

The complaint

Mr O complains that PayPal UK Ltd provided him with a line of credit without assessing whether he could afford to repay that credit.

What happened

Mr O bought a sofa for £3,900 online using his PayPal account. Mr O instructed PayPal to process the payment using his debit card, but PayPal processed the payment as a bank transfer instead. This meant that there was a delay of several days between the payment being authorised and the funds being requested from his bank.

During that delay, Mr O's wife spent the money in the account, as she believed it was available. This meant that when the funds for the sofa purchase were requested, they weren't available. PayPal then credited Mr O with the £3,900 so that the purchase completed, which meant that Mr O was then indebted to PayPal for that amount.

Mr O raised a complaint with PayPal because he felt that they had provided him with a line of credit without conducting an appropriate affordability assessment. And Mr O feels that if PayPal had conducted such an assessment, they would have realised that Mr O couldn't afford the line of credit that they were providing to him.

PayPal responded to Mr O but didn't feel that they'd done anything wrong and noted that the terms and conditions of the PayPal account included a hierarchy of sources for approved payments that PayPal had adhered to. PayPal also noted that they weren't charging Mr O any interest on the amount that he owed them or reporting the outstanding balance to the credit reference agencies. Mr O wasn't satisfied with PayPal's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that PayPal had acted unfairly towards Mr O as he contended and didn't uphold the complaint. Mr O remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

In his submissions to this service, Mr O has raised a number of arguments of a legal nature. However, I'd like to confirm that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, and after taking all the factors and circumstances of a complaint into consideration.

Having considered this complaint, I won't be upholding it or instructing PayPal to take any further or alternative action. This is because I don't feel that PayPal have provided a line of

credit to Mr O in the sense that he suggests, and also because, ultimately, Mr O received the sofa and as such I feel that it's fair that he should pay for it.

Mr O has said that he instructed PayPal to complete the purchase using his debit card, which would have resulted in the near-instantaneous payment of the £3,900 from his account. But PayPal have provided information to this service which I'm satisfied confirms that Mr O instructed them to process the payment as a bank transfer, which as Mr O is aware is a method of payment that takes longer to complete.

Mr O has also said that in the period between the payment being authorised and the funds being requested from his account, his wife spent the money that had been promised to the merchant. Ultimately, that wasn't PayPal's fault, and their terms and conditions confirm that if payment authorised by bank transfer can't complete because of lack of funds, they will process the payment using the next available method in a set list.

In this instance, PayPal's application of their terms resulted in PayPal crediting Mr O with the money, so that he became indebted to them. This doesn't seem unfair or unreasonable to me, given that Mr O agreed to and accepted the terms of the PayPal account when he opened the account.

Mr O has said that he can't afford the line of credit that PayPal provided to him. But Mr O has confirmed to this service that the sofa took several months to arrive. As such, if Mr O didn't want to be indebted to PayPal, he could have cancelled the sofa order, or he could have arranged for his wife to return whatever goods she purchased so that the money was available to pay off the debt that Mr O incurred. But Mr O did neither of these things. And, as stated above, given that he received the sofa, I'm satisfied that it's fair that he should be expected to pay for it.

It's also notable that PayPal aren't charging Mr O any interest or reporting the balance to the credit reference agencies. Because of this, I don't feel that PayPal have provided a line of credit to Mr O in the sense whereby PayPal should reasonably have undertaken an affordability assessment for Mr O. Instead, I feel that PayPal authorised a payment by bank transfer at Mr O's request, and that Mr O then failed to ensure that the promised funds were available when requested, which as a consequence prompted PayPal to complete the payment in the manner that they did, in line with their terms and conditions.

Mr O is also unhappy that PayPal have restricted his access to his account. But given that Mr O has become indebted to PayPal by not ensuring that promised funds were available, it doesn't seem unreasonable to me that PayPal would restrict his account until such time as Mr O repays the money that he owes them. I also note that PayPal's actions in this regard appear to be in line with their terms and conditions regarding accounts with negative balances, as Mr O's account has.

Finally, Mr O has said that PayPal have made adverse reports to his credit file because of what happened. But as explained, this isn't the case. PayPal aren't reporting the balance in question to the credit reference agencies at all. As such, any adverse reporting that PayPal may be making to Mr O's credit file would be for an unrelated matter.

All of which means that I don't feel that PayPal have acted unfairly towards Mr O, for the reasons explained above, and I therefore confirm that I won't be upholding this complaint or instructing PayPal to take any form of action. I realise this won't be the outcome that Mr O was wanting, but I trust that he'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 25 September 2025.

Paul Cooper
Ombudsman