DRN-5695402

The complaint

Miss P complains that PayPal UK Ltd irresponsible gave her a credit card she couldn't afford to repay.

What happened

In November 2024, Miss P applied for a credit card with PayPal. She was given a credit limit of £1,000. In May 2025, Miss P complained to PayPal to say it shouldn't have given her the credit card as she couldn't afford to repay it.

PayPal didn't agree it had acted unfairly in lending to Miss P. It said it had completed appropriate checks, including taking into account what Miss P told it about her circumstances, and these didn't reveal any affordability concerns.

Our investigator didn't recommend the complaint be upheld. She didn't think PayPal's affordability checks went far enough, but even if they had done more, she wasn't persuaded PayPal would likely have found anything to indicate the credit card would be unaffordable to Miss P.

Miss P didn't agree, so the complaint has been passed to me for a decision.

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.

PayPal were required to carry out checks to satisfy itself the borrowing would be affordable to Miss P and that it wasn't likely to cause her financial difficulty. The rules and guidance in place at the time Miss P applied for the credit said that any checks PayPal completed needed to be proportionate to the lending decision. This means that how thorough and detailed an affordability check needs to be can vary with each lending decision. In deciding what would be proportionate, PayPal needed to take into consideration things such as (but not limited to): the type of credit, the credit limit being provided, the cost of credit, the likely size of the regular repayments and Miss P's circumstances.

PayPal says that as part of the application for the credit card Miss P declared that she was employed full-time with a monthly income of £2,650. She also declared that she was a homeowner with a mortgage. PayPal says that it completed a credit check which it says showed Miss P had no adverse markers on her credit file (such as late payments or defaults) and that the credit reference agency search did not deem her to be overindebted. After estimating her essential expenditure PayPal says it thought Miss P's disposable income to be around £2,000 per month.

PayPal hasn't provided us with a copy of the credit check results it reviewed. However, I've seen a copy of Miss P's credit file that she has provided. In the absence of seeing what PayPal reviewed, I think it's reasonable for me to place considerable weight on Miss P's report as an indication of what PayPal likely saw.

Having seen Miss P's credit report, I think this ought to have caused PayPal some concern about her ability to be able to afford the repayments to the credit card. I say this because it appears Miss P already held nine other revolving credit accounts before applying for this account. I accept there was no adverse information recorded against these accounts and the combined credit limits of these accounts was around £7,300, and therefore not materially significant when compared to her declared monthly income. However, the sheer number of revolving credit accounts ought to have prompted some concern, especially given the other credit commitments she also had.

Miss P also appeared to have four unsecured loans with a combined monthly repayment of around £480 and one of her current accounts had a £500 overdraft facility. These also appeared to be managed well, but as I've said above, Miss P had access to a large number of unsecured credit facilities. This ought to have concerned PayPal about Miss P's potential reliance on credit.

It isn't clear from Miss P's credit file how close to each of the respective credit limits she was on the revolving accounts in November 2024. Assuming she had an outstanding balance that was at or close to the maximum limits of around £7,300, it appears her unsecured credit commitments (her loans and revolving credit) would have accounted for just over 30% of her declared monthly income. This is before her mortgage was taken into account. While this on its own wouldn't be a reason not to lend to her, I think it certainly ought to have prompted more thorough checks to ensure further lending wasn't likely to cause Miss P financial difficulties.

I don't necessarily think PayPal needed to do more to verify Miss P's income, as I haven't seen anything to make me think it ought to have questioned what she declared on the application. However, even if it had asked for more evidence, Miss P has shown us that in the month before the application she received salary of around £2,650. I think it's more likely than not she would have provided similar evidence to PayPal had it asked her for it. I don't therefore think PayPal would have reached any different conclusion on Miss P's income even if it had done more thorough checks.

I do think PayPal needed to do more to understand Miss P's committed essential expenditure before lending. I don't know what evidence or information PayPal would have asked for, but I've reviewed copies of Miss P's bank statements from around the time of the application. In the absence of anything PayPal did, I think I can place significant weight on what is contained in these statements as an indicator of what PayPal would most likely have discovered had it done more thorough checks.

Miss P says that the majority of her expenditure was on a joint current account for which she can't provide statements for. This includes the mortgage payments she says she was contributing towards. From the statements for the two current accounts she has provided, which show her income being received and some of her essential expenditure, it appears she had enough disposable income each month to be able to afford to repay the PayPal credit card even if she had used the full credit limit.

I can't see from the statements Miss P has provided an obvious trail indicating she was making substantial contributions to the household bills that she says were being paid from the joint account. I accept that is possible that Miss P was struggling to maintain all of her essential commitments and that her committed monthly expenditure was higher than she could afford. However, I've not been provided with anything to persuade me that more thorough affordability checks by PayPal would likely have shown that to be the case.

For these reasons, while I think PayPal's checks ought to have been more thorough, I don't think it ultimately made an unfair lending decision. This is because I've not seen anything to demonstrate reasonable and proportionate affordability checks would likely have shown Miss P couldn’t afford the borrowing.

My final decision

For the reasons given above, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss P to accept or reject my decision before 19 August 2025.

Tero Hiltunen
Ombudsman