

The complaint

Miss I complains about the default that PayPal Europe Sarl & Cie, SCA has recorded on her credit file.

What happened

Miss I has an account with PayPal which had an outstanding balance. She entered into a debt management plan which included the debt that she owed to PayPal. PayPal sent her a default notice in November 2019 and then recorded a default on her credit file. Miss I complained to PayPal about the default. It said that it had received the debt management plan but it wasn't fulfilled so the default notice on her credit file was applied correctly. Miss I wasn't satisfied with its response so complained to this service.

Our investigator didn't recommend that her complaint should be upheld. He said that Miss I had provided evidence that showed she made the required payments prior to the default being issued. He said that if there hadn't been further issues with her payments, he would've asked PayPal to remove the default – but Miss I hadn't made the required payments in January, February and March 2020 which was a breach of the agreement. PayPal had then passed her account to a debt recovery agency in April 2020 and he thought that there was a very strong likelihood that PayPal would have defaulted her account at that time if it hadn't already done so.

He said that a default at that time would have been visible until May 2026 but the default that it recorded would no longer be visible from January 2026 so asking PayPal to change the default date to correctly reflect what happened would have the potential to negatively impact Miss I for four extra months. He thought that the fair outcome was that the default placed on her credit file in December 2019 remained and that it would be unreasonable to ask PayPal to remove it from her credit file.

Miss I has asked for her complaint to be considered by an ombudsman. She has responded in detail and says, in summary and amongst other things, that:

- whilst PayPal may have issued a default later, there's no specific evidence to show that a default would have been recorded on her credit file and she's described what might have happened;
- it's not known what would have happened with any certainty – but it is known that the actual default issued in December 2019 was premature because she'd made the required payments;
- PayPal has provided atrocious customer service so she communicated with it through her debt management company;
- she didn't know that her income would be reduced when she agreed to make the repayments, her debt management company was acting on her behalf and was made aware that her income was reducing and it was reasonable to assume that it passed that information to PayPal; and
- the default should be removed from her credit file.

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 agree with the conclusions reached by the investigator for these reasons:

- Miss I had an account with PayPal which was in arrears in September 2019 and she'd entered into a debt management plan with a debt management company under which she'd offered to make monthly repayments of £71.17 to PayPal;
- her debt management company made payments to PayPal on her behalf of £68.10 in September 2019, £71.17 in October 2019 and £71.17 in November 2019 – but the payments were sent to PayPal by cheque and it didn't receive them until December 2019;
- because it hadn't received the payments it was expecting, PayPal issued a default notice to Miss I in November 2019 – it said that the amount that she owed to it was £1,867.31, of which £192.29 was overdue;
- it recorded a default on her credit file in December 2019 – but it then received the two payments of £71.17 from Miss I's debt management company that had been made in October and November 2019;
- it received another payment of £71.17 from Miss I's debt management company in December 2019 but she's provided evidence to show that she changed employment in November 2019, was then being paid weekly instead of monthly and wasn't able to work for two weeks over the Christmas period so had less pay than she was expecting;
- although PayPal was expecting to receive monthly payments of £71.17, her schedule of payments from the debt management company shows that two payments totalling £26.94 were made to PayPal in January 2020, three payments totalling £45.60 were made to it in February 2020, four payments totalling £42.40 were made to it in March 2020 and four payments totalling £37.72 were made to it in April 2020;
- if PayPal hadn't already defaulted Miss I's account in December 2019, I consider it to be more likely than not that it would have issued a default notice to her in April 2020 when it hadn't received as much as it was expecting from her for three consecutive months;
- Miss I has described the income difficulties that she was experiencing and wasn't able to make full payments to all of her other creditors so I'm not persuaded that she'd have been able to clear her arrears to PayPal at that time and I consider it to be more likely than not that a default would have then been recorded on her credit file;
- I agree with Miss I that there's no certainty about what would've happened if her account hadn't been defaulted in December 2019 and I've carefully considered all of what she has said about whether or not a default would have occurred at some point after May 2020;
- in complaints like this, where the evidence is incomplete, inconclusive or contradictory, I have to make a decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances;
- I consider it to be more likely than not that if Miss I's account hadn't been defaulted in December 2019, it would have been defaulted at some point after May 2020;

- the default that was recorded by PayPal on Miss I's credit file will expire after six years and will be removed from her credit file in December 2025 but if that default was removed and replaced with a default that I consider would have been recorded at some point after May 2020, the earliest that it would be removed from Miss I's credit file would be May 2026 – so Miss I would be adversely impacted by that default for longer than she will be adversely impacted by the default that was recorded in December 2019;
- I've also considered Miss I's comments about the customer service that she's received from PayPal and the other comments that she's made in response to our investigator's recommendations;
- I sympathise with Miss I for the financial difficulties and other issues that she's experienced but I consider that PayPal has responded to her financial difficulties positively and sympathetically, as it's required to do; and
- I'm not persuaded that it would be fair or reasonable in these circumstances for me to require PayPal to remove the default that it's recorded on Miss I's credit file, to pay her any compensation or to take any other action in response to her complaint.

My final decision

My decision is that I don't uphold Miss I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 5 August 2021.

Jarrold Hastings

Ombudsman