

The complaint

Mr K is unhappy PayPal UK Ltd recorded his account as in default.

What happened

My provisional decision of 21 August 2025 set out the background to this complaint:

“Mr K held a PayPal credit account, which he discovered had been recorded as in default. Mr K complained to PayPal. PayPal didn’t uphold Mr K’s complaint so he referred it to our service. He asked for the default to be removed, an apology and compensation.

Our Service contacted PayPal to notify it that we’d received Mr K’s complaint. In response PayPal provided evidence to show:

January 2023

The minimum repayment for January 2023 was attempted but not successful, so no payment was received. emailed Mr K on 11 January 2023 to notify him of his statement, emailed him on 12 January 2023 to let him know his direct debit had been unsuccessful and emailed him again on 13 January 2023 to let him know his bank had declined his electronic funds transfer.

February 2023

The minimum payment for February 2023 was paid. PayPal said it sent Mr K a letter about a late payment on 10 February 2023. PayPal also emailed Mr H on 11 February 2023 to notify him about his statement, which also said the account was overdue for payment. PayPal emailed Mr K separately to let him know his payment was overdue.

March 2023

The March 2023 minimum payment was attempted but not successful, so no payment was received. PayPal then sent Mr K a default notice by post. The notice explained he needed to repay the arrears of £142.52 by 4 April 2023 to avoid his account defaulting.

PayPal also emailed Mr K on 13 March 2023 to let him know his payment had been unsuccessful.

April 2023

The minimum repayment due by 4 April 2023 was attempted but not successful, so no payment was received. PayPal provided a copy of its email to Mr K on 14 April 2023, which let him know his payment had failed. PayPal defaulted Mr K’s account.

In response to PayPal’s evidence, Mr K said:

- He wasn't informed of the £142.52 payment and was sent conflicting evidence.
- He didn't receive the default notice despite previously asking for a copy.
- When he called PayPal in April 2023, he was told the arrears were £248.44 rather than the amount specified on the default notice.
- He's concerned his account was repeatedly being recorded as in default and emphasised the harm caused by this.
- He was wrongly told to contact the credit reference agencies to get the default removed.
- He's unhappy PayPal suggested he set up a payment plan and imposed restrictions on his account.

One of our Investigators reviewed Mr K's complaint and didn't recommend PayPal remove the default. The Investigator said PayPal should pay Mr K £150 compensation for difficulties he experienced in obtaining a copy of the default notice. PayPal accepted our Investigator's recommendation but Mr K remained unhappy, so this has come to me for a decision."

I then set out my provisional findings:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

"I've firstly considered whether PayPal was entitled to record the account as in default in April 2023. The Information Commissioner's Office says that PayPal should record an account as in default once at least three months of arrears have accrued. Payments for January, March and April 2023 were missed. So, I'm satisfied the account was three months in arrears, and those had not been repaid, by the time the default notice expired. So, I think PayPal was entitled to record the account as in default.

Mr K says he didn't receive the default notice despite previously asking for a copy, and PayPal can't provide proof of postage of the notice. I note PayPal's contact notes, quoted below, say Mr K called in August 2023 and said he received the default letter late at his postal address. But even if Mr K hadn't received the notice, this isn't proof it wasn't sent and PayPal isn't responsible for ensuring receipt of the notice through the postal service. PayPal says it sends letters out automatically after being printed. I've seen no reason to doubt PayPal sent the default notice it was required to send by law bearing in mind Mr K saying he didn't receive the letter isn't proof it was not sent. Overall, I've seen insufficient evidence to show PayPal failed to send the default notice by post.

Mr K complains he wasn't informed of the £142.52 due in March 2023. He's pointed to an email received from PayPal on 20 March 2023 which said his scheduled direct debit payment was £54.39 – less than the amount PayPal later tried to take in March 2023.

The email Mr K was sent shows the payment due on 4 April 2023 – it was sent after the minimum repayment on 7 March 2023. The minimum payment listed on the February 2023 statement is £142.52, and this again shows this was due on 7 March 2023. I hope this clarifies matters for Mr H.

In any event, the terms and conditions of Mr K's account say it will make monthly credit account statements available online and will send an email reminder about when they become available. The terms and conditions say it will send notices by email unless required to send them by post. It appears PayPal sent Mr K regular emails, so I can't agree that it failed to keep him updated. As the statements were available online, and it is Mr K's responsibility to ensure his minimum repayments are made on time, I can't agree that PayPal is at fault here.

Mr K is unhappy that, when he called PayPal in April 2023, he was told the arrears were £248.44 rather than the amount specified on the default notice. Call recordings from this time aren't available so I can't be sure what was said. The default notice was issued in March and confirmed the arrears to date. But when Mr K called in April 2023, he'd missed further payments. His May 2023 statement correctly sets out that the amount needed to bring the account up to date was £248.44, so I've seen nothing to suggest PayPal gave Mr K any incorrect information here.

