

The complaint

Mr B says that PayPal UK Ltd (PayPal) were unreasonable to report a default to his credit file.

What happened

Mr B contacted PayPal in June 2024 to explain that he was struggling to make payments towards a revolving credit agreement he had with them. A reduced repayment plan was agreed. Mr B was surprised to discover that in September 2024 PayPal reported a default to his credit file. He said he was unaware they were going to do that, and he disputed ever receiving the default notice that PayPal said they had sent to him in August 2024.

He referred his complaint to this service and while our investigator was considering it PayPal made an offer to pay £100 in compensation to Mr B. They had reviewed the file and they noted that they have failed to arrange a call back they'd promised. Our investigator thought that was fair, but he didn't think they needed to remove the default as he thought they'd reported that accurately.

Mr B disagreed, he said there was no proof he'd received the default notice and that he hadn't been treated fairly by PayPal.

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.

I was sorry to hear about the difficulties Mr B has experienced but I'm afraid I don't think PayPal were unreasonable to default his account. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The Information Commissioner's Office says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. When PayPal wrote to Mr B in June 2024 to agree to the reduced payment plan, they explained:

"We can assist with a reduced payment plan. This would affect your credit file as you would not be meeting the agreed payments, and after three months your account would default, and this can stay on your credit file for six years."

So, I think at that point Mr B was put on notice that a default would be raised if only the reduced payments were made.

Mr B says he didn't receive the default notice that PayPal say they sent him in August 2024. That further explained that if arrears weren't paid a default would be recorded. PayPal haven't been able to provide any system log information to demonstrate they sent that letter to Mr B, but they say that isn't unusual as the default notices are manually printed out and posted. They have provided a copy of the correctly addressed letter and, on balance, I think it's likely that letter was posted.

But, even if I'm wrong about that, I don't think it would be fair to suggest PayPal were unreasonable to report the default. Mr B had already been put on alert about the impact of not paying arrears and it's not disputed the contractual payments weren't received.

Ultimately, PayPal are obliged to report account activity correctly and I think they've done so here. I'm not, therefore, asking them to remove the default.

I can see, however, that they failed to arrange a call back from a manager when they said they would. They've offered Mr B £100 to compensate him for that error and I'd agree that was fair in the circumstances.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell PayPal UK Ltd to pay Mr B £100 in compensation for the distress and inconvenience caused by their failure to call him back as they had advised they would.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 May 2025.

Phillip McMahon
Ombudsman