

The complaint

Mr S complains that PayPal (Europe) Sarl et Cie SCA unfairly reduced his credit limit without notice.

What happened

Mr S says he cleared his PayPal balance on 21 December 2022 by paying it £641 with a view to then buying further items which he needed for his car. He says he tried to make a payment on 22 December 2022 but found out his credit limit had been reduced from £800 to £200. Mr S says he later received an email from PayPal on 22 December 2022 telling him that his credit limit had been reduced. He would like either the limit increased or a refund of his payment.

PayPal says it's entitled to reduce a credit limit in line with its user agreement. It says it can't refund Mr S his payment but will pay him as a gesture of goodwill £200 for his inconvenience.

Mr S brought his complaint to us, and our investigator didn't uphold the complaint. The investigator thought PayPal was entitled to reduce the credit limit and hadn't acted unfairly.

Mr S doesn't accept that view but accepts PayPal is entitled to reduce a credit limit. He would like his payment refunded.

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 have come to the overall view that I don't uphold this complaint.

There is no real dispute that PayPal is entitled to reduce a credit limit. I appreciate the timing of that decision caused Mr S a problem, but I can't see that PayPal could have anticipated that and think it was entitled to block the payment on 22 December 2022 as it intended to reduce the credit limit that day. I can't fairly order PayPal refund Mr S his payment as I'm satisfied that Mr S owed PayPal that money and it would be unfair to direct it be refunded in those circumstances.

I agree with Mr S that PayPal should tell its customers about a potential credit limit reduction but also think that when PayPal made that decision, it would be inappropriate to allow further lending even if the notice hadn't be sent. I'm satisfied Mr S was told about the credit limit reduction on the same day he attempted the payment.

I can see PayPal accepts Mr S was caused inconvenience and has fairly offered him £200 as a gesture of goodwill. I think that is a fair and reasonable offer and in line with the amount and type of awards we would make even if I concluded PayPal ought to have given Mr S more notice of the credit limit reduction. I will of course leave it to Mr S if he wishes to accept that offer and no doubt, he can tell PayPal if he does.

Overall, I'm satisfied that PayPal is entitled to reduce a credit limit and isn't obliged to refund customers payments in circumstances where a balance is owed as here.

Putting things right

PayPal has made a goodwill gesture offer of £200 which I will let Mr S decide if he wishes to accept it for the reasons I have explained.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 September 2023.

David Singh
Ombudsman