

## **The complaint**

Mrs W complains that PayPal (Europe) S.a.r.l. et Cie, S.C.A unfairly defaulted her PayPal Credit account.

## **What happened**

Mrs W holds a PayPal Credit account. In 2023, PayPal reported a default to Mrs W's credit file. It did so because it said she'd missed several repayments.

Mrs W complained to PayPal. Her view was, in summary, that it was PayPal who had caused repayments to be missed – largely because she said it had taken too long to claim the money from her bank account. Mrs W said that this, in turn, had caused money which she'd set aside for PayPal repayments to be taken by other commitments and/or spending. So, she said, there consequently weren't enough available funds to pay PayPal.

PayPal didn't uphold Mrs W's complaint. In a brief response, it simply set out that repayments hadn't been made – despite it having sent Mrs W several reminders, by text and email, at the time. So, overall, it didn't agree to remove the default.

Mrs W remained unhappy, and she referred her complaint to this Service for an independent review. An Investigator here looked at what had happened; she didn't think PayPal had acted unfairly, or unreasonably, in applying a default to Mrs W's credit file. In summary, the Investigator said:

- The available evidence showed that no repayments had been made, or attempted, in June, July or August 2023.
- Nothing suggested that PayPal made an error in not collecting repayments during that time.
- Mrs W had attempted to send money to PayPal in September 2023 – but this payment appeared to have been declined by her bank and reversed.
- The Default Notice had been sent to Mrs W's correct address – despite her saying she'd not received it. PayPal had also sent Mrs W several messages about missed repayments. So, broadly speaking, PayPal had notified Mrs W of the state of her account and of any necessary action which needed to be taken.
- There wasn't any conclusive evidence to show that a PayPal agent had admitted its systems were at fault, despite Mrs W saying she was told this during a call in mid-2024.
- Overall, considering the available information and evidence, as well as what was most likely to have occurred in the circumstances, PayPal hadn't unfairly recorded a default against Mrs W.

Mrs W disagreed. She maintained that PayPal was to blame for the missed repayment and, therefore, that it should agree to remove the default. Mrs W asked for an Ombudsman's decision. So, as no agreement has been reached, the complaint has been passed to me 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.

Having done so, before I address the crux of the complaint, I think it's important to set out some points to keep in mind. First, this Service isn't here to punish a financial business; we don't "police" internal processes, or how a business might operate generally. So, while I've noted Mrs W's concerns over how she perceives PayPal to operate, I've no power to order it to do anything differently in regard to its commercial practices. Instead, that'd be for the regulator – The Financial Conduct Authority.

I'll also add that where evidence is incomplete, unclear or contradictory – as some of it is here – I must base my decision on the balance of probabilities. That is, what I consider *most likely* to have happened in light of the available evidence.

Mrs W has an obligation to ensure her PayPal Credit repayments are made; here, though, repayments were missed for several months and, as a result, PayPal followed its process in such circumstances. On the face of it, that's not unreasonable. PayPal was entitled to expect repayments and, given it didn't receive them, it took action.

What's central to this dispute, though, is *why* PayPal didn't receive repayments. Mrs W says, in short, it's because of how PayPal operates – specifically, that it took too long to take the money she'd tried to pay it.

As I understand it, Mrs W made her repayments manually. In her testimony, she's mentioned paying via PayPal's app or online "portal" – as opposed to paying by another method, like Direct Debit or a continuous payment authority (CPA), for example.

PayPal's been able to substantiate that in the internal screenshots it's provided; it appears that most of Mrs W's payments were indeed made using her debit card, and some were from her bank account. So, essentially, I can reasonably say that Mrs W would always have to do something herself to make a payment – like entering her debit card details into PayPal's website or app.

