DRN-5714047

The complaint

Mr S complains that PayPal UK Ltd (trading as PayPal) recorded a hard search on his credit file.

What happened

Mr S says that he applied for a PayPal credit limit on 12 March 2024. He says that, during the application process, PayPal's website said it would conduct a soft search which wouldn't affect his credit score. However, Mr S says, he quickly discovered that PayPal had, in fact, conducted a hard search which has negatively impacted his credit score at a time when he is considering purchasing a property.

PayPal says a soft search may be carried out to establish eligibility but that a full credit check was required to approve Mr S's application and credit limit. It says that Mr S was informed that a full search would be completed if he proceeded with his credit application.

Our investigator did not recommend the complaint should be upheld. He found that PayPal made it clear on the application screens that a full credit search would be carried out.

Mr S responded to say, in summary, that the wording was misleading and the fact that PayPal has now updated its wording validates his position. He says the original lacked the clarity required under the Financial Conduct Authority's (FCA) Consumer Duty. Mr S added that PayPal created a reasonable expectation of a soft search before transitioning silently into a hard search without sufficient warning.

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 understand Mr S applied for PayPal Credit as a result of a promotion which entitled him to £20 off his first purchase.

I've seen evidence to show that the initial screen Mr S saw was headed *"Apply and check eligibility"* and it then says *"We'll conduct a soft search which won't affect your credit score."* This is then followed by *"Am I eligible to apply?"* before it asks for personal information.

So I acknowledge that Mr S says this is ambiguous and could imply only a soft search is required for both an eligibility check and the application.

However, as an applicant continues through the process, and before the *"Apply"* button can be selected, PayPal's online form says: *"By proceeding, you agree to allow us to carry out a full credit check on you using a credit reference agency…".*

So, I'm satisfied that Mr S was correctly informed that PayPal would be carrying out a full credit check, as is usual before a company offers a credit facility.

I also cannot agree that the wording or process contravenes the FCA's Consumer Duty in relation to avoiding foreseeable harm, nor that it has failed to communicate in a way that is clear, fair and not misleading.

I say that because I find both PayPal's wording and process were reasonable and it did not use jargon that was complicated or difficult to understand. Whilst I accept Mr S has sent evidence that PayPal uses the words *"hard credit search"* on the credit agreement, I cannot agree that the phrase *"full credit check"* is not widely understood.

In summary, I cannot agree that PayPal has made a mistake, nor that it has acted against the principles of the Consumer Duty.

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 Mr S to accept or reject my decision before 8 September 2025.

Amanda Williams
Ombudsman