

The complaint

Mr A complains that PayPal UK Ltd (PayPal) unfairly limited his account. Mr A is also unhappy that the account is still showing on his records, which has impacted his credit file.

What happened

Mr A opened an account with PayPal in 2006.

In July 2025, PayPal reviewed Mr A's account. PayPal sent Mr A an email that told him a permanent limitation had been applied to his account due to a violation of its acceptable use policy.

Mr A complained to PayPal and said he he'd never used Mr A's account for anything untoward and had always operated it properly. So, the closure of Mr A's account came as a shock to him had caused him problems as he used the account often. He asked PayPal to explain why it was no longer happy for him to use its services. And to reconsider its decision.

PayPal reviewed everything but maintained its position. Mr A remained unhappy and asked PayPal to close his account so that it didn't appear on his credit file. PayPal said it was obliged to keep Mr A's data to comply with its legal and regulatory obligations.

Mr A remained unhappy, so he complained to our service. He said he wants PayPal to provide a proper explanation for why it closed his account. And close the account as it is impacting his credit file negatively.

One of our investigator's looked into Mr A's complaint. They asked Mr A for evidence of how his credit file had been impacted by PayPal's actions, but Mr A didn't provide anything. After reviewing everything the investigator said they didn't think PayPal had treated Mr A unfairly

As no agreement could be reached the complaint has come 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.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information PayPal has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr A, but I'd like to reassure him that I have considered everything.

The user agreement which Mr A would have agreed to when he opened Mr A's account with PayPal sets out the terms under which PayPal operates the account. And these allow

PayPal to limit or close an account if it wishes to do so.

PayPal reviewed the use of Mr A's account and identified an issue with the use of it. And it decided to permanently limit the use of the account – including any other account that Mr A subsequently tried to open.

Based on the information, which includes the information PayPal has shared with our service in confidence, I can't say PayPal has acted unreasonably and treated Mr A unfairly when it decided to limit his account. And I'm satisfied that PayPal has followed its processes and the terms of its user agreement when doing so. It follows that I don't think PayPal has done anything wrong. And I won't be asking PayPal to reactivate Mr A's account.

Mr A has said he hasn't had any clarity about the reasons for the limitation and therefore can't defend himself. Mr A said he wasn't a risk, and he'd used the account properly. I've taken onboard Mr A's comments. But I'm satisfied PayPal fairly reviewed Mr A'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 Mr A's said about fairness and not being able to defend himself 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 Mr A's account.

I know Mr A is frustrated that he hasn't been given a detailed reason as to why PayPal has done this. But it's not obliged to do so. So, I can't say it has done anything wrong in not giving him this information as much as he'd like to know. And it wouldn't be appropriate for me to require it do so now.

Having said that I can see that when PayPal wrote to Mr A to let him know it had limited his account, it did provide Mr A with an explanation for its actions and referred him to its user agreement. So, I think it's likely Mr A had some understanding of the reason behind PayPal's decision - albeit not to the level of detail he would like. But as I've already said, PayPal don't have to give him this information.

Mr A has also said that he wants PayPal to close his account and remove information it holds about him so that the account doesn't appear on his credit file. Mr A has said that the account's continued presence on his record is impacting his credit file.

Firstly, it's not the role of our service to decide whether or not a business has breached data protection laws – that's the role of the Information Commissioners Office (ICO). But we can look at whether a business has treated a customer fairly and reasonably when applying those regulations in their course of business.

PayPal also has a responsibility to report details of the accounts it holds to Credit Reference Agencies (CRA's). This is done by sending data to the CRA's to be assigned to the relevant consumer's credit file

PayPal told Mr A whilst Mr A had a right to ask it to close his account it needed to keep Mr A's account limited and his data for a period of time. PayPal explained that it had to comply with its legal obligations, applicable law and security/fraud concerns which meant it was unable to close Mr A's account and inform CRA's so that it could be removed from his credit file. And that it has a legitimate interest resulting from Mr A's account opening, which is to ensure that there are no further account opening applications made by Mr A. So, it won't close Mr A's account.

PayPal originally recorded Mr A's data for the purpose of opening an account – it was part of its account opening process. There are many activities related to providing an account that PayPal need to carry out. For example, fraud, identity, credit searches and money laundering checks. These are all activities related to Mr A opening an account, which PayPal must complete to comply with its legal and regulatory obligations.

PayPal is bound by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017/692. Under these regulations they have a requirement to undertake customer due diligence when establishing a business relationship (regulation 27). Where regulation 27 applies, they must verify the customer's identity (regulation 28). Any information obtained under regulation 28 must be kept for five years. As a result, PayPal are required to keep the information provided by Mr A despite his request to have his account closed so that it is removed from his credit file.

Having looked at all the information available to me, including PayPal's actions and the information it's provided I don't think I can say that PayPal has acted unreasonably or unfairly in coming to that conclusion. I can also see that it followed its usual procedures handling data on a limited account. So, I won't be asking them to close Mr A's account. In reaching this conclusion I've also kept in mind that Mr A hasn't provided any evidence that PayPal not closing its account has had a detrimental impact on his credit file.

In summary, I know this will come as a disappointment to Mr A but having looked at all the evidence, I can't conclude PayPal has treated Mr A unfairly when it decided to permanently limit his account.

My final decision

For the reasons I've explained, my final decision is that I do not 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 19 February 2026.

Sharon Kerrison
Ombudsman