

The complaint

Mr A complains PayPal UK Ltd suspended his account, wouldn't let him take out the money he had there and won't close the account.

What happened

PayPal contacted Mr A and asked for proof of his identity. PayPal limited, or suspended, Mr A's account. Mr A had a balance of a little under £50 and couldn't withdraw it.

Mr A complained to PayPal, and it said it was missing Mr A's date of birth. PayPal said it needed to collect this information. PayPal said until Mr A sent in identification the account couldn't be closed and the money couldn't be released.

PayPal said its terms allowed it to ask for identification, and then limit the account without it, but if Mr A sent in his identification he could continue to use the account.

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

The investigator said PayPal was fair in asking for identification and when it didn't get it was fair in limiting the account. The investigator said Mr A had a point when he said he could choose who he deals with, but felt PayPal had the same choice.

The investigator said PayPal should release Mr A's money when the hold was over.

Mr A disagreed with this outcome and asked when the money would be released. Mr A also wanted PayPal to close his account. Mr A felt it was unfair PayPal was forcing him to provide identification to either take the money or close the account.

Mr A 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 is a regulated financial business, and it has an obligation to understand who's using its services and ensure they've been identified. PayPal says Mr A's account was reviewed and, as part of this review, it asked for identification from Mr A.

This seems a reasonable thing for PayPal to do. I think PayPal's user agreement and legislation it's subject to, says it needs to identify account holders, and I think this means it can fairly ask for Mr A to prove his identity.

It's clear Mr A didn't want to send PayPal proof of his identity, and this is his choice. But I think it's fair PayPal limited Mr A's account once it was clear he wasn't going to send in any

identification.

PayPal's user agreement, in Restricted Activities, says account holders shouldn't:

Refuse to cooperate in an investigation or provide confirmation of your identity or any information we request further to PayPal's money laundering, counter terrorist financing and/or other regulatory obligations.

And PayPal's user agreement then says if an account holder carries out a restricted activity it can:

Immediately suspend your use of the PayPal services or limit your account if PayPal reasonably believes that your continued access to the PayPal services has the potential to adversely impact those services or other users or if we are required to take immediate action to comply with a legal obligation.

and

Hold your money to the extent and for so long as reasonably needed to protect against the risk of liability.

PayPal usually holds money for 180 days, and it seems this is what it did in Mr A's case. Mr A's account was limited in June 2025, and he was able to take the money from the account in December 2025, around 180 days later.

Mr A says PayPal had verified his linked bank account, and this is where the money in his PayPal account came from, but I still think it's fair for PayPal to hold his money.

I think Mr A presented a risk to PayPal, by not sending in proof of his identity. PayPal doesn't know if the linked bank account is Mr A's, because without proof of identity, I don't think PayPal can be sure it's dealing with Mr A.

Money in a PayPal account can be recalled, by the sender, and generally the different types of recall all have to be completed within 180 days. Once the 180 days pass, the risk of any recall is very small, so I think PayPal was fair in holding Mr A's money until this risk passed.

Had PayPal released the money sooner, then had it recalled, it would need to pursue Mr A for the money back. But PayPal doesn't know for sure it's Mr A it's dealing with, he hasn't sent in any identification.

I think there was a risk to PayPal in releasing the money sooner than it did.

Mr A says he's being forced into sending in his identification, but I don't agree. PayPal's released Mr A's money, without the proof of identity.

I accept PayPal won't close Mr A's account without the proof of identity, but it seems Mr A no longer wants to use PayPal anyway, he's worried it doesn't handle his data properly.

I think PayPal's fair in saying it won't close Mr A's account, it needs to be sure it's receiving a request to close from the owner of the account. PayPal's asked Mr A to show he's the owner, by providing identification, without this I think it's fair not to close the account.

PayPal's said, in line with its privacy statement, Mr A's account data will be erased after 10 years, at which time Mr A's account will effectively have closed.

I don't think this means Mr A's being forced to send in his identity documents. PayPal will, eventually, remove Mr A's data from its records.

I don't think PayPal's made a mistake by asking Mr A for proof of his identity, and I don't think it made an error by holding on to the money in the account.

Mr A has a choice, leave the account as it is or send in proof of his identity and PayPal might close his account sooner.

But since I don't think PayPal's made a mistake here, I won't be asking it to close Mr A's account or do anything else to resolve things.

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 A to accept or reject my decision before 10 March 2026.

Chris Russ
Ombudsman