules may conflict with the way PayPal carries out its business.

I don't think it matters whether M is a UK registered and based company, I think PayPal's user agreement is clear about what can and can't be done with a UK PayPal account.

And I don't think PayPal necessarily needs to be concerned about how an international business carries out its banking and payments.

PayPal can choose how its services are provided, and to who, and if these services don't fit the needs of a certain business, that business is free to look at other options better suited to its business model.

And I don't think PayPal is discriminating against international businesses. Instead, I think PayPal is balancing its regulatory obligations and its own commercial interests in deciding which countries it will and won't allow access to PayPal accounts.

There's no dispute Mr G accessed M's PayPal account from a country not on PayPal's permitted country list. So, I don't think there's any dispute M breached PayPal's user agreement.

And PayPal says if a user carries out a restricted activity it can immediately suspend the use of the PayPal account and refuse to provide services in the future.

This is what PayPal did, and I don't think it's acted unfairly here. I think PayPal's user agreement is clear, and something I think M should have considered before deciding to open, use and access its PayPal account.

Mr G says he's been open and honest and could have used a VPN to access M's account.

But this is also a restricted activity, and would likely have led to the same outcome for M's PayPal account, a permanent limitation.

Mr G also says he wasn't given the chance to address or remedy the breach, but I think once Mr G accessed M's account from a non-permitted country the breach was clear, I don't think M could have done anything to remedy it after the event.

Mr G was eager to know the reason for the permanent limitation, and I think it's fair this is shared. I understand PayPal's position of not wanting this shared, but there's nothing M could do to avoid this breach, other than abide by the user agreement.

And M knows its account was accessed from overseas, this information itself can't be confidential.

M has been given the chance to defend itself, but, unfortunately, I don't think it really can. As soon as M's account was accessed from a non-permitted country, in breach of the user agreement, it was fair for PayPal to permanently limit the account.

I accept M's been impacted by this permanent limitation, and this has led to losses for the business and inconvenience. But I could only consider these losses if I think PayPal's made a mistake.

But I don't think PayPal has made a mistake here.

PayPal's user agreement is clear in what is and isn't allowed, and the actions PayPal might take are also clear. I think M carried out a restricted activity, as defined in PayPal's user agreement, and PayPal fairly and reasonably limited its account.

Because of this, I won't be asking PayPal to reactivate M's account or do anything else to resolve this complaint.

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 M to accept or reject my decision before 21 April 2025.

Chris Russ
Ombudsman