

The complaint

Miss R complains PayPal UK Ltd placed a limitation on her account and provided poor service when she tried to resolve the issue.

What happened

In or around early June 2025 Miss R's PayPal account was restricted. She noticed a red banner across the top of her account so contacted PayPal to resolve the issue. Unfortunately, she couldn't resolve the issue via the chat function in the app and was asked to call PayPal to look into the issue further.

As she was unable to resolve the issue she complained to PayPal. PayPal looked into her concerns, but it didn't uphold her complaint and said it was permanently limiting her account due to the information she had supplied.

Miss R remained unhappy and referred her complaint to our service. Our Investigator contacted PayPal for further information regarding Miss R's complaint and account restriction. PayPal responded and acknowledged it had made an error in limiting Miss R's account. PayPal also made an offer of compensation of £300 for the distress and inconvenience caused to Miss R.

Our investigator felt the offer was fair in the circumstances and put the offer to Miss R. But Miss R didn't agree, she said she didn't feel PayPal's actions were carried out with honesty, ethics or care. She says she was caused a significant amount of distress over a period of time with the unexpected and immediate restriction.

Miss R asked for an ombudsman to review the case, so it 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.

Having done so, I've come to the same conclusion as the investigator for largely the same reasons.

PayPal has acknowledged it made an error in limiting Miss R's account and has apologised for the error via the investigator. PayPal also made an offer of compensation for £300 so what's left for me to consider is if this offer is fair in the circumstances of this complaint.

Miss R contacted PayPal on 3 June 2025 when she became aware of the restriction. She remained in contact with it over the coming days to try and resolve the issue. While under its terms and conditions PayPal is able to restrict and limit accounts, I can't see she was provided clear information as to why the restriction was applied – which I would have expected it to do.

Miss R has told us she found the experience stressful, and it caused her anxiety. I can

understand why, especially as she was expecting a payment to go from her PayPal account for a holiday she had booked. This caused her further inconvenience as she needed to arrange this payment through a different provider. I'm glad to hear that Miss R managed to arrange this payment.

PayPal explained that it has restored full access to Miss R's account on 10 July 2025 and she has continued to use the services since then. But PayPal hasn't said what explanation if any it provided Miss R about the limitation so while she may have had access to her account I can understand why she may still have felt unhappy with the service provided to her.

It might be helpful for me to say here that as we are not the regulator, I cannot make PayPal change its systems or processes – such as how it communicates with its customers or the technology it uses. These are commercial decisions and not something for me to get involved with. Nor does this service supervise, regulate or discipline the businesses we cover. And my role isn't to punish or penalise businesses for their performance or behaviour – that's the role of the regulator, in this case the Financial Conduct Authority (FCA).

PayPal has offered £300 for the distress and inconvenience caused to her, considering the above I think this is a fair offer and reasonable in the circumstances. It seems it took over a month for Miss R to get access to her account and longer for her to get an explanation of what caused the limitation of her account.

This is a significant amount of time, but I do feel the £300 fairly and reasonably reflects the distress and inconvenience she was caused over a sustained period lasting a few weeks when she was unable to use her account. I haven't seen that Miss R has suffered any financial loss due to PayPal's actions and as stated above it is not our role to punish or penalise businesses for their performance or behaviour. And so, I think £300 compensation is a fair way to settle this complaint as I'm not persuaded an uplift on this is warranted for the inconvenience suffered.

My final decision

For the reasons I've explained I've decided to uphold Miss R's complaint against PayPal UK Ltd and I direct it to pay Miss R £300 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 17 February 2026.

Jag Dhuphar
Ombudsman