In terms of payment processing, I've noted PayPal's website sets out:

*"Payments will reflect on your PayPal Credit account the same day you make them, however, will show as pending. It can take up to 5 working days for the funds to leave your bank account and be applied to your PayPal Credit account."*

That's a very broad, general explanation. There are no specifics around payments made by debit card, for example, and how that method might be different to others. Even so, that explanation does set out that payments – in general – can take up to five working days to process. PayPal's since clarified that it's payments by Direct Debit which can take longer, but those made by debit card are much quicker and generally complete within 24 hours. Either way though, thinking objectively here, however it was that Mrs W paid, it is ultimately always her responsibility to make repayments. But from the information I have, I can't see payments were manually made or attempted – nor, for completeness, collected by Direct Debit or any other means – in June, July or August 2023. There's nothing available to me which suggests Mrs W encountered system errors either, when attempting to make a payment.

Simply put, the information Mrs W has provided doesn't show any outgoing payments during

the months in question – or illustrate any attempts – to PayPal during that time. On the other hand, internal screenshots from PayPal don't show that any payments were attempted or received by any method of payment. I'd surely consider it more likely that there'd be *some* indication if Mrs W had made a payment – or that a payment had been attempted – in her current account or PayPal Credit statements, PayPal's internal notes or screenshots. During this timeframe, though, there isn't.

I know Mrs W has said she tried making a payment over the phone in July 2023 but, while I don't doubt that's her recollection here, neither party has provided me with anything persuasive to demonstrate that. In any event, that wouldn't explain other missed repayments in June or August.

Instead, the only attempt at payment I can definitively see is in September 2023 – and PayPal's internal screenshots show that payment was reversed. PayPal's said that would've happened because Mrs W's bank declined the payment. In any event, regardless of reason, it did inform Mrs W of the reversal and asked her to make payment again; I can't see that she did so.

More broadly, Mrs W has explained that she manages her current account in a certain way; with only ever enough funds available to meet commitments due at any particular time. She does so because of concerns around fraudulent activity, having been the unfortunate victim of such a crime in the past. But while those concerns are certainly well-placed and understandable, it doesn't absolve her of the responsibility to make sure repayments to PayPal are made; regardless of the method, and whether it takes 24 hours, or up to five working days, to process. That, in my view, is the crucial point here.

PayPal did send Mrs W statements, payment reminders and "account overdue" notifications across June, July and August 2023. So, on that basis, I can be satisfied that PayPal did enough to draw Mrs W's attention to any potential issues, and the consequences of not making repayment too.

Additionally, I'm also satisfied that PayPal appropriately sent Mrs W a Default Notice. Although I'm aware that Mrs W says she never received it, the information I have leads me to conclude that it was most likely sent and delivered correctly.

So, to sum things up; regardless of payment processing times, or indeed the method of payment, Mrs W's PayPal Credit repayments weren't made for three months – despite her obligation to ensure they were. For the reasons I've explained, I can't fairly conclude – based on what I have – that those repayments were missed because of something PayPal did or, for that matter, didn't do. The available evidence simply doesn't support that view.

It follows that I don't find PayPal acted unreasonably in sending Mrs W a Default Notice after repayments weren't made, nor in subsequently applying a default to her credit file. Rather, based on the information I have available, I think it exercised that process legitimately.

I'll add here, as a final point, that I'm sorry to hear about the effect the default is having on Mrs W. So, I thought she may wish to consider asking to register a "notice of correction" with the Credit Reference Agencies (CRAs).

In essence, that's a short explanatory note that Mrs W can ask to add to an entry on her credit file which explains the background to that entry. Any firm who searches her credit report should then see the notice. I'll be clear that I can't assure Mrs W if individual CRAs will allow her to do this – that's for them to determine. I should explain too that any prospective lenders will each consider a notice like this differently; it isn't a guarantee that any firm will put the underlying payment information to one side. But given how strongly Mrs W feels here, it may be an option for her.

Overall, though, for the reasons I've explained, while I know what I've said will disappoint Mrs W, I don't require PayPal to take any further action. It follows that I don't uphold this complaint.

### **My final decision**

My final decision is that I don't uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 30 December 2024.

Simon Louth  
**Ombudsman**