Mr K says PayPal wrongly suggested he could have the default removed by contacting the credit reference agencies to get the default removed. Again, PayPal doesn't have recordings from the time, so I can't be sure what was said. PayPal's contact notes suggest Mr K spoke to them about credit reference agencies. Its note says:

"Cx wanted to remove defaulted [six] from account cx saying got default letter late on the post address – told cx we cannot do that remove that default from account – cx saying will contact credit bureau [and] try get help from there."

So, I don't think the above shows PayPal advised Mr H that he could have the default removed by contacting credit reference agencies. PayPal were right to say it couldn't remove the default as it's legally obliged to ensure the information recorded on his credit file is a true and accurate reflection of the account's conduct. PayPal would've been right to say Mr H can contact the credit reference agencies to add notes to his file. But without evidence of precisely what was said, I don't think I can safely conclude PayPal gave Mr H incorrect information that requires compensation.

Mr K is concerned a new default is being recorded on his account every month. However, his account will remain as in default for six years after the default was recorded. PayPal may update the account's status if it's closed with no outstanding balance, but this would still show the account as in default. And as I've said above, I'm satisfied PayPal was entitled to record the account as in default so it's under no obligation to remove it.

Mr K says he's unhappy PayPal suggested he set up a payment plan and imposed restrictions on his account. If a customer has missed repayments, or an account has defaulted, I don't think it's unreasonable for PayPal to suggest a payment plan as a possible way of helping the customer. The terms and conditions of Mr K's account set out it may prevent, limit or suspend use of the account if it reasonably considers this is necessary because of unauthorised use of the credit account or an increased risk that the customer will not be able to repay it. As Mr K's account missed repayments, I think the terms and conditions allowed PayPal to restrict the account. PayPal has said a restriction was placed on Mr K's account on 3 October 2024. It's not clear why this recent restriction was placed on the account but if it is in relation to concerns about Mr K's ability to repay his account, then it's likely the terms and conditions of the account allow it to do so.

I note Mr K says PayPal sent him an email that was incorrectly addressed on 28 October 2024. PayPal sent Mr K a final response on the same date that doesn't address this issue. It appears Mr K hasn't previously raised any concern with PayPal about it incorrectly addressing an email, so I'm unable to consider this complaint point. Should Mr K choose to do so, he can make a new complaint to PayPal.

Finally, Mr K has said he has had difficulties in obtaining a copy of his default notice. As I said above, I'm satisfied PayPal issued him a copy of the default notice by post in March 2023. PayPal wasn't obliged to send a copy by email also. I accept Mr K would like an additional copy, and PayPal hasn't provided this. In the circumstances, I think £150 compensation fairly recognises the inconvenience caused by the difficulty in obtaining an additional copy of the default notice. I've not seen any other error in PayPal's handling of this

complaint that warrants further compensation.

Putting things right

For the reasons explained above, PayPal should pay Mr K £150.”

In response to my provisional decision, Mr K reiterated his complaint points. He disputed that PayPal issued a default notice and said PayPal should have followed up to confirm its receipt. Mr K reiterated his complaints about being told the arrears were £248.44 in April 2023, being referred to credit reference agencies and the impact the default has had on him.

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've not been provided with any new arguments or evidence that have persuaded me to depart from my provisional decision set out above. I will briefly address Mr K's response to my provisional decision.

Mr K disputes that PayPal issued a default notice but I think the evidence suggests it did send the required notice by post, as it was obliged to do. PayPal was legally obliged to send the notice by post, and it wasn't obliged to ensure the notice was received by following up with a phone call, email or other letter. As I said in my provisional decision, PayPal had also produced monthly statements and sent Mr K email reminders about the arrears on his account prior to issuing the default notice. Overall, I don't think PayPal made an error here.

Whilst I understand the impact the default notice has had on Mr K, I think PayPal was entitled to record the default and so it's not obliged to remove it. For the reasons explained in my provisional decision, I don't think there's enough evidence to show Mr K was incorrectly advised about the process of removing a default.

Mr K has said he was given different arrears figures on the default notice and in April 2023. As the arrears were not paid in March 2023, when the default notice had expired, further arrears accrued by April 2023. As I said in my provisional decision, call recordings from this time aren't available so I can't be sure what was said over the phone. But Mr K's May 2023 statement correctly sets out that the amount needed to bring the account up to date was £248.44, and this matches the figure he was given in April 2023, so I've seen nothing to suggest PayPal gave Mr K any incorrect information at the time he called.

Mr K has said he was repeatedly advised to enter into a payment plan and account restrictions were excessive. Call recordings aren't available so I don't know precisely what was said, but as I said in my provisional decision, if a customer isn't meeting their regular monthly payments, it may be appropriate to offer a repayment plan to help them get back on track. I've not seen anything to make me think PayPal did anything wrong here, or that it wasn't entitled to apply a restriction to the account whilst arrears had accrued.

Overall, I've seen nothing to make me think PayPal is obliged to remove the default as Mr K has accepted. I remain of the view that it should pay him £150 compensation for the inconvenience caused by the delay in providing a further copy of the default notice.

Putting things right

If it has not already done so, PayPal should pay Mr K £150 compensation.

My final decision

I uphold this complaint and require PayPal UK Ltd to do what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 7 October 2025.

Victoria Blackwood
Ombudsman