

The complaint

Mr B complains PayPal (Europe) Sarl et Cie SCA ("PayPal") restricted his personal account and withheld the money in it whilst carrying out a review.

Mr B says this caused him financial loss, loss of reputation, and distress and inconvenience for which PayPal should compensate him.

What happened

In May 2022, PayPal reviewed Mr B's account. On 15 May 2022, PayPal restricted Mr B's personal account and asked him to provide it with proof of his identity and address. Mr B says he had been sent money recently by a donor for a charity he runs and needed access to it to urgently to fund its activities.

Mr B sent proof of identity and his address to PayPal, but it found his proof of address was not valid as the address was different to that registered with it. On 24 May 2022, PayPal removed the restrictions from Mr B's account, and he was able to access the funds held in it.

Unhappy with PayPal's actions Mr B complained. PayPal did not uphold Mr B's complaint. In short it said it has a responsibility to all its members to maintain a safe and secure online payment service. And to meet this, it must be able to verify or authenticate all information associated with his account and perform additional checks where necessary.

Mr B then referred his complaint to this service. One of our Investigator's looked into his complaint, and they found:

- The proof of address Mr B provided to PayPal wasn't valid as it had the incorrect address
- It's not clear why PayPal removed the block on 24 May 2022 given it hadn't received valid proof of address from Mr B. But this benefitted Mr B
- PayPal hasn't given them satisfactory information to explain why the account was blocked on 15 May 2022 – so it wasn't entitled to do this. But it was entitled to restrict the account after Mr B sent invalid proof of address information on 16 May 2022. Asking for this information was in line with its terms of account
- The one day the account was blocked before PayPal was entitled to so would not have caused impact enough to warrant PayPal doing anything differently. So PayPal doesn't need to do anything further

Mr B did not agree with what our Investigator said. He makes a number of points, some of the key ones are:

- A manager at PayPal had called him at the time of the restrictions and told him that it had made an error with restricting his account and they were sorry about this
- There was no valid reason for PayPal to block the account

- PayPal's actions were malicious and designed to antagonise and cause him detriment

As Mr B didn't agree, his complaint has now been passed 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.

Having done so, I've decided not to uphold Mr B's complaint. I know this will disappoint him, so I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. 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'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr B and PayPal has said before reaching my decision. It's important to note, my decision focuses on PayPal's actions regarding Mr B's account.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses 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 we consider should be kept confidential.

Financial businesses, like PayPal, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

It's also worth noting the extensive legal and regulatory obligations PayPal must meet generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes Know Your Customer (KYC) checks.

PayPal have sent me information it says shows why it decided to restrict Mr B's account on 15 May 2022. Having carefully considered all of this, I'm persuaded PayPal have done nothing wrong by restricting the account and asking Mr B to satisfy requirements under the terms of the account relating to his identity and address.

I know Mr B would like a detailed and specific explanation of PayPal's reasons. But for the reasons I alluded to above, and as PayPal is under no obligation to do so, no further explanation needs to be given.

I'm also satisfied PayPal acted correctly by continuing to restrict the account given Mr B provided it with proof of address for a different address to that which he'd told PayPal he resides at.

It's unclear why PayPal removed the restriction on 24 May 2022 without the valid proof of address it had wanted. But as our Investigator said, this was to Mr B's benefit. So though I think PayPal were wrong to remove the restriction when it did, this hasn't caused Mr B any

detriment.

Mr B says he was told by one of PayPal's employees the restriction was altogether applied in error and that they apologised to him for this. Mr B hasn't been able to send any evidence which supports this. PayPal also haven't given me any evidence about this instead saying its submissions to this service constitute its position on the complaint. So without any evidence, I can't make a finding on this point.

Mr B has also said PayPal maliciously set out to antagonise him with the actions it took. From the information I've been provided, which includes screenshot of PayPal's internal notes, I haven't seen anything which supports this.

Mr B says this matter has caused him financial loss. He also says it has caused him trouble and upset. I do appreciate this matter would've caused him some difficulty. But having looked at what's happened in this particular case, I can see no basis on which I might make an award against PayPal given that I don't think it failed to properly follow its own procedures when restricting the account.

So I'm not going to ask PayPal to compensate Mr B for any trouble and upset this may have caused. I also note, and for the sake of completeness, the funds were for Mr B's charity, so in any event it would not be him in his personal capacity that suffered any financial loss. This complaint after all is about an account he held personally.

My final decision

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 October 2023.

Ketan Nagla
Ombudsman