

The complaint

Miss F complains PayPal UK Ltd unfairly blocked her account and stopped her accessing the money held in her account.

What happened

Miss F received an email from PayPal to say it had reviewed her account, and it was permanently limiting, or blocking it. PayPal said any money in the account would be held for up to 180 days and then Miss F would be told how to access it.

Unhappy with this, Miss F complained to PayPal and it responded to say it had reviewed the account, then carried out a second review, and the limitation was permanent.

PayPal said it had identified a high level of risk on Miss F's account, and it would hold the money to protect against claims. PayPal said it would release the money in late December.

Miss F brought her complaint to this service, and said she'd never had claims on payments into her account, so didn't know why she was being labelled a risk.

Miss F said she didn't have a clear reason why her account was considered a risk.

An investigator looked into things and said they'd been sent information in confidence, and although they couldn't share it, they were satisfied PayPal had made the right decision.

The investigator said they accepted the limitation and holding of money would have caused Miss F inconvenience, but this flowed from a reasonable decision by PayPal.

Miss F didn't agree with this outcome, and said she had no clarity about the reasons for the limitation and couldn't defend herself. Miss F said she wasn't a risk, she'd had no claims against her and held an account for a long time.

Miss F said the money in the account was legitimate and she should be given an opportunity to rectify any risk before a disproportionate limitation was applied. Miss F asked for an ombudsman to decide her complaint.

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'm satisfied PayPal fairly reviewed Miss F'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 Miss F's said about fairness and not being able to defend herself 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 Miss F's account.

I agree with the investigator when they said releasing the specific information would leave PayPal open to revealing its internal, and commercially sensitive, compliance rules, as well as how PayPal finds, assesses and balances this information.

Like the investigator, I want to assure Miss F I've carefully, and impartially, considered the reasons behind PayPal limiting her account and holding the money, and I think this was a reasonable decision by PayPal.

And once PayPal had decided to permanently limit Miss F's account, its user agreement says it can hold money in the account for up to 180 days.

This hold is to protect Miss F against any claims which could be brought up to 180 days after a pay in. I don't think the hold is disproportionate, it's in line with potential claim timeframes.

I accept Miss F hasn't had any claims previously, but I still think it's fair for PayPal to hold the money. Once the money is released, in December, Miss F will know there won't be any claims against this money and it's hers to use as she sees fit.

If PayPal was to release the money earlier, and then receive a claim, Miss F would owe PayPal money, so I think the fairest outcome here is for PayPal to hold the money.

I don't think PayPal's made an error in classing Miss F'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 any sooner.

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 Miss F to accept or reject my decision before 15 December 2025.

Chris Russ

Ombudsman