

## **Complaint**

Mrs G has complained about a credit account PayPal (Europe) Sarl et Cie SCA ("PayPal") provided to her. She says that she shouldn't have been approved for the finance as she'd only recently come out of an insolvency arrangement.

## **Background**

PayPal provided Mrs G with a credit account with a credit limit of £2,000.00 in April 2022. The credit limit on the facility was never increased.

One of our investigators reviewed what Mrs G and PayPal had told us. And he thought PayPal hadn't done anything wrong or treated Mrs G unfairly in relation to providing the account. So he didn't recommend that Mrs G's complaint be upheld.

Mrs G disagreed and asked for an ombudsman to look at the complaint.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs G's complaint.

Having carefully considered everything, I've not been persuaded to uphold the complaint. I'd like to explain why in a little more detail.

PayPal needed to make sure it didn't lend irresponsibly. In practice, what this means is PayPal needed to carry out proportionate checks to be able to understand whether Mrs G could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

PayPal says it initially agreed to offer Mrs G limit increases after it checked her income and carried out credit searches. And the information obtained indicated that Mrs G would be able to make the monthly repayments required for this facility. On the other hand Mrs G says that she shouldn't have been lent to.

I've considered what the parties have said about the limit increases.

What's important to note is that Mrs G was provided with a revolving credit facility rather than a loan. This means that PayPal was required to understand whether a credit limit of £2,000.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of this amount required reasonable monthly payments in order to clear the full amount owed within a reasonable period of time.

PayPal's credit checks indicated that Mrs G didn't have recent difficulties with credit in the form of defaults and county court judgements ("CCJ"). I know that Mrs G has referred to exiting an Individual Voluntary Arrangement ("IVA"). It's not clear whether PayPal knew about this. But what is clear is that this had been cleared sometime before Mrs G had applied for this facility and PayPal wouldn't have known that this was done with the help of family in the way Mrs G says it was.

I also don't agree with Mrs G's assertion that her previous experience of being in an IVA in itself meant that PayPal shouldn't have lent to her. A prohibition on lending in such circumstances doesn't exist in the rules and I don't think that it would be fair and reasonable to decline an application simply because the applicant may have had an IVA previously.

Nonetheless, given the amount of the likely monthly payments required here, I do think that it would have been reasonable and proportionate for PayPal to find out a bit more about Mrs G's regular living costs before offering this facility. As PayPal didn't obtain this information, I've considered the information Mrs G has provided with a view to deciding what it might have found out about Mrs G's regular living costs had this information been asked for.

Having done so, I don't think that PayPal would have made a different decision even if it had asked Mrs G for more information. I say this because the information Mrs G has provided about her finances at the time appears to show that when her committed regular living expenses and existing credit commitments were deducted from the funds going into her account, she did have the funds, at the time at least, to sustainably make the repayments due.

It's possible that Mrs G's position might have been worse than what it looks like, or that it worsened afterwards. For example, I've seen that she's provided joint account statements and has referred to her husband's commitments as well as additional facilities she took out after this one. But PayPal won't have known about these commitments as it had no way of finding out about them.

Furthermore, the fact that Mrs G has now provided joint bank account statements doesn't mean that this is what PayPal should have requested from her at the time. This is particularly as there are many ways, other than obtaining bank statements, of finding out about a prospective borrower's regular living expenses. For example, it could have just asked Mrs G about this. So it wouldn't be fair and reasonable for me to use hindsight here to include information that PayPal wouldn't have had, or say that PayPal should have factored Mrs G's husband's credit commitments into its affordability assessment.

I'm sorry to hear that Mrs G has found it difficult to make her payments and that she's taken further borrowing elsewhere. But as the available information indicates proportionate checks would more likely than not have shown that Mrs G could repay what she could owe at the time PayPal made this lending decision, I'm satisfied that PayPal doing more in this instance won't have stopped it from lending to her.

So overall while I can understand Mrs G's sentiments, I don't think that PayPal treated Mrs G unfairly or unreasonably when agreeing to provide her with her credit account. And

I'm not upholding Mrs G's complaint. I appreciate this will be very disappointing for Mrs G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind PayPal of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs G's account and it be the case that she is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 2 April 2024.

Jeshen Narayanan  
**Ombudsman**