

The complaint

Miss D complains that PayPal UK Ltd (PayPal) should have done more to help her as she was in financial difficulty.

What happened

In March 2016 Miss D applied for a credit card with PayPal. The credit card application was approved with a credit limit of £2,000. Around March 2020 Miss D said she started to experience financial difficulty due to the impact of the pandemic. And in 2024 when she was being made redundant from her employment. She said when she asked PayPal for help they tried to make her situation worse by encouraging her to miss payments. And they should have taken steps to restrict the credit available to her. She complained to PayPal.

PayPal said Miss D had made them aware of her financial difficulties in March 2020 as her income was affected by the pandemic. They said they froze fees and interest for on the account for 90 days. And they arranged a payment holiday for Miss D for September 2020, after which she was able to resume her scheduled payments. When Miss D told them in January 2024 that her employment would be ending, they said they've supported her by giving her breathing space which meant fees and interest would be frozen. They'd also referred her to debt advice and advised her about the steps to be taken for a payment plan to be put into place.

Miss D wasn't happy with PayPal's response and referred her complaint to us.

Our investigator said PayPal had been fair and reasonable in their actions with Miss D.

Miss D didn't agree she said she shouldn't have been encouraged to miss payments for a settlement arrangement to be reached. She asked for an ombudsman to decide.

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.

Until 1 January 2021, PayPal operated as an EU passported services firm without a UK branch - so events which happened before then fall out of our compulsory jurisdiction on territory. So, I won't comment about any events prior to this date. I know Miss D will be disappointed by this but I can only consider her complaint points about how PayPal has acted from then.

I was sorry to hear about Miss D's financial difficulties caused by her redundancy. I know it will disappoint her, but I don't think PayPal has acted unfairly or unreasonably here. I'll explain why.

Any lender should treat a customer in financial difficulties positively and sympathetically. Put simply a lender should treat a consumer in financial difficulties fairly. Once the customer's financial situation is clear, there's a range of measures a business can take to help. For

example, they may freeze interest, allow payment holidays, or even write off part of a loan. The list isn't prescriptive, but the business's actions should be positive and supportive.

I've considered the actions PayPal took when Miss D told them about her change in circumstances.

At the end of January 2024 Miss D contacted PayPal as her employment status was about to change. And PayPal agreed to provide Miss D with some "*breathing space*" up to the end of February 2024, with immediate effect. This meant that PayPal wouldn't take any collection action, no fees or interest would be applied to Miss D's account. But payments owed would still be reflected on her account, and the credit reference agencies (CRA) updated. PayPal also provided Miss D with contact details for debt advice.

I can also see that PayPal asked Miss D about the likelihood of her situation being long term and that they could consider a reduced payment plan. After further contact another period of breathing space was put in place that covered Miss D up to mid-April 2024. I can see from PayPal's notes that Miss D had also sought assistance from a debt advisory service.

Miss D was to be made redundant at the end of March 2024. To assist Miss D further PayPal asked Miss D for details of her income and expenditure so that suitable options could be considered. But Miss D was unsure what her income and outgoings would be until after March 2024. PayPal explained about a reduced payment plan and the reporting to the CRA. They also told Miss D about the option of a partial settlement. But for this to be considered Miss D's account had to be in default.

I understand Miss D's concerns as she saw this as PayPal worsening her financial situation as the default would be registered to her credit file. Consumers may be unhappy with what's been recorded about them, especially if it's negative information. But it's important that credit files are an accurate record of that person's financial history. This is because other lenders may rely on that information when making credit decisions. While defaulting an account may not feel like an appropriate solution, in certain circumstances, when a consumer's financial situation is unlikely to improve, it may be more beneficial to default the account rather than extend the period over which adverse reports are made towards a consumer's credit file. So I don't think it was unfair of PayPal to suggest this as a way of helping Miss D in her financial situation.

Miss D had been making regular repayments to her PayPal account, and while in January 2024 she was over the limit, knowing her finances were about to change took steps to mitigate the situation. I can understand her frustration in not wanting to have a default registered to her credit file. But I think the actions taken by PayPal were to help her during this difficult time. They gave her breathing space so that fees and interest were frozen, signposted her to debt advisory services. And explained the various options that could be considered and the impact this could have. Having considered the actions taken by PayPal I don't think they acted unfairly or unreasonably in the actions they took.

I hope Miss D's situation has improved, and I'd expect PayPal to continue to act with forbearance and consideration should Miss D still be experiencing financial difficulty.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 17 October 2024.

Anne Scarr
Ombudsman