

## **The complaint**

C, a limited company, complains PayPal UK Ltd suspended its account and then took money out of the account to cover losses elsewhere. C is represented by Mr H, its director.

## **What happened**

Mr H received a message from PayPal saying it had permanently limited, or suspended, C's account. PayPal said it would be holding the money in C's account for some time.

C complained to PayPal and it responded to say it had reviewed C's account for risk and decided to permanently limit the account. PayPal said it couldn't tell C the reasons for the limitation, but it had made the right decision.

PayPal said it would tell C when the money in the account was available.

Unhappy with this answer, C brought its complaint to this service. And PayPal told C it wouldn't release the money, it was using it to repay a loss from another account.

An investigator looked into C's complaint but didn't think it should be upheld.

The investigator said PayPal had sent information in confidence, so they couldn't share it with Mr H. But the investigator had seen this information and thought PayPal made a reasonable decision to permanently limit C's account.

And the investigator thought PayPal had proven a link between C's account and another where a loss had been incurred by PayPal. The investigator said since there was enough to show C controlled another account, PayPal didn't need to release the money.

Mr H disagreed and said he had a personal account, but there hadn't been any issues or losses on this account, so it was unfair for PayPal to keep C's money.

Mr H said the review came after C invoiced someone for \$950, but this payment never happened, so he didn't see why PayPal had permanently limited C's account.

And Mr H said there were no claims or chargebacks on C's account, so there didn't seem to be a fair reason to permanently limit the account.

Mr H wanted to know the reason for the limitation because it had significantly affected C's ability to trade and Mr H wanted PayPal to pay out the money C had in the account. Mr H asked for an ombudsman to decide things.

## **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 can understand why Mr H wants to know what PayPal relied on when it permanently limited

C's account. It's difficult for C to defend itself, or explain things, if it doesn't know what PayPal's found out about it.

But this service was set up with a set of rules, DISP. 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 gives an example of where this might be appropriate

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

PayPal's sent this service information about why it permanently limited C's account and why it thinks C controls other accounts, which have caused PayPal a loss. And PayPal's asked this service to keep the information confidential.

I've balanced Mr H's reasonable request to see what PayPal's relied on with PayPal's legitimate request to keep information private, and I think it is fair for PayPal to keep this information confidential.

I think the information PayPal sent contains security information, it shows how PayPal's been able to show C's control of other accounts. If I was to release this information, I think it would seriously impact PayPal's legal and regulatory checks.

So, I won't be telling Mr H exactly why PayPal limited C's account.

But having considered this confidential information, I think what PayPal sent in is enough to say it took a reasonable decision to permanently limit C's account.

There's some information I can release, it seems Mr H has been accessing C's PayPal account using a VPN or hosting service. This is a breach of PayPal's terms.

And I can see Mr H accessed C's PayPal account from Pakistan, a country not on PayPal's permitted country list. PayPal can't offer its services in every country, due to national or local laws and regulations.

Again, this is a breach of PayPal's terms, and as a result of this breach PayPal can permanently limit an account.

So even if I don't consider the further, confidential information from PayPal, I think the use of hosting services or VPN and accessing from Pakistan is enough for PayPal to fairly and permanently limit C's account.

I've also looked at whether it was fair for PayPal to take the money from C's account and offset it against another loss.

Mr H says he held a personal account, but it was barely used and had no claims.

But I don't think it's this account PayPal was concerned about. PayPal's sent in information to show C's links and span of control to other accounts, including one where PayPal incurred a loss. I think PayPal's proved the links from C's account to others.

And, since I think PayPal's proven the links, I think it can fairly use C's money to cover a loss on another PayPal account C has control over. This means I won't be asking PayPal to pay any money out to C, it's already been offset, fairly, to another account.

Mr H says C issued an invoice just before PayPal's review. I don't think PayPal reviewed C's account because of this invoice, I think PayPal identified a risk in the way C was using its PayPal account.

And having identified the risk, PayPal reviewed things further and, I think, reached a reasonable decision to permanently limit C's account.

Because of this, I won't be telling PayPal to take the limitation off C's account or allow C to open new PayPal accounts.

### **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 C to accept or reject my decision before 25 May 2026.

Chris Russ  
**Ombudsman**