

Complaint

Miss B 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 given the credit she already had.

Background

PayPal provided Miss B with a credit account with a credit limit of £3,000.00 in October 2022. The credit limit on the facility was never increased.

PayPal didn't uphold Miss B's complaint. But in view of her financial position at the time it confirmed that it was prepared to refund all interest, fees and charges that Miss B paid on her account. Miss B was dissatisfied at this she referred her complaint to this service.

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

Miss B 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 Miss B'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 Miss B 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 Miss B limit increases after it checked her income and carried out credit searches. And the information obtained indicated that Miss B would be

able to make the monthly repayments required for this facility. On the other hand Miss B 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 Miss B was provided with a revolving credit facility rather than a loan. This means that PayPal was required to understand whether a credit limit of £3,000.00 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 Miss B didn't have recent difficulties with credit in the form of defaults and county court judgements ("CCJ") and that she was managing the credit that she did have reasonably well.

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 Miss B's regular living costs before offering this facility. As PayPal didn't obtain this information, I've considered the information Miss B has provided with a view to deciding what it might have found out about Miss B'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 Miss B for more information. I say this because I've not seen anything which clearly shows that when Miss B's committed regular living expenses and existing credit commitments were deducted from her income, she did not have the funds, at the time at least, to sustainably make the repayments due.

It's possible that Miss B's position might have been worse than what it looks like, or that it worsened afterwards. For example, I know that Miss B says that her expenditure was much higher than this. But without anything which clearly shows me that this is the case, I cannot reasonably conclude that PayPal ought to have been aware of this.

I'm sorry to hear that Miss B has found it difficult to make her payments. But as the available information indicates proportionate checks would more likely than not have shown that Miss B 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 Miss B's sentiments, I don't think that PayPal treated Miss B unfairly or unreasonably when agreeing to provide her with her credit account.

I now turn to what Miss B has said about PayPal's failure to help her when she was experiencing financial difficulty. It is clear that Miss B has attempted contact with PayPal to explain that as she was struggling to make payments a result of financial difficulty. I therefore leave it up to Miss B to decide whether she wishes to contact PayPal and accept its initial offer should it remain available for her to accept.

When a lender becomes aware, or it ought reasonably to be aware, that a borrower is experiencing difficulty making their payments, I think that it is fair and reasonable to expect it to exercise forbearance and due consideration, in line with its regulatory obligations. I know Miss B feels that PayPal didn't do enough to contact her.

However, I've seen that PayPal did respond to Miss B's communications signposted her to agencies and applied a breathing space on her account. I appreciate that this might not have gone as far as Miss B had hoped. But nonetheless I do think that this was an appropriate

response to Miss B's communication and I'm satisfied that this means PayPal did not treat her unfairly in respect of this matter.

Overall and having considered everything, I'm not upholding Miss B's complaint. I appreciate this will be very disappointing for Miss B. 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 Miss B's account given it accepts that she is now experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 19 April 2024.

Jeshen Narayanan
Ombudsman