

The complaint

X has complained that PayPal UK Ltd (“PayPal”) placed a permanent limitation on her account which meant that she has been unable to use her PayPal account.

X says that PayPal has not explained why the permanent limitation has been put on her account or why it wasn’t removed. X says she has been unable to access the funds held in the account.

What happened

The facts of this complaint are well known to both parties, so I won’t repeat them here again in detail. In summary, X held a PayPal account. In November 2025 PayPal placed a permanent limitation on her account. X raised a complaint with PayPal, and it investigated her concerns.

PayPal issued its final response to X’s complaint on 18 November 2025 and did not uphold it. PayPal said that its decision had been made in line with its User Agreement. PayPal concluded by saying that X could no longer use PayPal.

After X referred her complaint to this service, one of our investigators assessed the complaint and they did not uphold the complaint. X did not accept the investigators conclusions, so the complaint was referred to me for an ombudsman’s 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 decided not to uphold this complaint. I’ll explain why.

I’ve carefully read all of the correspondence sent to this Service. That being said, my decision won’t address every point or comment raised. I mean no discourtesy by this, it simply reflects the fact our Service is an informal dispute resolution service, set up as a free alternative to the courts. So, in deciding this complaint I’ve focussed on what I consider to be the heart of the matter, rather than considering every issue in turn.

PayPal has important legal and regulatory obligations it must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, to ensure it has up-to-date information about the consumer and to prevent and detect financial crime. Because of this, it’s common industry practice for financial businesses to conduct a review on a customer and/or the activity on an account. These reviews may take place when a customer opens an account, but they can also take place at any point during the lifetime of a financial product.

In this instance, PayPal reviewed X’s account. Based on the review, it seems likely PayPal reviewed fairly standard information relating to X’s account. And in the circumstances, I can’t say that PayPal was being unfair or unreasonable in reviewing X’s account.

I understand that X feels she was able to explain any recent account activity and she believed she hadn't done anything wrong. But after PayPal completed its review, it took the decision to end its relationship with X.

Financial businesses are entitled to end their business relationship with a customer - just as much as a consumer can choose to no longer be a customer of a financial business. However, a financial business can take such action providing that it does so fairly; doesn't breach law or regulations; and is in keeping with the terms and conditions of the account.

From what I can understand, PayPal carried out a review of X's account. Following this review, it decided that it no longer wanted X as a customer. The reason it has given in the final response was because the activity on her account was inconsistent with its User Agreement. PayPal said that once it had completed its review it had determined there was an excessive risk associated with X's account, as the level of risk associated with it was too great to continue business with X.

Because of this, in November 2025, PayPal took the decision to permanently limit X's account. PayPal says it had emailed X to notify her of its decision.

I understand that X is deeply upset with PayPal's decision to permanently limit her account. I recognise that it can't be pleasant being told you are no longer wanted as a customer, and I can see that it would've been frustrating for X in the circumstances. But PayPal doesn't disclose to its customers what triggers a review of an account. Nor is it under any obligation to tell X the specific reasons behind the account review and the subsequent decision to permanently limit the account.

So, I can't say PayPal has done anything wrong by not giving X this information. And it wouldn't be appropriate for me to require it to do so either.

However, having said that, PayPal still needs to provide information to this service so we can fairly decide a complaint. PayPal has provided information about why it no longer wanted X as a customer and ultimately permanently limit her account. Having reviewed that information I'm satisfied that it did so fairly.

As such - whilst I recognise that it is frustrating for X to not know the specific reasons why PayPal decided to permanently limit her account - I am satisfied that PayPal has acted within the terms and conditions of the account. I am also satisfied that, although the closure of her PayPal account has clearly had an impact on her, I do think that PayPal has acted fairly and reasonably in the circumstances. I therefore can't reasonably say that PayPal should reinstate X's account.

I appreciate that X may want this service to disclose to her the specific reasons why PayPal took the action that it did. However, the dispute resolution rules that this service is governed by (known as the DISP Rules) - DISP 3.5.9R, specifically - says that an ombudsman can accept information in confidence where they (the ombudsman) deem it appropriate. And in this case, I think it is appropriate to not disclose to X the specific evidence that PayPal has provided about the reasons why it decided to review, suspend and then permanently limit her account.

PayPal has also raised concerns about the use of the account from abroad. PayPal have evidenced that all the logins to the account were from overseas, but the account X has signed up to is for residents of the United Kingdom, Guernsey, Isle of Man and Jersey. I'm persuaded that PayPal was also fair in concluding that X was operating the account from outside the UK jurisdiction and didn't meet the terms required under the User Agreement.

I want to assure X I've also carefully, and impartially, considered the reasons behind PayPal limiting her account and holding the money. Once PayPal had decided to permanently limit X's account, its User Agreement says it can hold money in the account for up to 180 days.

This hold is to protect X and PayPal against any claims which could be brought up to 180 days after a pay in. I don't think the hold is disproportionate, it's in line with potential claim timeframes.

Even if X says she hasn't had any claims previously, I still think it's fair for PayPal to hold the money. Once the money is released X will know there won't be any claims against this money and it's hers to use as she sees fit.

If PayPal was to release the money earlier, and then receive a claim, X would owe PayPal money, so I think the fairest outcome here is for PayPal to hold the money.

In my view, the summary that PayPal provided in its final response letter about why it decided to close X's account is reasonable. And, as outlined above, I think it did reach the decision to permanently limit the account fairly and in line with its User Agreement.

My final decision

For the reasons mentioned above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 10 March 2026.

Jag Dhuphar
Ombudsman