

The complaint

N, a limited company, complains PayPal UK Ltd permanently limited its account without giving a reason why.

N is represented by its director, Miss A.

What happened

N went to check its PayPal account, after a buyer had paid them, and found its account had been permanently limited, or suspended.

N contacted PayPal, and sent it details about its business and Miss A sent in identification, but PayPal wouldn't remove the limitation.

Miss A complained to PayPal and it responded to say N's account had been permanently limited and most of the account features were unavailable. PayPal said it would let N know when it could access the money held in the account.

Unhappy with the lack of reasoning behind the limitation and the effect it was having on N's business, Miss A brought her complaint to this service.

An investigator looked into things but didn't think N's complaint should be upheld. The investigator said they couldn't share the reasoning behind the limitation, but had seen PayPal's reasons and thought it had made a reasonable decision.

Miss A didn't accept this outcome, and said N was a legitimate business. Miss A said without the specific reasons for the limitation N couldn't defend itself or respond to any concerns PayPal had.

The investigator asked PayPal about releasing some information, and it agreed. The investigator told Miss A PayPal had concerns about other, linked account that were previously permanently limited.

PayPal also said N's account had been accessed from hosting services, which is a breach of its user agreement.

Miss A said N couldn't be responsible for the conduct of other PayPal accounts paying N. And Miss A said N traded in various countries, so the account might well be accessed from overseas. Miss A asked for an ombudsman to decide N's 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's sent this service its reasoning behind permanently limiting N's but asked for some

of the information it shared to be kept confidential.

The rules this service was set up under allow for this, DISP 3.5.9R says

The Ombudsman may:

(2) accept information in confidence (so that only an edited version, summary or description is disclosed to the other party) where he considers it appropriate

And DISP 3.5.10G says

Evidence which the Ombudsman may accept in confidence includes confidential evidence about third parties and security information.

But I have to balance PayPal's request to keep information confidential and N's fair comment that it can't defend itself, or add comment, without knowing what PayPal's concerns are.

I've carefully considered things, and I think PayPal can fairly keep some of its information confidential. I think releasing the specific information PayPal used to reach its decision could seriously affect PayPal's compliance and security interests.

This means I won't be explaining, in full, PayPal's reasoning for the permanent limitation.

But PayPal allowed this service to release some information behind its decision making, including the links between N and other accounts PayPal's previously limited.

These links aren't because other people have paid N, these links are direct links, indicating common ownership, between N and other previously limited accounts. I think this would be a fair reason for PayPal to permanently limit N's account.

I've placed less weight on the use of hosting, or accessing N's account from other countries. Miss A's explained N trades in other countries, and this seems a reasonable explanation.

And N is a limited company registered in the UK, I don't think it then matters where the directors are located, as long as they're in a permitted country for PayPal. And from what Miss A says the countries N's account might be accessed from are permitted countries.

PayPal also had some concerns about the number of claims N's received. PayPal says there's a 33% return rate. Miss A says N received one claim found in its favour. Again, I haven't placed much weight on this.

But PayPal has other concerns, ones it wants kept confidential, and I think overall PayPal reached a fair and reasonable decision to permanently limit N's account.

PayPal's said it will hold N's money for 120 days, to protect against claims, and this also seems a reasonable decision. PayPal says it will review things regularly and might release N's money sooner. PayPal's also said it will let N know when the money is available.

If PayPal was to pay out N's money now, then receive a claim, N would owe PayPal money. I think the reasonable thing here is for PayPal to release N's money when it knows it can't be claimed back, N then knows this money is its to use.

I understand Miss A would like the full reasoning behind PayPal limiting N's account, but I don't think it would be fair to give the full reasoning, even though I accept this makes it difficult for N to defend or explain itself.

And since I think PayPal's made a reasonable decision to limit N's account, I can't ask PayPal to compensate for any inconvenience caused to N.

Miss A's said the limitation caused her personal distress, but I can't consider this, the PayPal account is in N's name so I can only consider any inconvenience caused to N.

But since I don't think PayPal's made a mistake here, I won't be telling it to do anything more to resolve things for N.

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 N to accept or reject my decision before 23 March 2026.

Chris Russ
Ombudsman