

## **The complaint**

A company that I will refer to as D, complains that that PayPal UK Ltd unfairly blocked its account and stopped it from accessing money held in the account.

Mr S, a director of D, brings the complaint on behalf of D.

## **What happened**

D opened an account with PayPal in September 2024.

In October 2024, PayPal reviewed D's account. PayPal sent Mr S an email that told him a permanent limitation had been applied to D's account due to a violation of its acceptable use policy. PayPal said any money in the account would be held for up to 180 days and then Mr S would be told how to access it. Following this PayPal told Mr S that it wasn't refunding D's account balance and it had been used to offset losses.

Mr S complained to PayPal and said he he'd never used D's account for anything untoward and had always operated it properly. So, the closure of D's account came as a shock to him and caused him problems running his business. He asked PayPal to explain why it was no longer happy for him to use its services.

PayPal reviewed everything but maintained its position. It told Mr S that D's account was involved in possible high-risk behaviour and it had recovered funds from D's account in line with the user agreement. So, it hadn't done anything wrong.

Mr S remained unhappy, so he complained to our service. He said he wants PayPal to provide a proper explanation for why it closed D's account. Mr S also wants PayPal to release the balance of D's account to him. He said he has never had any problems with financial institutions and his finances are all above board. So, he said he is clueless about why PayPal no longer want him as a customer.

One of our investigator's looked into D's complaint. They explained why they didn't think PayPal had treated D unfairly. Mr S disagreed. Mr S said he'd never had claims on payments into D's account, so didn't know why he was being labelled a risk. Mr S also said he didn't have a clear reason why D's account was considered a risk. And he says he is now out of pocket.

As no agreement could be reached the complaint has come to me to decide.

## **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 would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information PayPal has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr S, but I'd like to reassure him that I have considered everything.

The user agreement which Mr S would have agreed to when he opened D's account with PayPal sets out the terms under which PayPal operates the account. And these allow PayPal to limit or close an account if it wishes to do so.

PayPal reviewed the use of D's account and identified an issue with the use of it. And it decided to permanently limit the use of the account – including any other account that Mr S subsequently tried to open.

Based on the information I've seen I can't say PayPal has acted unreasonably and treated D unfairly when it decided to limit its account. And I'm satisfied that PayPal has followed its processes and the terms of its user agreement when closing the account. So, I don't think it's done anything wrong. And I won't be asking PayPal to reactivate D's account.

Mr S didn't agree with this outcome and said he had no clarity about the reasons for the limitation and couldn't defend himself. Mr S said he wasn't a risk, he'd had no claims against D and used the account properly. Mr S said the money in the account was legitimate and he should be given an opportunity to rectify any risk before a disproportionate limitation was applied.

I'm satisfied PayPal fairly reviewed Mr S's account and identified a risk. But, as the investigator said, PayPal asked for the details of the review to be kept confidential. The service was set up under a set of rules, DISP, and DISP 3.8.1R, says: In dealing with information received in relation to the consideration of a complaint, the Financial Ombudsman Service will have regard to the parties' rights of privacy.

I've considered what PayPal's sent this service, and I've carefully considered what Mr S has said about fairness and not being able to defend himself from a specific allegation. But, having considered all this, I still think it's fair not to release the specific reasons for PayPal deciding to limit D's account.

I know Mr S is frustrated that he hasn't been given a detailed reason as to why PayPal has done this. But it's not obliged to do so. So, I can't say it has done anything wrong in not giving him this information as much as he'd like to know. And it wouldn't be appropriate for me to require it do so now.

Having said that I can see that when PayPal wrote to Mr S to let him know it had limited his account, it did provide Mr S with an explanation for its actions and referred him to its user agreement. So, I think it's likely Mr S had some understanding of the reason behind PayPal's decision - albeit not to the level of detail he would like. But as I've already said, PayPal don't have to give him this information.

Mr S wants the money paid into D's account, which was just under \$3,000 USD. I've carefully, and impartially, considered the reasons behind holding the money, and I think this was a reasonable decision by PayPal. And once PayPal had decided to permanently limit Mr S's account, its user agreement says it can hold money in the account for up to 180 days. This hold is to protect Mr S against any claims which could be brought up to 180 days after a pay in. I don't think the hold was disproportionate, it's in line with potential claim timeframes.

Once the 180-day time limit had expired PayPal told Mr S that it wasn't going to release the money in D's account back to him and in line with its user agreement told him it was going to use the funds to offset loss caused by violations of the user agreement. Again, I've considered the evidence which PayPal has shared with our service in confidence when deciding if this is fair and reasonable. I've also looked at the user agreement and the circumstances when PayPal is able to take this action.

Having done so I don't think PayPal's made an error in classing D's account as a risk, and then permanently limiting it. Because of this, I can't ask PayPal to take the limitation off or release the money back to D.

In summary, I know this will come as a disappointment to Mr S but having looked at all the evidence, I can't conclude PayPal has treated D unfairly when it decided to limit its account and not tell Mr S why. And then not return funds in D's account back to Mr S. It follows that I don't uphold this complaint.

### **My final decision**

For the reasons I've explained my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 3 February 2026.

Sharon Kerrison  
**Ombudsman**