

## **The complaint**

Mr P complains PayPal (Europe) Sarl et Cie SCA failed to remove a default.

## **What happened**

Mr P held an account with PayPal and the account was closed. The account defaulted and, as part of a previous complaint, PayPal agreed to remove the default.

Sometime later Mr P checked his credit file and saw PayPal hadn't removed the default from one of the credit reference agencies' records.

Mr P complained to PayPal but didn't get a response. Mr P brought his complaint to this service, and PayPal agreed to remove the default from the other credit reference agency's records and offered to pay Mr P £150 to compensate him.

An investigator looked into things and thought this offer was fair. Mr P disagreed and felt the £150 wasn't enough to compensate him for what had happened.

Mr P's mortgage was due for renewal soon after he'd realised the default was still there. Mr P said he had to stay with his existing mortgage lender, as it wouldn't carry out a credit check, so he missed out on better mortgage deals.

Mr P applied for a small line of credit, and this was declined. Mr P said PayPal had already made a mistake twice, so the £150 was unlikely to deter it from making mistakes again.

Mr P asked for an ombudsman to decide things.

## **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.

There's no dispute PayPal should have removed the default. This was agreed as part of a previous complaint, so I can't go too far into the merits of whether the original default was fair or not. But I can see PayPal said the default would be removed.

It seems the removal happened on two of the credit reference agencies' records but not a third. The two credit reference agencies the default was removed from are the two most popular ones.

So, the starting position for Mr P's complaint is PayPal made an error. I think PayPal's now done the right thing by removing the default, and Mr P's confirmed it's been removed.

Since the main issue has now been resolved, I need to decide what, if anything, would be a fair amount to compensate Mr P for what happened.

I can see Mr P made an application for credit, and this was declined. I asked Mr P about other credit applications, but he said he'd not applied as he knew the default was there and was worried about declined applications on his credit file.

The application for credit was in January 2024. Mr P has correspondence from a debt collector, in April 2022, saying the default will be removed.

And Mr P knew the default hadn't been removed in September 2023. It seems Mr P didn't make applications for credit between April 2022 and January 2024, or at least they weren't declined.

So, although the default was present on one of the credit reference agencies' records, it doesn't appear to have had a significant impact on Mr P or any credit applications.

Mr P also said he didn't try another mortgage lender or broker, to see if an application would be successful.

I accept what Mr P says, it seems reasonable to not apply for credit if it's likely to be declined. And I think Mr P was caused some inconvenience because PayPal failed to remove the default from one of the credit reference agencies' records.

But I don't think I can say PayPal would be responsible for any additional payments Mr P might be making to his mortgage. Mortgages are not simple credit applications, and depend on lots of other factors, not simply a credit file without any adverse information.

And a broker may have been able to get a good rate even with the default, it was clearly an admin error, the default showed on one credit reference agency's records but not the other two. It's possible any mortgage application may have been successful.

I don't think there's enough to say the default definitely meant Mr P would be declined for a mortgage from another lender. Because of this, I don't think PayPal needs to compensate Mr P for any increase in his mortgage payments.

Mr P says his credit score has stayed lower even after the default's been removed. Credit scores are good indicators of someone's ability to get credit, but they're also dependent on lots of other factors credit reference agencies decide themselves.

I'm satisfied Mr P's credit file contains accurate information now, which is the PayPal account didn't default. The accuracy of the data is something I think PayPal is responsible for, not how a credit reference agency then displays the data in a score.

Mr P also feels PayPal needs a deterrent or a stronger punishment, so it stops making mistakes such as this. The role of this service isn't to punish financial businesses but compensate individual consumers where things have gone wrong.

I can't fine PayPal for what it did, so I can't impose a penalty, or a higher award of compensation, just because it made a mistake twice.

But, looking at the inconvenience caused to Mr P, the default not being removed, a failed credit application and the worry about his mortgage renewal, I think the offer of £150 is a fair amount for PayPal to pay.

### **My final decision**

My final decision is PayPal (Europe) Sarl et Cie SCA should pay Mr P £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 August 2024.

Chris Russ  
**Ombudsman**