

## **The complaint**

C, a limited company, complains PayPal (Europe) Sarl et Cie SCA limited its account.

## **What happened**

C is represented by Mr N, a director.

PayPal limited, or suspended, C's account. Mr N complained as there was a significant amount of money in the account.

PayPal agreed to release some money but kept other money limited. Unhappy with this Mr N brought C's complaint to this service.

An investigator looked into things but didn't think the complaint should be upheld. The investigator thought PayPal had fully explained to them why it had limited the account, and, in the circumstances, this was a reasonable decision.

Mr N said he accepted it might have been a reasonable decision, but it had a dramatic impact on C's ability to trade. Mr N had to get lending at a high rate to keep the business running and it had a significant personal impact on him.

Mr N said PayPal had abused its power and only released the remainder of the money when this service began investigating. Mr N 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.

PayPal asked this service to keep certain things it considered during its review confidential.

But this information includes things Mr N is, or should be, aware of. PayPal explained C's account was limited because it considered the account a risk. Standard limitations last 180 days, and this is to protect against buyer claims on purchases.

This is a reasonable action for PayPal to take, if it can show C's account was a risk.

PayPal says there was a significant increase in buyer complaints on C's account, and I agree this happened. It's clear C's business model is drop-shipping, it's in the email address C uses to log into its PayPal account.

There are risks associated to drop-shipping, including late deliveries, and it seems there was a significant spike in buyer complaints. Mr N has said most orders are delivered in 18 days. This seems a long time when compared to most online stores.

If PayPal receives buyer claims, it may have to refund these buyers. If PayPal does refund the buyers, it will look to recover these losses from C.

If C's already spent the money, it's more difficult for C to pay these losses and for PayPal to recover them. I think the limitation from PayPal served to protect C as much as PayPal.

When C first contacted PayPal about the reserve it told it what it could do to stop, or reduce, limitations going forward. I think this was a reasonable thing for PayPal to do.

PayPal also reviewed the payments into C's account and took the decision to release some of this money. Again, I think this is a reasonable action from PayPal.

But PayPal wasn't satisfied with the risk associated to C's account, so it limited other money for six months. PayPal limited C's account in May and released the money in November. This is six months.

Mr N has said PayPal only released the money because this service began its investigation into C's complaint. But, I think this was coincidental. It just happened the investigator began to look at things in November, six months on from the limitation being placed on C's account.

I think PayPal made a reasonable decision to limit C's account, in line with the user agreement and based on a fair risk assessment.

Mr N has explained the significant distress the limitation of C's account caused him personally, and the reduction in sales. But I could only consider these knock-on effects if I think PayPal acted unfairly in limiting C's account.

I don't think PayPal was unfair in limiting C's account, so I won't be upholding this complaint or asking PayPal to do anything more to resolve things.

### **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 30 July 2024.

Chris Russ  
**Ombudsman**