

The complaint

B complains that PayPal UK Ltd unfairly withheld its funds and imposed a rolling reserve on incoming sales from its business.

What happened

B opened its PayPal business account in October 2024. In or around January 2025 PayPal placed a hold on some of B's funds and also said it would be implementing a rolling reserve of 15% on its future transactions. B was told about this by email, without prior notice. B considered the amount of the restriction was disproportionate and was also unreasonable considering its perfect standing with no open disputes or claims.

B complained to PayPal but it didn't uphold the complaint. PayPal said the hold and rolling reserves are to ensure it can cover any potential disputes and was in line with its standard practice to protect buyers and sellers.

B remained unhappy so referred the complaint to our service. PayPal offered to settle the dispute – it lifted the hold on the funds and also offered £150 compensation. However it maintained that the 15% rolling reserve over 45 days on all payments would remain. B didn't accept the proposed settlement.

The investigator did not recommend that the complaint should be upheld. She concluded that, whilst PayPal could have released the initial funds it held sooner, it had acted in accordance with standard industry practice and followed the process set out in the User Agreement that B had accepted when it opened its accounts.

B responded to say, in summary, that the rolling reserve was unworkable for its business. It also said that the reserve figure of 15% was arbitrary and it wanted more than just compensation but action on the rolling reserve being removed so it could use PayPal as a viable payment platform. Because an agreement couldn't be reached the complaint has been passed to me to make 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.

I've carefully read all of the correspondence sent to this Service. That being said, my decision won't address every point or comment raised. I mean no discourtesy by this, it simply reflects the fact our Service is an informal dispute resolution service, set up as a free alternative to the courts. So, in deciding this complaint I've focussed on what I consider to be the heart of the matter, rather than considering every issue in turn.

PayPal is entitled to decide whether or not and how it is prepared to do business with a customer but any such decision needs to be made fairly and reasonably. Some of B's PayPal funds were placed in a hold when PayPal undertook a review of the account. PayPal decided, as it is entitled to do so, that it was not prepared to accept the risks it perceives that

B poses and it therefore placed rolling reserves on the account.

PayPal explained that B's business only opened the account in October 2024. During this period, it noticed a sharp increase in sales and so decided to place a hold on some funds and investigated B's account. It decided that the information provided by B meant there were certain risks and so it felt it needed to protect customers of B – some of these were around long delivery times. PayPal felt B had no control over the shipment times and so there was an associated risk with this.

Having looked at the specific circumstances that apply to this case, and the User Agreement which B accepted when it opened its account, I am satisfied the hold and rolling reserves PayPal has applied to B's account are not unreasonable. In the section titled '*Restricted activities, holds, & other actions we may take*' of the agreement allows PayPal to place a Reserve on funds held in an account when it reasonably believes there may be a higher than acceptable level of risk associated with the account.

Some of the non-exhaustive reasons provided include:

- How long you have been in business
- Your delivery time frames.

PayPal has provided us a list of transaction logs for B and I can see between the time it started taking payments via PayPal and the following months, B was experiencing significant growth so I don't think it was unreasonable of PayPal to investigate the situation further. I note what B has said about the seasonal nature of the sales but PayPal only had limited information from that period and so it was fair it looked to protect customers and itself from any potential risks.

I am satisfied that PayPal is entitled to decide for itself, based on its own assessment, what level of reserves it requires. This is the legitimate exercise of its commercial judgement, with which I cannot properly interfere. Furthermore, PayPal is not required to provide B with details of how it calculated the amount of the reserve it required.

I accept that B would have found it helpful if PayPal had released the held funds sooner than it did. PayPal has now offered £150 for the delay in releasing B's funds it initially held. I'm satisfied that is reasonable in the circumstances.

I appreciate that B will be disappointed with my decision and considers that PayPal has not handled its account satisfactorily, but having considered the evidence, I am satisfied that it did not act unreasonably by placing a reserve on B's account. I am also satisfied that the rolling reserve was added in line with the terms of the User Agreement applicable to the account.

My final decision

For the reasons mentioned above I uphold B's complaint about PayPal UK Ltd.

PayPal UK Ltd should pay B £150 in compensation for the unexplained delay in releasing the initial funds.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 18 September 2025.

Jag Dhuphar

Ombudsman