

## The complaint

Miss H complains about irresponsible lending by PayPal Europe Sarl & Cie, SCA. She's also unhappy they said they'd write off her debt under PayPal credit, but then changed their mind. And she's unhappy they keep sending her payment reminders when they said they wouldn't.

## What happened

I've copied below my provisional decision, which forms part of my final decision.

*In August 2020 Miss H raised a complaint about PayPal credit. She'd been granted a £3,000 credit limit with PayPal in January 2020. She said she was unable to pay back what she'd spent – and said she'd been irresponsibly lent to as her financial and mental health circumstances weren't assessed like they should have been.*

*PayPal agreed to write off the debt, but she said they didn't provide any details about what this actually meant. Miss H said the debt still showed in her online account when she expected it to be treated as though it didn't exist anymore, and she was continuing to receive notifications about paying for the debt. So, actually, they'd not written it off she felt they'd just "parked" her debt. And, despite PayPal saying they'd suspend collections activity, they were still contacting her asking that she repay the debt.*

*Miss H shared with PayPal her health issues and how this debt is affecting her. But, as PayPal wouldn't write off the debt, she contacted our service – also sharing those details.*

*She explained when getting in touch with us that everyone else she'd contacted had agreed to write off her debts with them due to her health issues.*

*In December 2020 PayPal provided their information to our service, which explained they'd agreed to a payment holiday Miss H had asked for in April 2020 of three months. They said they then agreed to token payments of £1 a month from July 2020. In August 2020 they said they received information from Miss H regarding her mental health and agreed to write off the debt and cease all collections activity.*

*One of our investigators considered everything. She explained there seemed to be some confusion over what PayPal had meant when they said they'd "write-off" the debt. She said PayPal seem to say a write-off is them ceasing collections activity and not asking for payment – but the debt will remain on her credit file. She added she felt PayPal had lent responsibly but noted Miss H was still being contacted for repayment after they'd told her they wouldn't contact her again. So, she felt £150 compensation would be fair.*

*Miss H didn't agree. She said she'd have no meaningful chance of repaying this debt and said she wouldn't trust PayPal would honour what our investigator said – stopping the payment reminders. She said she'd be consumed with worry PayPal would change their minds and start collections activity again unless it's properly written off – particularly given they've told her the debt is written off, and repeatedly said they won't contact her again about the debt but have continued to do so.*

*PayPal also didn't agree. They said according to our investigators findings they'd lent responsibly and carried out appropriate checks. They added they received and approved all requests from Miss H – including a three-month payment break, a £1 token payment, and then wrote off her debt and stopped collection activities. So, because they felt they'd provided a lot of assistance, they didn't think they should also have to pay £150 compensation.*

*Since then, Miss H has sent us a number of chasers she's had from PayPal about paying the outstanding debt on this account.*

### **What I've provisionally 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.*

*Financial businesses are required to carry out checks to ensure when they're lending, they're not doing so irresponsibly. It's up to each lender to decide how this is done, but the checks do need to be proportionate and borrower focused – and provide the lender with a reasonable understanding of whether the debt can be repaid sustainably.*

*I've not spent a significant amount of time thinking about PayPal's lending decision, and that's because I think the amount should be written off due to Miss H's circumstances and PayPal's actions since they said they'd write off the debt.*

*The doctor's notes Miss H has provided make it clear that her medical conditions mean it's unlikely she'll ever work again. I've seen her latest income and expenditure report which shows she's in a minus figure every month meaning she can't afford to repay anything towards this debt. So, it's unlikely her financial position is going to improve given she's unlikely to ever work again and her current income isn't enough to support her living situation. And, even if she were to keep to the £1 a month figure which was agreed in July 2020, it would take her over 100 years to repay the amount outstanding.*

*In addition, Miss H's doctors have said "Her debts exacerbate her anxiety". Miss H has explained PayPal not removing this debt from their records is having a mental and physical effect on her.*

*PayPal have argued because they've agreed to write off the debt and stop contacting her, they've treated her fairly. But I can see PayPal are keeping a record of the debt on their systems and have continued to write to her even after they said they wouldn't. And I note that, even in response to our investigator's view, they said they'd stopped contacting her about the debt – but they still haven't done this. Miss H has continued to receive notifications about the debt which isn't fair in all the circumstances of this case.*

*In my opinion, it's not unreasonable for Miss H to have understood "write-off" to mean she'd be free from this debt going forward – it's what the reasonable borrower would understand this to mean in the circumstances. And if that wasn't PayPal's intention then I think it'd have been good practice for PayPal to explain clearly to Miss H what was going to happen next and how the debt would be recognised going forward. I've not seen that they've done this, and it's led to greater confusion and upset for Miss H than necessary.*

*Miss H says the only thing that would calm her anxiety is PayPal removing the debt from their records, and this is supported by her doctor's note. And I do think it's the right thing to do given her inability to repay, along with the evidence from her doctors – and PayPal's actions showing they've not done what they said they had. That means I'm going to require PayPal to remove the debt from their records.*

*But I do think that it's important for me to emphasise that I haven't gone as far as saying that the funds lent shouldn't have been provided in the first place. I'm simply telling PayPal that it should formally write off this balance as there's no reasonable prospect of Miss H repaying it and this is unlikely to change going forward.*

*As I've asked PayPal to do this it's important they record the debt as written off with the credit reference agencies rather than removing all trace of the debt entirely. Miss H, and her doctors, have explained she'll go through periods where she applies for credit when she shouldn't. So, it would be unreasonable for me to accept Miss H's doctor's conclusions in relation to the balance owed but depart from it in terms of her credit file going forward.*

