

The complaint

Miss A complains that PayPal UK Ltd didn't close her credit account following her request, which has caused her financial difficulties.

What happened

In April 2024, Miss A says she asked PayPal to close the account after she had repaid the balance with a loan. She says that PayPal didn't do this, and she has been able to spend on the account, which got her into more debt. She says PayPal hasn't supported her in her financial difficulties.

PayPal responded to Miss A's complaint, but it didn't uphold it. It explained that it hadn't received any communication from Miss A in relation to financial difficulties. And when she requested to close the account, she was transferred through to the correct team, but Miss A didn't respond to the agent and so the chat was closed without the account being closed.

The Investigator considered what both parties had said, and they felt Miss A's complaint should be upheld in part. The Investigator found that PayPal hadn't acted on Miss A's request to close the account, and had it done this, she wouldn't have been able to continue to spend on the account. The Investigator felt that it would be fair for PayPal to remedy things by closing the account, refund any interest applied to purchases after April 2024, remove any negative information from her credit file applied after April 2024, and set up a suitable arrangement plan with Miss A. The Investigator didn't uphold Miss A's complaint in relation to the support provided to her by PayPal when she got into financial difficulties.

PayPal didn't agree with the Investigator's view, but it did agree to refund the interest applied to the account. It maintained that Miss A hadn't followed up with the closure request during the chat she had with an advisor.

Miss A responded and while she appeared to agree, she was concerned with the way that PayPal might record a repayment arrangement on her credit file.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

I previously issued my provisional decision on this case. It was my intention to come to the same outcome as the Investigator, however, my view on what PayPal should do to put things right for Miss A was different to that of the Investigator. Because of this, I wanted to give both parties the chance to respond to my provisional decision with anything else they want me to take into account before I came to my final decision on the matter.

I have copied my provisional decision below, which also forms part of this final decision.

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

Having reviewed all of the evidence available, I intend to uphold Miss A's complaint. I'm currently persuaded that PayPal should have closed Miss A's account after her request in April 2024. I can see from the evidence provided; Miss A was clear that she wanted the account to be closed. She was then transferred to the specialist team. I can see that she was told not to end the chat, but she would get a notification in the app once she had been transferred. I've seen no evidence of a notification being sent to her, or an agent confirming they had entered the chat, or responding to her request to close the account in the chat. PayPal had enough information at this point to know that Miss A wanted the account closed, and so I see no reason why it couldn't have done this following her request.

I note that PayPal have said that Miss A should have confirmed with the advisor from the specialist team that she wanted the account closing, and that the chat ended after it had been idle for some time. But I can't see any evidence of the agent prompting Miss A to respond in the chat, and like I've said, it had enough information to know Miss A wanted the account closing and so it could and should have acted on this.

PayPal has confirmed that it would refund the interest it has charged on the purchases that happened after April 2024, I think this is fair and reasonable in the circumstances, so I intend to order PayPal to do this. That being said, I'm not persuaded PayPal needs to report anything differently on Miss A's credit file. And if she can't afford to maintain the minimum repayments and needs to come to an arrangement with PayPal to repay the outstanding balance, then it is possible that this might be recorded as an 'arrangement to pay' on her credit file. PayPal is required to report accurate information to the credit reference agencies, and if an arrangement to repay less than the minimum amount due is agreed, then I don't think it would be unreasonable for PayPal to report this.

PayPal has said it can't close the account while there is still a balance due to be repaid. I don't think this is unreasonable. However, Miss A should contact PayPal if she requires the spending facility on the account to be suspended, and she can request that the account is closed once the balance is repaid.

In relation to the purchase balance still on the account, I will leave this up to PayPal to decide what rate this should be charged at moving forward, but I wouldn't expect this to be more than the standard variable rate applicable to her account.

Overall then, I think PayPal should have closed Miss A's account when she asked for it. PayPal should refund the interest Miss A has been charged on her purchases since April 2024. If Miss A needs to come to a repayment arrangement with PayPal to repay what she owes, then it is possible that this could be recorded on her credit file – I would expect PayPal to confirm this with Miss A if such arrangement is put in place."

Miss A responded to say she accepted the findings I made in the provisional decision. However, she felt that she should be compensated for the poor service she received from PayPal in the initial handling of her complaint. She added that she didn't want any impact to her credit file and so she would discuss making the minimum repayments with PayPal and not using the account for spending moving forward – with the account eventually closing.

PayPal didn't respond by the deadline.

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.

As PayPal didn't respond by the deadline, I've assumed it has nothing further to add.

In response to Miss A's points in relation to compensation, I'm satisfied that a refund of the interest on her purchases since April 2024 is enough to put things right here. As I understand it, Miss A wants compensation for how PayPal handled her complaint, but this Service doesn't have the power to make awards for complaint handling – it isn't a regulated or specified activity in the rules, and in the circumstances of this complaint, I'm satisfied that it isn't an ancillary activity either. So I won't be considering Miss A's request for compensation in relation to how PayPal handled her complaint.

Overall, I've not seen any further submissions that I feel warrant me making further comment on the merits of this case, and therefore I see no reason to depart from the findings I made in my provisional decision.

Putting things right

To put things right for Miss A, I order PayPal to:

- Refund the interest on Miss A's purchases from April 2024 up until the date of this decision. The interest on this purchase balance from this date onwards is to be determined by PayPal, and it should let Miss A know what rate it decides – although it shouldn't be at a higher rate than her standard variable interest rate applicable to her account.
- Come to a payment arrangement with Miss A to repay the balance in a sustainable way, if this is what Miss A wants. Any arrangement can be recorded on Miss A's credit file; however, PayPal should let Miss A know if this is what it intends to do.
- If Miss A asks for it, PayPal should restrict the spending facility on the account to prevent the debt increasing. Miss A will need to request that the account is closed when the balance reaches zero.

My final decision

For the reasons set out above, I uphold Miss A's complaint. I order PayPal UK Ltd to put things right for Miss A by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 11 September 2025.

Sophie Wilkinson
Ombudsman