

The complaint

Mr R complains that PayPal UK Ltd defaulted his account.

What happened

Mr R had a PayPal Credit account. He agreed a repayment plan of £50 per month. In October 2024, Mr R checked his credit report and discovered his PayPal account was about to be recorded as in default. So, Mr R contacted PayPal.

In response, PayPal said it sent Mr R a default notice in August. PayPal said it hadn't made an error in defaulting Mr R's account in September 2024 so it wouldn't remove this information from his credit file.

Unhappy with PayPal's response to his complaint, Mr R contacted our service. Mr R said he didn't receive the notice and, if he had, he could've borrowed money from family or friends to avoid the account defaulting. Mr R asked for a copy of the default notice to be sent to him but it hadn't arrived a week later and, when he contacted PayPal again, it couldn't say when the notice was re-posted. Mr R feels this raises doubts about whether the original default notice was posted to him in August 2024.

One of our Investigators reviewed Mr R's complaint and didn't uphold it. The Investigator thought PayPal had sent the default notice and it wasn't obliged to remove any adverse information recorded on Mr R's credit file.

Mr R asked for an Ombudsman to review his complaint. He reiterated his belief that PayPal hadn't provided sufficient evidence to show it posted him a default notice and didn't send him a second copy. Mr R said he was dealing with a bereavement around the time his account defaulted and his mental health has suffered. Our Investigator explained there was no reason for PayPal to send the default notice by tracked or recorded delivery. The Investigator noted Mr R had received other letters from PayPal and was aware he was behind with his repayments. As Mr R didn't accept our Investigator's opinion, his complaint was referred 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.

Having done so, I've not upheld this complaint. I realise my decision will disappoint Mr R, but I'll explain my decision.

Mr R says he didn't receive PayPal's default notice in August 2024. He said he asked PayPal for a second copy of the default notice and the fact that PayPal didn't send that means it's unlikely it sent him a default notice in August 2024.

PayPal has sent our service with a dated copy of the default notice, which was correctly addressed. PayPal is legally obliged to issue a written default notice by post, and I have

been provided with no evidence to support Mr R's belief that these legal obligations were not adhered to. His non-receipt of a copy of the default notice is not persuasive evidence that proves PayPal didn't send the default notice itself in August 2024.

If the notice wasn't received, that doesn't mean that PayPal are at fault or that the notice wasn't sent. PayPal isn't obliged to ensure the default notice is received by, say, calling a customer to check the notice was received. So, I can't say PayPal made an error here.

I note Mr R says he didn't agree to have his information shared with credit reference agencies. It's not clear whether Mr R raised this issue as part of his original complaint but he may find it helpful to check PayPal's terms and conditions, which are available on its website. I note that when sending confirmation of Mr R's payment plan, PayPal also clearly stated that the payment arrangement would be reported to credit reference agencies.

PayPal's email about the payment arrangement said that as Mr R was making repayments that were less than the minimum contractual payment, arrears would continue to accrue on the account. The email said that if arrears continued, PayPal would be required to send a notice of default that would be reported to the credit reference agencies. PayPal sent Mr R emails about the minimum repayments due in April, May, June and July 2024. These emails set out the minimum repayment owed and that missed payments will negatively impact Mr R's credit score. The Information Commissioner's Office (ICO) sets out that PayPal should record the account as in default once more than three months of arrears have accrued. PayPal sent Mr R reminders about the minimum repayments due from April 2024 before issuing a default notice in August 2024. As more than three months of arrears had accrued, I think PayPal acted in line with the ICO's guidance.

I realise my decision will disappoint Mr R but I've seen nothing that persuades me PayPal made an error in issuing a default notice in August 2024 or that it was not entitled to record the account as in default in September 2024. Mr R has said his mental health has suffered and asked how his vulnerability has been taken into account. I empathise with Mr R's circumstances, but it remains that PayPal is obliged to ensure his credit file is an accurate record. PayPal isn't obliged to remove adverse credit information because of Mr R's health and circumstances.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 October 2025.

Victoria Blackwood

Ombudsman