*It can't be fair there's no record of this anywhere – and if this facility were completely removed from Miss H's credit file and she were to have another episode of applying for credit in the future then lenders may not turn her down because her credit file would suggest she presented a better risk than she actually does. I think that this would be counterproductive and arguably not in Miss H's best interests, or those of any potential lender. I'm satisfied that recording an outstanding balance was written off on this account would potentially save Miss H anxiety in the future – and is fairer to potential future lenders so they've got appropriate information on which to base their decision to lend.*

*PayPal removing this debt from their records should also mean Miss H isn't contacted again regarding the outstanding debt – as there wouldn't be a debt on PayPal's records to chase.*

*So, I'd expect that to stop any chasers PayPal would send. But I do think compensation is also appropriate for Miss H. I say that because PayPal have consistently explained they've written off the debt – which to most people would mean they won't be contacted again – and then have contacted Miss H on multiple occasions to ask her to repay it. This has continued to happen even after they disagreed with our investigator's assessment – where, in their reply, they said they'd stopped contacting her. I think £250 is a fair reflection of the distress caused to Miss H as a result of this.*

## **Responses to my provisional decision**

Miss H replied and said she was happy with the decision and had nothing further to add.

PayPal provided a detailed response split into three areas:

- **Irresponsible lending** – PayPal noted I hadn't commented on this but gave more details of the checks they carried out. They said these checks showed Miss H to be a low risk customer in terms of their lending. So, they thought their lending decision was reasonable and proportionate. But, said they were very sorry to hear of her health difficulties.
- **Write off** – PayPal provided detail about what'd previously happened and explained their process when writing off a debt is to tell the consumer they'd cease any further collections activities. They said they'd sent a letter dated 4 November 2020 to Miss H setting this out. PayPal said they didn't then change their mind about the status of the debt – once this has been decided then that's how it's recorded on their system. They said their process as a lender is to retain a record of all outstanding debts, but as they've now formally charged off the debt it won't appear to Miss H. They said in my decision I required PayPal to report the debt was written off or some equivalent to show the debt is no longer outstanding but wasn't repaid in full. On 7 December 2020 they defaulted the account – and that'll remain on the account for six years. The only way to reflect my requirement is to report the account as closed and partially settled – but there's no industry agreed reporting status for write off and reporting the

account as partially settled isn't correct. They ask if my decision took this into account.

- **Collections contact after September 2020** – they said sorry for this. Their records showed she'd received three email payment reminders between September and December 2020. And they sent Miss H a default notice in December 2020 as they're required to under the rules. PayPal explained the emails were an error due to a "*system configuration issue*" which been incorrectly applied to Miss H's account – they said this has since been resolved. PayPal said they have other accounts where they've agreed to stop contacting people regarding the debt and haven't been made aware of any issues regarding those accounts. They added had Miss H told them she was receiving communications after September 2020 then they'd have taken action immediately.

### **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 have noted I've not considered in detail whether they did or didn't lend irresponsibly, they just wanted to provide information regarding their checks – so I'll move to the next section.

In terms of the write off of the debt I've noted PayPal's comments that their process is to keep a record of the debt on their systems. But I can't see why that'd be justified in Miss H's case. Any outstanding amount that was owed to PayPal now isn't, and PayPal having a record of this debt on their systems resulted in them continuing to send Miss H correspondence about it. As I've set out above, this further correspondence caused Miss H anxiety, so I think the fair and reasonable thing to do here to ensure that no further correspondence is sent in error is to remove the debt. I've also noted what PayPal said about registering a default – and how things should be recorded on with the credit reference agencies. I was unaware from the submissions provided by either party that PayPal had recorded a default.

Given PayPal had agreed to remove write off the debt, it seems unfair it's been recorded as an unsatisfied default. I still think recording the debt as written off (in some capacity) is the fairest approach. And I don't think recording the case as partially settled would be unreasonable in the circumstances – as Miss H did make some payments to this debt.

As for the collections contact after September 2020 until December 2020 (which are the dates PayPal have identified they made errors in contact), they've explained this was a system error – rather than intentional actions to upset Miss H. I've seen no reason to doubt that, but regardless of the intention these contacts still had a significant impact on Miss H. I think Miss H will also be somewhat disappointed at PayPal's comment that she should have contacted them after September 2020 and they'd have dealt with these contacts. Because she did contact them, and they didn't deal with the issue. I've got evidence to show she did in October 2020, which was acknowledged by PayPal and she was told it'd be looked into. If it was looked into then it wasn't done properly as the error wasn't discovered. And, I feel it important to point out Miss H has also provided us with several chasers received in January and February 2021 for payment on the account as well – so even when PayPal have replied to this point, they don't appear to have identified all of the contacts made in error which is disappointing.

Taking everything into account I've seen no reason to depart from my initial conclusions which I've set out below.

## **Putting things right**

I require PayPal to:

- Remove any record of the debt from their systems
- Ensure no chasers are sent now or in future regarding this debt
- Remove the default and record with the appropriate credit reference agencies the debt was written off – or an appropriate equivalent to show the debt is no longer outstanding, but that it wasn't repaid in full
- Pay Miss H £250 in compensation for their failure to stop contacting her regarding the debt
- Write out to Miss H to confirm once all of these actions have taken place.

## **My final decision**

For the reasons I've explained above I uphold this complaint, and require PayPal Europe Sarl & Cie, SCA to carry out the actions in the "putting things right" section above.

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

Jon Pearce  
**Ombudsman**