

The complaint

Mr M is unhappy that PayPal UK Ltd have reported a late payment to his credit file.

What happened

Mr M has a credit account with PayPal and was contractually required to make a minimum payment of £5 by 2 August 2024. Mr M believed that he'd set up a direct debit to make the minimum payment as required, but this wasn't the case. This meant that because no direct was set up, and because Mr M didn't make the payment manually, the contractually required payment wasn't made. And while Mr M did later make the missed payment, PayPal reported a late payment to his credit file. Mr M wasn't happy about this, so he raised a complaint.

PayPal responded to Mr M but didn't feel that they'd done anything wrong by accurately reporting the late payment to Mr M's credit file. Mr M disagreed and felt that PayPal's website was unclear and that it had been reasonable for him to believe that he had set up a direct debit to make the minimum payment, such that it wasn't fair to hold him responsible for not making the payment at the time it was due. So, he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Mr M had been treated unfairly by PayPal as he believed was the case, and so didn't uphold his complaint. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

It isn't in dispute that Mr M didn't make the 2 August 2024 payment that was contractually required on his account and only made that payment at a later time. And so it isn't in dispute that it's factually accurate for PayPal to report to Mr M's credit file that he did make that payment late.

Mr M's argument is that it isn't fair for him to be considered responsible and accountable for making the August payment late, because PayPal's website is confusing such that it was reasonable for him to believe that he had set up a direct debit to make the payment.

Mr M has explained that when he tried to set up the direct debit from his bank account, this entailed linking the required bank account to PayPal's website, so that the direct debit could be then set up from that account. Mr M has said that when he input the bank account details that he wanted to set the direct debit up from, that PayPal's website told him that 'the account is already linked'. And Mr M feels that having been shown that message, it was reasonable for him to believe that a direct debit to make the minimum monthly payment had been set up.

I don't agree with Mr M's position on this matter because I don't feel that a message that relates to a bank account being linked to PayPal's website should reasonably be believed to be a confirmation that a direct debit had been set up. Instead, I feel that it's clear from the

wording of the message in question that the message related to the linking of a bank account, which would then enable a direct debit to be set up as a next step.

Additionally, if Mr M did set up a direct debit, he would have received a specific confirmation that a direct debit had been set up – which of course he did not receive. And Mr M would also have been able to verify that a direct debit had been set up by viewing the active direct debits directly with his bank.

Furthermore, as the PayPal account holder, it was Mr M's responsibility to have monitored his account and to have confirmed that the payment was made. And it should have been apparent to Mr M on the date that the payment was due that the payment hadn't been made, either through monitoring his PayPal account directly or by monitoring his bank account and noting that no payment had left that account and that no direct debit was in place to make it.

Finally, if Mr M had noticed that the payment hadn't been made – as I feel that he should have – then he could have acted quickly to make the missed payment. And if he'd done so, PayPal may not have reported the missed payment to his credit file.

Indeed, I note that Mr M missed a later payment on his PayPal account but did then make that second missed payment about a week later. And in that instance, PayPal didn't report that payment as being made late to his credit file. However, in the first instance, Mr M didn't make the payment he'd missed on 2 August until over a month later, on 4 September. And because of this, I don't feel that it was unreasonable or unfair for PayPal to report that payment as being made late to Mr M's credit file.

So, in summary, I don't accept Mr M's position that it was reasonable for him to assume that a direct debit was in place to make the minimum payment and I feel that it was Mr M's responsibility to have monitored his account and to have ensured that the required payment was made. I also feel that Mr M should have recognised that the payment he believed would be made on 2 August 2024 wasn't made, and that because he didn't act to make the missed payment until over a month after it had been missed that it is accurate and fair for PayPal to report that payment as a late payment to the credit reference agencies.

I realise this won't be the outcome Mr M was wanting, but it follows that I won't be upholding this complaint or instructing PayPal to take any further or alternative action here. I hope that Mr M will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 April 2025.

Paul Cooper
Ombudsman