

The complaint

Mrs T has complained about a revolving credit account PayPal (Europe) S.a r.l et Cie, S.C.A. trading as PayPal ("PayPal") provided to her. Mrs T says had PayPal carried out sufficient checks it would've realised the payments weren't affordable.

What happened

PayPal provided Mrs T with a revolving credit facility with a limit of £2,100 in January 2021 and there were no credit limit increases. Mrs T has had problems repaying the facility and no payments have been made since January 2024, the outstanding balance has since been passed to a third-party collection agency.

After Mrs T complained in October 2024, PayPal didn't uphold the complaint. Mrs T didn't agree and instead referred the complaint to the Financial Ombudsman. Where it was considered by an investigator who also didn't uphold the complaint. Mrs T didn't agree, and I've summarised the responses she's sent to us below.

- Mrs T confirmed her income around this time was just over £3,600 per month but she had nowhere near the amount of disposable income that PayPal calculated.
- Based on Mrs T's bank statements, her credit commitments and living costs came to just over £3,000 per month which left around £600 to cover food, clothing, fuel and the payments to PayPal.
- Although Mrs T's credit file was clear of adverse information, she explained that she was borrowing money to pay existing debts - including a recently opened secured loan.
- At the time, around a third of her income went towards debt repayments.

The investigator wasn't persuaded to change her mind and as no agreement could be 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs T's complaint.

PayPal needed to make sure it didn't lend irresponsibly. In practice, what this means is PayPal needed to carry out proportionate checks to be able to understand whether Mrs T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Mrs T told PayPal she worked full time and was a homeowner with a mortgage. As part of the affordability assessment PayPal asked Mrs T what her monthly income was, and it offered her a number of income bands which she could select. Mrs T declared her monthly income was between £2,500 and £3,000 per month.

It doesn't look like PayPal took any steps to check Mrs T's income and given it asked her to declare a salary band it may have been reasonable to have undertaken a further assessment of her income. But for the start of the lending relationship it may well have been reasonable to have accepted what Mrs T had told it.

But even if PayPal felt that further checks were needed – perhaps by asking for a copy payslip or even by asking for her bank statements it would've discovered Mrs T's income was in line with what she told the Financial Ombudsman – around £3,600 per month.

PayPal also asked Mrs T about her monthly outgoings and again, it asked her to select the most appropriate band. Mrs T said that her monthly outgoings were between £500 and £1,000 per month. Using the mid-points of the bands, used by PayPal then it worked out Mrs T's disposable income was over £2,000 per month. But even if PayPal had used the bottom of the income range and the top of the outgoings range that still would've left Mrs T with £1,500 of disposable income each month. The facility would've looked affordable.

A credit search was also carried out before agreeing the facility, and so I've considered what PayPal was provided to see whether it indicated that Mrs T was having or likely having financial difficulties. There isn't a regularly requirement to carry out a credit search and so the results and information PayPal received could be different to what Mrs T is able to see in her own credit report.

In this case, PayPal was told that there were no defaults recorded within the last year – but the data also suggested there wasn't any historic defaults either. There were also no delinquencies recorded within the last two years and there weren't any County Court Judgements either.

The credit agency also reported to PayPal that Mrs T wasn't overindebted at the time. The credit check results didn't show or suggest that Mrs T was having financial difficulties at the time PayPal lent to her and in my view would've have led to further checks.

The crux of the issue is that Mrs T says PayPal ought to have looked at her bank statements before lending and had it done so it would've realised her monthly outgoings were closer to £3,000 – which is significantly more than she had declared.

I've thought about this carefully, because it's possible that had any other checks into Mrs T's outgoings would've indicated these were greater than she had declared. But, considering PayPal provided a fairly modest credit limit and the credit search results didn't suggest that Mrs T was having or likely having financial difficulties then on balance, I think it was just about fair and reasonable for PayPal to have approved the loan without it checking or verifying her outgoings.

Overall and having considered everything, I don't think that PayPal treated Mrs T unfairly or unreasonably when it provided her with a credit facility in January 2021 and I'm therefore not upholding this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think PayPal lent irresponsibly to Mrs T or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above I am not upholding Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 22 August 2025.

Robert Walker
Ombudsman