

The complaint

Mr W complains PayPal UK Ltd stores his old passwords and this is a risk.

What happened

PayPal sent Mr W a message to say he needed to change his password. Mr W did this but couldn't reuse any of his previous passwords.

Mr W contacted PayPal to explain he thought this was a risk, and raised a complaint. PayPal responded to say its system prevents the reuse of old passwords for security reasons.

Unhappy with this response, Mr W brought his complaint to this service. An investigator looked into things but didn't think Mr W's complaint should be upheld.

The investigator accepted PayPal stores Mr W's old passwords, to identify duplicates, but thought PayPal was acting fairly in doing this. The investigator said this was a commercial decision by PayPal and not something they could necessarily look into.

The investigator said PayPal's reasons for not allowing repeats of old passwords was fair, and whilst they could understand Mr W's worries about data breaches, this hadn't happened.

Mr W disagreed and said just because a breach hadn't happened didn't mean it couldn't, and any breach would reveal all his old passwords and any pattern in selecting them.

Mr W said his old passwords were his data and he didn't consent to PayPal storing them, so this should be enough for this service to make PayPal delete them.

Mr W asked for an ombudsman to decide his 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.

PayPal's explained it stops the reuse of old passwords in an effort to reduce the chance of accounts being hacked. People tend to repeat passwords, across many platforms, and a hack elsewhere might reveal Mr W's PayPal password.

And if Mr W's data had been breached elsewhere, at any point, repeating a password might allow someone access if they find out an old password from another breach.

I think these are reasonable explanations for why PayPal doesn't allow the reuse of old passwords. And to work out if an old password is being reused, PayPal would need to keep those old passwords somewhere, which again I think is reasonable.

Mr W's worried the list of old passwords would show a pattern to his choice of passwords, but I think this is one of the reasons PayPal wants to limit old passwords being reused.

If there's a pattern, then other people might be able to work the pattern out too.

I think the investigator's right to say this service can't look at the potential impact of something going wrong, so I couldn't say what might happen if there was a hack somewhere. But I can look at the individual impact on Mr W.

Like the investigator, I think it would be frustrating to have to pick a new password each time Mr W resets his PayPal password, but I think this frustration flows from PayPal's reasonable decision not to allow repeated passwords.

Mr W says his old passwords constitute his data, and he has a right to ask for this to be deleted. Mr W might want to raise this with the Information Commissioner's Office (ICO) as this is specifically about whether it's fair for PayPal to hold certain data.

Looking at why PayPal asks for a new password each time, I think it's acting fairly and reasonably here. And because of this, I won't be asking PayPal to delete Mr W's old passwords or do anything else to resolve his 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 Mr W to accept or reject my decision before 6 January 2026.

Chris Russ
Ombudsman