

## **The complaint**

A company I'll refer to as U complains that PayPal UK Ltd have placed a reserve on their account, restricting access to their funds. They'd like the funds to be released and for compensation.

## **What happened**

U hold an account with PayPal, in which they reserve the proceeds of online sales. But in April 2025 PayPal placed a reserve of £4,000 on the account, as well as a 10% 60-day rolling reserve.

U complained, saying this wasn't reasonable and their dispute rate was only 1.01%. They said no justification or timeline provided. PayPal initially responded to say the complaint was about a dispute case. But they later responded to explain that there was not enough information about U's business to remove the reserves. They said the reserves were in place to ensure there were sufficient funds to prevent any potential losses to reversals in the future. They said this reserve would be reviewed in October 2025.

Dissatisfied with this answer U referred their complaint to our service, saying that PayPal's position was inconsistent, as they had said any disputes would be deducted from the available balance rather than the reserve. They felt the reserve was excessive, and the performance of their business showed the risk was low.

Our investigator looked into what happened, but she was satisfied that PayPal had acted in line with their terms by placing the reserves. She wasn't persuaded this decision was unreasonable, or that PayPal needed to do anything further.

U disagreed, and as such the complaint has been passed 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.

In their submissions U has raised several points about why they feel PayPal's actions are unreasonable – for example referring to the Financial Conduct Authority's Principles. I've taken all these on board, and I'd like to assure U I've considered them carefully even if I don't directly reference them within this decision. But I also need to highlight that U, as a limited company, can't rely on certain consumer protections – for example the Consumer Rights Act 2015 – as these are generally intended to cover individuals, rather than incorporated businesses.

Here the PayPal terms state that they made place a reserve if they believe there is a high level of risk associated with the account. It's not an unusual industry practice for reserves – either as a total amount or as a percentage of transaction value – to be placed on merchant's accounts. As PayPal have explained this is to mitigate any risks from

chargebacks or reversals. So, I'm not persuaded that placing a reserve in itself is unreasonable.

I have considered though the level of reserve, and whether this is reasonable. PayPal have explained this is down to their own understanding of the risk, although U has argued that this assessment was flawed. But PayPal, like all businesses, have a broad commercial discretion over what transactions they are comfortable processing and what level of risk they're willing to accept. This will take into account a wide variety of factors, so it's unlikely to be based on a single risk factor – such as chargeback ratios, or volume of transactions compared to what was expected.

PayPal haven't provided a full outline of their risk decision to U, and there is no specific obligation on them to do so. They have provided further information to our service about the decision to place the reserve at the level it is. The rules of our service allow me to treat certain evidence as confidential – for example if it contains commercially sensitive information. Here, I'm satisfied that it's appropriate I treat PayPal's reasoning for the reserve limit as confidential, so I'm sorry to U that I won't be detailing it in full. But I'm satisfied this was a commercial decision PayPal are entitled to make – and I don't find it unreasonable.

I appreciate why U would be frustrated by this, and I've no doubt that it has had an impact on their business. But I don't see that PayPal have been unreasonable in doing so, as it is in line with their own risk appetite and the terms U agreed to when opening the account.

U has also complained about the difficulties in raising a complaint and receiving a response that didn't correctly identify the issues. The rules of our service mean we can't consider complaints about complaint handling in isolation, and I don't see this had any impact on PayPal's decision around the reserve.

I understand that PayPal are now allowing U to draw down some of the remaining funds. But I don't see that PayPal have been unfair or unreasonable here, so I don't see that PayPal need to do anything further.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask U to accept or reject my decision before 7 May 2026.

Thom Bennett  
**Ombudsman**