

The complaint

Mr S complains that PayPal (Europe) S.a r.l et Cie, S.C.A defaulted his credit account.

What happened

Mr S says that PayPal had system issues which led to some confusion around making payments to his account, and when a direct debit was attempted, there were insufficient funds in his account. Mr S adds that he tried to proactively manage his payments, but the lack of clear communication from PayPal, contributed to his situation getting worse. Mr S says that he found out in June 2024, that PayPal had defaulted his account in September 2023.

Mr S wants PayPal to remove the default, because he needs to remortgage his property, and he is concerned that he might not be able to do this with the default being reported on his credit file. He adds that other creditors have frozen his accounts as a result of the default applied by PayPal, which has limited his access to credit. He feels he has been indirectly discriminated against. Mr S adds that PayPal contact him by phone from unknown numbers or possible spam numbers, which are shared by multiple companies for automated calls, which has made it difficult for him to respond to important communication. Mr S says his mental health has deteriorated as a result.

To put things right, Mr S wants PayPal to remove the default from his credit file. Refund interest and charges that have been applied to his account. Restore his PayPal account and restore his PayPal credit account.

PayPal responded to Mr S' complaint but it didn't think it should be upheld. Ultimately, it didn't think the way it had communicated with him was unreasonable – it explained that most of the communication it sends is by email, which is part of its user agreement, however it confirmed that it had sent two letters to Mr S' home address in relation to the default. It explained that it had limited Mr S' access to the account, as it posed a risk. PayPal acknowledged Mr S' concerns relating to the website interface being confusing, however it explained that Mr S had a PayPal credit account since 2016, and he had made around 80 payments to the account without problem – it also said that the option to make a manual payment had always been available. And Mr S hasn't ever said that he had made payment to the incorrect PayPal account.

An Investigator considered Mr S' complaint, but they ultimately didn't think the complaint should be upheld. They felt that PayPal had done enough to communicate with Mr S about the missed payments, they felt that while the address PayPal sent the default letters to wasn't Mr S' full address, they found that on balance, its likely the default notice would have arrived at Mr S' address.

Mr S didn't agree with the Investigator's view, and so the complaint has been passed to me to decide on the matter.

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 considered all of the available evidence, I've decided not to uphold Mr S' complaint. I appreciate this decision will come as a disappointment to him, as I can see how strongly he feels about what's happened. However, I will explain how I have come to my decision below.

I have read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I have summarised Mr S's complaint in far less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

The crux of this complaint is that Mr S ultimately feels that PayPal unfairly defaulted his account.

The Information Commissioner's Office (ICO) says that when a consumer is at least three months behind with their payments then a default may be registered. It also says it would *expect* a default to be registered by the time the consumer is six months behind with their payments. That's just what happened here. Mr S was in a sustained period of arrears – beginning in June 2023 – with no repayments being made for the contractual amounts or otherwise. The account defaulted in September 2023, following at least three months' of arrears, which was then reported to the credit reference agencies. On the face of it then, PayPal complied with the guidance set out by the ICO.

Mr S has made various representations about why it was that the account defaulted, which include poor communication by PayPal about the status of the account, the default notice having been sent to the wrong address and PayPal's app or website interface being confusing. I have considered these points, but I don't think they make a difference to the outcome of this case.

I can see PayPal sent information to Mr S about the missed payments by email. Mr S says he didn't see or read the emails. While I don't doubt what Mr S has said here, my role is to decide if PayPal has done something wrong in communicating with Mr S, and I don't think it has. I say this because Mr S has confirmed that email was one of his preferred methods of communication. I note that he would have preferred more important communication to be sent by post, but there was no requirement on PayPal to have done this. I'm satisfied that PayPal sent Mr S various emails to let him know that he'd missed payments, and it was ultimately up to Mr S to act on those emails. I can't hold PayPal responsible for Mr S either not seeing them or not reading them.

I can see Mr S has sent evidence to show that in previous years, PayPal had contacted him by SMS, and it didn't do that on this occasion. I don't draw anything negative from this. I'm satisfied the emails PayPal sent Mr S were enough to notify him that he'd missed payments. I don't find that by it not sending him an SMS on this occasion means it has done something wrong.

I can see that the address PayPal sent the default letter to, doesn't match the address Mr S told this Service it should have gone to – it's missing the street name and number. On this

basis, I accept it's possible Mr S didn't receive the default notice. And I've thought about what this means for Mr S' case.

I've reviewed the email Mr S says he got in 2022 when he added his address. It shows the full postal address Mr S says correspondence should have gone to. The email says that Mr S had added this address to his account. And it says that if Mr S wanted to link this address to his account, or to make the address his primary address, he'd need to log into his account to make the changes. I don't know if Mr S did this or not. But the email he has provided is only proof that Mr S provided PayPal with this address to add to the account, it doesn't suggest that this was the address Mr S asked PayPal to send correspondence to. And it was ultimately up to Mr S to ensure that the information PayPal had about his address and other contact information was up to date and correct.

That aside, I have thought about whether the issue of the default notice potentially not having been received changes the outcome of this complaint and I don't think it does. I say this because I'm satisfied that PayPal did enough to let Mr S know that he's missed payments. Mr S has confirmed himself in a timeline he sent to this Service that he received numerous emails from PayPal about missed payments, and to notify him that his account was overdue. He didn't make any payments to rectify the arrears on the account during this time. In fact, Mr S didn't make a payment to the account until December 2023 – months after the account had defaulted. Ultimately, Mr S didn't make payment to this account for many months, and I'm persuaded that he ought to have known that, given the emails it had sent him. So I'm not satisfied that the receipt of the default notice would have made much difference in this case.

I note that Mr S has said that PayPal's interface was confusing, so he didn't realise that he hadn't made payment to the account. He's also said that PayPal cancelled his direct debit, which led to some of the payment issues. I've thought about this point carefully, but even if I accept that PayPal's interface was confusing (to be clear I'm not making the finding that it was), PayPal had clearly communicated with Mr S that he hadn't made payments. I've not seen any evidence Mr S got in touch with PayPal for support on this matter, prior to the account defaulting. Even if Mr S legitimately thought he had made a payment to the account, or the interface led him to believe there was no payment due, the emails PayPal sent him about the missed payments were enough to alert him that his account was behind with repayments.

On balance then, I don't think it was unfair or unreasonable of PayPal to have defaulted Mr S' account. I'm also not of the view that PayPal did anything wrong in communicating with him about the status of his account.

My final decision

For the reasons set out above, I don't uphold Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 September 2025.

Sophie Wilkinson
Ombudsman