

The complaint

Mr K complains that PayPal UK Ltd unfairly defaulted his credit account.

What happened

In August 2023, Mr K was struggling to be accepted for credit and so checked his credit report. Upon doing so, he noticed that PayPal had defaulted his credit account. Mr K says he didn't receive any notification about the default.

Mr K says he accepts he didn't make payments to the account and that it was in arrears, but if he'd received communication from PayPal then he would have paid the arrears and prevented the account defaulting.

Following on from the default, he says PayPal blocked his online account which meant he couldn't communicate with PayPal online and he was unable to check the balance of the account or clear the balance.

Mr K says this situation has left him being unable to obtain credit and has caused him serious stress and anxiety. To put things right, Mr K would like PayPal to remove the default and unblock his online account so he can make repayments.

PayPal responded to Mr K's complaint, but it didn't uphold it. It explained that it hadn't received a repayment from Mr K between 8 November 2022 and 10 April 2023. It said it sent Mr K a default notice to his address on 3 March 2023, and because no payment was made following this, it defaulted the account on 3 April 2023.

An Investigator considered what both parties had said but they didn't uphold the complaint. In summary, they explained that the default had been fairly applied and they felt that they had seen enough evidence to persuade them that PayPal had let Mr K know that his account was in arrears and had sent a default notice to his address.

Mr K didn't agree with the Investigator, and since the view there has been a lot of back and forth between the parties. In summary, Mr K sent information which he says shows that he hadn't received any contact from PayPal before or after the default, he said PayPal had blocked his account so he couldn't send it messages or find out what his balance was to pay it, and he has also more recently disputed the balance PayPal said was outstanding.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered all of the evidence available to me I won't be upholding Mr K's complaint. I appreciate this decision will come as a disappointment to him, however I will explain my reasons for this below.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr K's complaint in considerably less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

I don't think there's any dispute here that Mr K didn't make a payment to his PayPal account between 8 November 2022 and 10 April 2023. Mr K has said himself that he accepts he was in arrears and should have kept up with the repayments. So, I'm satisfied that Mr K was aware there was a balance outstanding on his account.

PayPal has a responsibility to report accurate information to the credit reference agencies (CRAs). The Information Commissioners Office (ICO) has published guidance on when an account should default – this is when it is between three to six months in arrears. In this case, Mr K didn't make a payment to the account for around four months, and so PayPal has defaulted the account in line with guidance published by the ICO which I don't find to be unfair or unreasonable.

PayPal is also required to follow the regulations set out in the Consumer Credit Act (CCA) when defaulting the account. This states that a default notice must be sent to a consumer notifying them of this intention. PayPal has provided a copy of the default notice, which has been addressed to Mr K, at the address this Service has on file for him. The default notice is dated 3 March 2023. This explains that the outstanding balance was (at that time) £619.58. It said that the account was in arrears by £73.17 and required clearing by 24 March 2023. The letter also explained that if the account wasn't brought back up to date, then it might terminate the agreement or report a default to the CRAs. Based on what I've seen, I'm satisfied that PayPal acted in line with its requirements under the CCA when communicating the default.

Part of the crux of Mr K's complaint is that he didn't receive the default notice. It isn't clear why the default notice wasn't received by him – given that it was correctly addressed. That said, I'm satisfied that Mr K knew, or at the very least ought to have known, that there was a balance outstanding on his account, which he hadn't repaid for around four months. And because he didn't attempt to make any repayment until the account had already defaulted, I don't think it was unfair or unreasonable of PayPal to have defaulted the account.

Given PayPal's obligation to report accurate information to the CRAs, in this case, Mr K had missed repayments which resulted in a default. In these circumstances, the default is an accurate reflection of how Mr K managed the account.

Mr K says he would have made a repayment to cover the arrears if PayPal had contacted him to let him know. Mr K has provided screenshots of his email account to say that PayPal hadn't sent him any emails to say he was behind with repayments. However, PayPal has provided this service with evidence of the emails that were sent to the email address this service has on file for Mr K. The evidence also shows that the emails were delivered. So again, it isn't clear why Mr K hasn't received these. But on balance, I'm satisfied that PayPal sent the email to the correct email address, and so I think it did what it was required to do in letting Mr K know that he was behind with repayments. And based on what I've already said

above, I think Mr K knew that he hadn't made repayments to the account, and it was his responsibility under the agreement to ensure that these were made.

Overall, I'm satisfied that defaulting the account was fair and reasonable in the circumstances of this complaint.

I have noted that Mr K has said he couldn't access his account. PayPal has sent information to show this was revoked in April 2023, so after the account had defaulted. For clarity, I don't think the revoked account has had any impact on the default being reported, as this happened after the account defaulted. He also said all access was removed from his account in August 2023 so he couldn't send messages to PayPal nor pay off the outstanding balance as his balance was showing as zero. As a result, Mr K has said that the settled date of his account should be changed to August 2023, as this is when he lost access to the account and so couldn't repay the balance. For clarity, Mr K paid the remaining balance on 10 July 2024. I've asked PayPal to send me copies of the communication Mr K had with it. I can see it was still receiving messages from Mr K while the account was revoked. And I'm not persuaded this meant that Mr K couldn't have paid off the balance at an earlier point in time. Mr K was still able to contact PayPal by phone – I can see that he spoke to someone on at least one occasion. I'm not going to ask PayPal to amend the settled date to August 2023, as this wouldn't be accurate reporting, and I can't agree that Mr K was prevented from making a payment sooner.

I can see that more recently Mr K has disputed the outstanding balance PayPal says he owed. I haven't considered this complaint as it didn't form part of Mr K's initial complaint to this service or to PayPal. If Mr K wants to dispute the balance PayPal say he owed, he will need to do this directly with PayPal in the first instance.

My final decision

For the reasons set out above, I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 5 November 2024.

Sophie Wilkinson
Ombudsman