

The complaint

Mr A has complained that PayPal UK Ltd (“PayPal”) placed a permanent limitation on his account which meant that he has been unable to use his PayPal account.

Mr A says that PayPal has not clearly explained why the permanent limitation has been put on his account or why it isn’t willing to remove it. Mr A says that he needs his PayPal account.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them here again in detail. Mr A held a PayPal account. On 2 January 2020 PayPal conducted a review of Mr A’s account because it says he’d made an excessive number of disputes under its buyer protection programme.

A further review was carried out on 20 May 2020 and because it saw a further increase in both dispute and reversal rates, PayPal placed a permanent block on his account. Mr A appealed against the decision but was unsuccessful and so raised a complaint with PayPal, and it investigated his concerns.

PayPal issued its final response to Mr A’s complaint on 29 December 2025 and did not uphold Mr A’s complaint. PayPal said that its decision to limit the account was correct, fair and reasonable.

After Mr A referred his complaint to this service, one of our investigators assessed the complaint and they did not uphold the complaint. Mr A 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 reached the same conclusions as the investigator for largely the same reasons.

First, I’m very aware that I’ve summarised this complaint in far less detail than the parties and I’ve done so using my own words. I’m not going to respond to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome.

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

I understand that Mr A feels he was able to explain the level of disputes and reversals raised and says these were all genuine claims, so he believed he hadn't done anything wrong. But after PayPal completed its review, it took the decision to end its relationship with Mr A.

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. I'm satisfied that PayPal has done this here.

From what I can understand, PayPal carried out a review of Mr A's account. Following this review, it contacted Mr A and issued a formal warning notice about the volume of dispute activity as it felt this exceeded normal thresholds. A further review took place a few months later and it felt there had been a continued increase in both disputes and reversal rates.

It decided that it no longer wanted Mr A as a customer. The reason it has given was because the activity on his account was inconsistent with its Acceptable Use Policy. PayPal said that once it had completed its review it had determined it was unable to mitigate the risk associated with Mr A's account, as the level of risk associated with it was too great.

Because of this, in May 2020, PayPal took the decision to permanently limit Mr A's account. PayPal says that it had emailed Mr A to notify him of its decision.

I understand that Mr A is deeply upset with PayPal's decision to permanently limit his 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 Mr A in the circumstances. But PayPal doesn't disclose all the aspects to its customers which may trigger a review of an account.

Nor is it under any obligation to tell Mr A the specific reasons behind the account review and the subsequent decision to permanently limit the account. But it has told us and Mr A that the review was started due to its concerns around the level of disputes it was seeing on his account. So, I can't say PayPal has done anything wrong by not giving Mr A all the information or the clarity that he wanted, but I'm satisfied what it has told him was correct. And it wouldn't be appropriate for me to require it to do more.

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 Mr A as a customer and ultimately permanently limit his account. Having reviewed that information I'm satisfied that it did so fairly.

As such - whilst I recognise that it is frustrating for Mr A to not know all the specific reasons why PayPal decided to permanently limit his 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 his PayPal account has clearly had a great impact on Mr A, I do think that PayPal has

acted fairly and reasonably in the circumstances. I therefore can't reasonably say that PayPal should reinstate Mr A's account.

I note that Mr A has said the decision by PayPal lacks transparency and he would like more clarity on all the reasons as to 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 Mr A the specific evidence that PayPal has provided about the reasons why it decided to review, suspend and then permanently limit his account, beyond what it has already said about the excessive levels of disputes and reversals.

The reason for keeping some of the information confidential is some of the things PayPal identified as risky would become common knowledge if shared on every complaint it receives. This would then mean people intending to act dishonestly would know how to circumvent the checks and reviews. I don't believe Mr A intends to act dishonestly, but the way he was running his PayPal account does fall under a risk PayPal isn't willing to take.

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

My final decision

For the reasons I've explained, 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 14 April 2026.

Jag Dhuphar
Ombudsman