

The complaint

Miss C complains that PayPal UK Ltd (trading as PayPal) reported a late payment to credit reference agencies (CRAs).

What happened

Miss C says that PayPal did not automatically process a direct debit payment that was due on 20 August 2024. She says she received a letter from PayPal on 31 August 2024 telling her she'd incurred a late payment fee and attempted to pay the full balance the same day. However, Miss C says the payment failed as she'd used the wrong payment card, so she finally cleared the balance on 1 September 2024. Miss C adds that her credit file now shows a late payment marker for August 2024 and PayPal says her direct debit had been cancelled the previous year due to two failed payments. She disputes this and says PayPal should not have cancelled her direct debit without her authorisation.

PayPal says Miss C did set up a direct debit on the account on 31 December 2022, but this was cancelled by the system following failed payments in August and September 2023 because of insufficient funds. It says that Miss C was informed of this via email. It says Miss C made subsequent payments manually, but that no payment was received towards the payment due on 20 August 2024. It adds that Miss C's credit file, therefore, is an accurate reflection of her account.

Our investigator did not recommend the complaint should be upheld. He said it was reasonable to conclude that Miss C knew the direct debit was no longer in place and could not conclude that PayPal made an error by reporting the late payment.

Miss C responded to say, in summary, that she was never told the direct debit had been cancelled and provided proof of funds being available on the due date. She said the fact that she'd made manual payments does not absolve PayPal of this responsibility. Miss C added that she was of the belief that these manual payments were in addition to the direct debits and explained that she was able to make these additional payments due to a change in her financial circumstances.

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.

In the lead up to the cancellation of the direct debit I can see Miss C's payment on 20 August 2023 was rejected due to insufficient funds. She then made September's payment of £44.78 manually, before the direct debit for the same amount was also rejected on 20 September

2023. I've seen evidence to show that PayPal then sent Miss C two emails on 27 September 2023 – one about her unsuccessful direct debit and one about its cancellation.

PayPal says it cannot continue to request funds from a financial institution if it has received multiple rejections. As such, it says, it cancels the direct debit, to allow customers to arrange alternative methods of payment that are more successful. I am satisfied that PayPal followed its own processes here and this service does not have the power to instruct an organisation to change those – that is the role of the regulator, the Financial Conduct Authority.

Two days after the emails were sent, on 29 September 2023, Miss C paid £800 into the account which brought the balance down to £129.27, a balance that she then cleared on 4 November 2023. In four of the first seven months of 2024, Miss C made the exact minimum repayment required. However, no payment was received when a payment became due on 20 August 2024, until Miss C cleared the balance on 1 September 2024.

I have seen evidence that Miss C's circumstances changed in September 2023 and she says that her new job meant the payments she made were intended to be in addition to the direct debits. However, given she made only the required minimum payment manually on a number of occasions. I'm satisfied that she knew her direct debit was no longer active.

I accept that Miss C did not intend to miss the payment due on 20 August 2024 and I can see she had sufficient funds in her account. However, I can't conclude PayPal made an error when the direct debit was cancelled, nor when it reported the late payment to the CRAs.

In summary, I find Miss C's credit file is an accurate reflection of the management of her account and I don't require PayPal to amend it.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 4 September 2025.

Amanda Williams

Ombudsman