

## **The complaint**

Miss K is unhappy that PayPal (Europe) Sarl et Cie SCA reported missed payments to her credit file and with the date that they reported defaulting her account.

## **What happened**

In March 2021, Miss K entered into a plan with a debt charity, which contacted PayPal and advised that Miss K wouldn't be able to make the full contractually required monthly payments to her PayPal credit account in the immediate future and explained what amount of monthly payment Miss K could afford to make, and so would be making, moving forwards.

Miss K made the reduced, affordable payments to PayPal for the next several months. But she was unhappy to learn that PayPal had reported missed payments to her credit file for those months, April through July 2021. Miss K was also unhappy that PayPal had then defaulted her account for non-payment and felt that if PayPal were going to have defaulted her account, they should have done it sooner. So, she raised a complaint.

PayPal looked at Miss K's complaint. They confirmed that the monthly payments they'd received from Miss K, via the debt charity, weren't enough to meet the contractual monthly payment requirements on the account, which had meant that arrears had accrued on the account which had grown with each passing month. As such, PayPal didn't feel that they'd acted unfairly by following account arrears process that they had, including reporting the missed payments to the credit reference agencies and defaulting the account when they did.

Miss K wasn't satisfied with PayPal's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt it should have been apparent to PayPal when they were contacted by the debt charity that Miss K wouldn't be able to make the contractually required monthly payments moving forwards and so recommended that PayPal amend the date of default to when they contacted by the debt charity in March 2021. PayPal didn't agree with the recommendation put forward by our investigator, 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 30 June 2023 as follows:

*When Miss K engaged the debt charity to help her with her finances – which resulted in the debt charity advising PayPal in March 2021 that Miss K wouldn't be able to make the full contractually required monthly payments in the immediate future – this didn't absolve Miss K of her requirements as per the credit agreement she'd entered into with PayPal to make at least the minimum contractually required monthly payments to her PayPal account.*

*As such, when Miss K then proceeded, via the debt charity, to make reduced payments to PayPal from April 2021 onwards, I'm satisfied that she was in breach of the credit agreement, because she was making monthly payments that were less than the minimum monthly amount required on the credit account.*

*Because of this, I'm satisfied that it was fair and reasonable for PayPal to then report to the credit reference agencies that Miss K didn't make the contractually required monthly payments for the months of April through July 2021. And I say this because I'm satisfied that this reporting by PayPal was factually correct.*

*It's clear that Miss K feels that she never missed a monthly payment to PayPal. But to have made a monthly payment for credit file reporting purposes means to have made a payment that's equal to or above the minimum monthly payment amount that's contractually required on that credit account.*

*And because Miss K made monthly payments of less than the minimum monthly amount that was contractually required of her, as per the credit agreement – and regardless of whether she did so having engaged a debt charity or not – she's considered to have not fulfilled her contractual payment obligations towards the account such that it's reported as a missed payment to her credit file. This feels fair to me, and as explained above, I'm satisfied that the reports PayPal have made to the credit reference agencies does present an accurate record of the reduced payments that Miss K made.*

*Miss K is also unhappy with the date PayPal defaulted her account and feels PayPal should have dated the default to when they were first contacted by the debt charity in March 2021. The Information Commissioner's Office ("ICO") issues guidance on when a credit provider such as PayPal should consider defaulting a credit account for the non-payment of account arrears. This guidance includes that a credit provider should generally provide a notice to an account holder that their account may be defaulted when that account has fallen into around three months of arrears, and that an account should be defaulted preferably before an account falls into more than six months of arrears.*

*Having reviewed how PayPal handled the defaulting of Miss K's account, I'm satisfied that they've acted in line with the ICO guidance here. I say this because PayPal issued a default notice to Miss K on 21 July 2021 at a time when her account was three months in arrears and defaulted her account for non-payment the following month.*

*I also don't agree that PayPal should be asked to backdate the date of default to when the debt charity first contacted them in March 2021. This is because Miss K wasn't in arrears on her account at all at that time, but only fell into arrears from the end of April onwards. And I feel that an important part of the default guidance issued by the ICO is that an account holder such as Miss K is given a fair opportunity to clear any arrears that develop on their account before that account is defaulted.*

*Finally, I also don't agree that it should have been apparent to PayPal that Miss K would necessarily have defaulted on her account upon being contacted by the debt charity in March 2021. This is because a person's financial position can improve unexpectedly over a short period of time. As such, I'm satisfied that it was fair and reasonable for PayPal to follow the arrears process that they did, which was in accordance with the ICO guidance referenced above. And this includes that PayPal defaulted Miss K's account in August 2021.*

*All of which means that I don't feel that PayPal have done anything wrong or acted unfairly here, and it follows from this that my provisional decision is that I won't be upholding this complaint or instructing PayPal to take any further action.*

Miss K responded to my provisional decision and reiterated that she felt it would be fair for PayPal to backdate the date of the default to when she they were first contacted by the debt charity on her behalf. And Miss K has explained how other creditors have backdated the default to an earlier date at her request.

But it's notable from a letter from another creditor that Miss K has provided, that the other creditor didn't feel it had made a mistake in how it had defaulted Miss K's account, and the other creditor agreed to backdate the date of Miss K's default as a gesture of goodwill.

However, it remains the case that Miss K wasn't in arrears on her PayPal account when the debt charity first contacted PayPal. And I continue to feel that PayPal haven't acted unfairly in how they administered the subsequent defaulting of Miss K's account. As such, I don't feel it would be fair to instruct PayPal to backdate the date of default as Miss K would like, and I leave it at PayPal's discretion as to whether they're willing to backdate the date of default as a gesture of goodwill.

Miss K also reiterated that she feels that she didn't miss any payments to PayPal. However, I feel that I've addressed this point in my provisional decision letter, and my position on this point remains unchanged.

I realise this won't be the outcome Miss K was wanting here, but it follows that my final decision will be that I won't be upholding her complaint. I hope Miss K will understand, given all that I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 28 August 2023.

Paul Cooper  
**Ombudsman**