

The complaint

Mr V is unhappy that PayPal (Europe) Sarl et Cie SCA reported a missed payment to his credit file after advising him that this wouldn't be the case.

What happened

On 1 September 2021, PayPal contacted Mr V by telephone and explained to him that the monthly minimum payment for August 2021 had been missed because the direct debit mandate being revoked. This meant that Mr V's PayPal account was in arrears to the amount of £3.25. Mr V was surprised by this and made a payment to clear the arrears and bring his account back into line that same day. Mr V also made sure that future minimum payments would be automatically paid moving forwards.

On the same telephone call, PayPal informed Mr V that the reason they had reached out to him was to ensure that he didn't incur any fees or charges because of what happened and also to ensure that his credit file was adversely impacted. However, Mr V later noticed that PayPal had reported a missed payment for the month of August 2021 to his credit file. Mr V wasn't happy about this, so he raised a complaint.

PayPal looked at Mr V's complaint. They noted the payment had been due in August 2021 and that Mr V hadn't made the corrective payment until 1 September 2021. As such, PayPal felt they'd reported the missed payment correctly, and they didn't uphold Mr V's complaint.

Mr V wasn't satisfied with PayPal's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They noted that PayPal's agent had told Mr V they were contacting him to ensure that Mr V didn't incur adverse credit file reporting, and so they felt that PayPal should honour that statement and remove the missed payment reporting from Mr V's credit file. Our investigator also felt that PayPal should make a payment of £50 to Mr V to compensate him for the trouble and upset this matter had caused.

PayPal didn't agree that the missed payment reporting should be removed, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 25 April 2022 as follows:

In their correspondence with this service, PayPal have stated that it wasn't the case that their agent told Mr V that they were calling him so as to avoid Mr V incurring adverse credit file reporting, but rather that the call to Mr V was being made to avoid 'adverse outcomes', which PayPal contend is a generalised statement that is open to interpretation.

However, having listened to the telephone call in question, it's clear that PayPal's agent specifically states that the reason that call to Mr V is being made is to:

"...avoid any late payment fees and charges or affecting your credit score."

As such, I'm satisfied that the intention of PayPal's call here was to try to help Mr V make the missed payment before any adverse consequences were incurred by Mr V, including the reporting of a missed payment to his credit file.

PayPal's actions in this regard are commendable. Unfortunately, given that PayPal reported the missed payment to Mr V's credit file on 31 August 2021, the telephone call to Mr V on 1 September 2021 appears to have been made a day too late.

Had PayPal made this call to Mr V slightly earlier, then I'm satisfied that Mr V would have made the arrears clearing payment on that day (given that he did so on the 1 September call) and so would have avoided the adverse credit file reporting that he ultimately incurred. As such, while I commend PayPal's intentions, it doesn't feel fair to me that Mr V should incur adverse credit reporting because the call from PayPal was made to him too late.

PayPal may contend that it was Mr V's responsibility as the account holder to monitor his account and to have rectified the situation that arose because of the revocation of the direct debit before their telephone call to him was made. Such logic seems reasonable to me, but it would also be expected that PayPal would try to contact Mr V to make him aware of the situation and to allow him to correct it before any adverse consequences were incurred.

PayPal did that here, and I note that PayPal sent Mr V an email confirming that the August 2021 payment had been missed as well as made the telephone call to Mr V on 1 September. But Mr V didn't see the email that PayPal sent. And unfortunately, the follow up telephone call that PayPal made was a day too late.

Ultimately, given the circumstances here, including that Mr V was told by PayPal that they were contacting him so as to avoid him incurring adverse credit file reporting, as well as the small amount of arrears in question and the fact that the payment was made only one day after the missed payment was reported, it doesn't feel fair to me that Mr V should incur a missed payment report on his credit file in this instance. As such, my provisional decision will include that PayPal must remove the adverse reporting from Mr V's credit file and report the August 2021 payment as having been made on time.

However, I don't feel that PayPal have intentionally acted unfairly towards Mr V here, and PayPal are correct in stating that it is Mr V's responsibility to monitor his account and ensure that scheduled payments are made on time. So, while I feel that a fair outcome here is the removal of the missed payment reporting, as explained above, my provisional decision won't include that PayPal should make any compensation payment to Mr V for what has taken place, as I don't feel that any such compensation payment is warranted in this instance.

In my provisional decision letter, I gave both Mr V and PayPal the opportunity to provide any new information they might wish me to consider before I moved to a final decision. Mr V confirmed he was happy to accept my provisional decision, whereas PayPal did not respond.

As such, I see no reason not to issue a final decision upholding this complaint in Mr V's favour on the basis described in my provisional decision letter above, and I can confirm that my final decision is that I do uphold this complaint in Mr V's favour accordingly.

Putting things right

PayPal must remove the relevant missed payment reporting from Mr V's credit file and report the payment as having been made on time.

My final decision

My final decision is that I uphold this complaint against PayPal (Europe) Sarl et Cie SCA on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 21 June 2022.

Paul Cooper
Ombudsman