

The complaint

Mr B complains about how PayPal UK Ltd is reporting his PayPal Credit account to Credit Reference Agencies (CRAs).

What happened

Mr B has a PayPal Credit account. In February 2024 Mr B raised a claim through PayPal's Resolution Centre about a purchase and it reported his account as 'in dispute' to CRAs. This was reported with an account status of 'Query', and 'Q', on Mr B's credit file with one of the CRAs, who I'll refer to from this point onwards as CRA1.

Mr B decided to close his claim to limit the impact he felt PayPal's reporting had on his credit file. However, PayPal continued to report the month of February 2024 as in dispute and Mr B's credit file with CRA1 still reported the account with a 'Q' status in February 2024.

Mr B complained to PayPal and when it didn't uphold his complaint he brought it to our service for review.

Our investigator endorsed a £250 offer made by PayPal – but found that the reporting of the account to CRAs didn't need to be updated. As an agreement couldn't be reached the case was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my provisional decision:

"The details of this case are well known to both Mr B and PayPal; what has happened isn't in dispute. PayPal has said it's followed its regulatory obligations when reporting Mr B's account as 'in dispute' to CRAs in February 2024. Mr B has said as his claim was closed the marker should be removed; and that it's unfairly had a negative impact on his credit file.

PayPal has said it must report accurate information to CRAs; and it considers it has done so here. I don't dispute PayPal's argument as lenders have an obligation to report accurate information about the management of credit products to CRAs; as this helps inform other lenders when making decisions on deciding to lend, or continuing to lend, to individuals.

I've reviewed information on CRA1's website to help me understand what an account being reported as 'in dispute' or 'Query' means:

"Q. What does a 'Q' or 'Query' mean on my Credit Report?

Sometimes lenders may have reason to check the accuracy of the account information they hold about you. Where this occurs, most often, it is because you raised a query with the lender. During the period that the lender is looking into this they will indicate to [CRA1] that the account is under query and this is shown as a 'Q' in the Payment History section..."

CRA1's definition suggests the 'Q' marker is to be raised when the accuracy of account information held by the lender for the individual is in question – as opposed to using this marker when an individual transaction is being disputed or queried.

I also note within PayPal's response to Mr B's complaint that it has said a 'Q' marker is typically used when a payment on a specific month or a number of months is being queried by the customer. But that typically when the query is resolved the lender will replace the 'Q' status with a status that reflects the outcome.

Mr B has been clear throughout the complaint process that he wasn't ever disputing the management of his PayPal Credit account, the information PayPal held about him on the account, or that he had any intention of withholding his contractual monthly payments while his claim with PayPal's Resolution Centre was being reviewed. In fact, I've seen Mr B continued to make at least his minimum contractual monthly payments in February and March 2024. And in any event Mr B withdrew his claim so it was essentially resolved – and based on PayPal's response to Mr B above, that it should have replaced the 'Q' status with an updated status.

So, while PayPal considers it has acted in line with its obligations when reporting Mr B's account as 'in dispute' in February 2024, I don't consider it is fair or reasonable based on my findings above.

It therefore follows I'm intending to direct PayPal to update how it has reported Mr B's account in February 2024 by removing the 'query' or 'in dispute' status previously provided to the CRAs; meaning Mr B's credit report should reflect February 2024 as up to date and paid in line with his contractual obligations.

Mr B has provided our service with a screen shot which appears to be a summary page of his credit file. This screen shot shows Mr B's credit score has reduced by 103 points from its previous position, with information showing there is a change to the status of his PayPal Credit account to 'Query'. Mr B has also provided us with his full credit report from CRA1 dated October 2024. On review I can see Mr B's PayPal Credit account continues to be reported as 'Q' in February 2024.

While I don't doubt what Mr B has said, and the evidence he's provided to support his position, I can't safely conclude it was solely how PayPal reported his account in February 2024 that caused his credit score to reduce; and in any event I haven't been provided with any information to evidence Mr B has incurred a financial loss due to this.

PayPal made an offer to pay Mr B £250 when it provided this service with its business file. I currently consider this offer to be reasonable compensation for the inconvenience of this situation; and the potential loss Mr B suffered by withdrawing his claim from PayPal's Resolution Centre."

PayPal responded and confirmed it has already taken the remedial action as set out within my provisional decision. Mr B responded and made a number of points for my consideration which I've summarised as:

- While the account continues to be reported as 'in dispute' in February 2024 it continues to negatively impact his credit profile
- Mr B doesn't agree that the issue hasn't caused financial loss; as he's said while his credit score was negatively impacted he didn't apply for further credit
- PayPal didn't give fair consideration to Mr B's complaint, or the impact its actions have had on him

- PayPal refused to provide Mr B with a final response to his complaint or provide him with referral rights to our service. Mr B considers PayPal were being deliberately obstructive in this matter
- Mr B considers compensation of £250 to be insufficient. Mr B is looking for an amount of £500 with an additional £110 for the claim he felt he had no option but to withdraw

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, I've not been presented with any new information or evidence which leads me to conclude I should depart from the findings reached within my recent provisional decision – I appreciate this will be disappointing to Mr B.

As I've previously set out, I've seen no evidence that it was solely PayPal's actions in reporting Mr B's account to CRAs as 'in dispute' that caused his credit score to reduce. Mr B has said he didn't apply for credit while his credit score had reduced as he was aware this could cause further negative impact. While Mr B has set out what he considered may've happened had he applied for further credit, he hasn't provided any evidence of actual financial loss.

Dealing with financial businesses can involve some level of distress and/or inconvenience, especially when something goes wrong and steps need to be taken to look to put it right, including complaining about a product or service. PayPal reviewed Mr B's complaint and provided him with its outcome in a timely manner. Mr B referred his complaint to our service for review, as is his right. It therefore wouldn't be reasonable for me to look to award compensation on the basis that Mr B needed to go through this process to look to have his case impartially reviewed and answered by our service.

I've seen the initial response issued by PayPal in early March 2024 made reference that Mr B could refer his complaint to our service; and provided our contact details. When Mr B contacted our service we asked him for a final response letter which Mr B then received in late March 2024, after, it would appear, he entered into further discussions with PayPal about this.

I can't agree with Mr B's comments that he considers PayPal were being deliberately obstructive. I say this because in PayPal's initial response it did provide the contact details for our service. And while Mr B did incur inconvenience as it's clear he needed to revert back to PayPal to obtain a final response, this was then issued within a couple of weeks.

Mr B says £500 is fairer compensation in resolution of his complaint; and that PayPal should in addition pay him £110 in recognition of the claim he withdrew about disputed goods. While I understand why Mr B decided to close his claim about the goods purchased, it was ultimately his decision to take that step rather than see the process through; and I don't find I can reasonably hold PayPal accountable for his decision.

As such, for the reasons set out above and within my provisional decision, I consider the £250 offered by PayPal is fair compensation for this complaint.

Putting things right

PayPal UK Ltd has confirmed it has already taken the steps set out within my provisional decision in resolution of Mr B's complaint. Some of these steps may reasonably take a number of weeks to resolve.

However, for the avoidance of doubt, PayPal UK Ltd need to take the follow steps to fairly resolve Mr B's complaint:

- Remove the 'query' or 'in dispute' status previously reported to the CRAs in February 2024; meaning Mr B's credit report should reflect his PayPal Credit account as being up to date and paid in line with his contractual obligations in February 2024
- Pay Mr B £250 compensation

My final decision

My final decision is that I'm upholding Mr B's complaint about PayPal UK Ltd and it needs to resolve the case as set out above.

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

Richard Turner
Ombudsman