

## **The complaint**

Miss T complains that PayPal (Europe) Sarl Et Cie SCA (“PayPal”) approved a credit account for her in 2022 when she could not afford it.

## **What happened**

Miss T took a PayPal Credit account in November 2022 and the initial credit approved for her was £800. It’s a revolving credit product, similar to a credit card, and attached to Miss T’s PayPal account which she had already. Miss T was able to use it to make online purchases (up to the agreed credit limit) and she was required to pay at least the minimum repayment sum each month. No credit limit increases were approved. Currently the account has an outstanding balance of around £837. The account cannot be used.

After Miss T had complained, PayPal issued its final response letter (FRL) in which it did not uphold her complaint in relation to the irresponsible lending. It considered that it had offered forbearance to Miss T after she had told PayPal she was in financial difficulties in 2025. It applied a breathing space to the account. Interest and charges have been frozen on the account since then.

Miss T referred her complaint to the Financial Ombudsman Service where one of our investigators looked at the complaint and did not think that PayPal had done anything wrong.

Miss T disagreed and the unresolved complaint was passed to me to decide. Miss T sent us submissions to explain why she wanted an ombudsman to review the complaint and I have read them all.

## **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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance, and good industry practice - on our website and I’ve taken that into account when I have considered Miss T’s complaint.

PayPal needed to take reasonable steps to ensure that it didn’t lend irresponsibly to her. In practice this means that it needed to carry out proportionate checks to make sure Miss T could afford to repay the additional credit she was being given in a sustainable manner. These checks could consider a number of different things, such as how much was being lent, the repayment amounts and Miss T’s income and expenditure.

In the early part of the lending relationship, we might think PayPal would have needed to do more if, for example, a borrower’s income was low or the amount lent was high. Generally speaking, the longer the lending relationship goes on, the greater the risk of a consumer having a change in their financial circumstances, leading to the lending becoming unsustainable and the borrower getting into financial difficulty. So, we’d expect a lender like PayPal to be able to show that it didn’t make the decision to lend or continue to lend to a customer irresponsibly.

PayPal has explained that it took key information from Miss T when she applied in November 2022 including identity and residential status and net monthly income plus expenses. PayPal did eligibility, creditworthiness and affordability checks using one, sometimes two, credit reference agencies (CRAs). It obtains details of the existing financial commitments. PayPal says this may differ from a personal credit file search.

PayPal's records about Miss T in 2022 are that she declared she was employed full time, living at home with her parents, and had a monthly income of between £1,501 and £2,000 and approximately £500 in monthly expenditure. It used the mid-range figures in its assessments. It determined Miss T had a monthly disposable income of £1,250.

The CRA information indicated that Miss T was not overindebted, the debt to income ratio was satisfactory and she had no defaulted accounts in the two years leading up to this application.

I consider that PayPal carried out proportionate checks and did not lend irresponsibly when it approved the credit account with an £800 limit.

I considered the fair treatment and PayPal has explained:

*'We have no record of [Miss T] previously contacting us to say she was experiencing difficulties or that the amounts she had borrowed were not affordable until 10 April 2025 when she requested assistance with a payment plan. At this time, we implemented an agreed payment plan, granted breathing space, and waived certain interest and late payment fees.'*

I've reviewed the submissions Miss T has made since our investigators second view and none of these have led me to be persuaded that PayPal lent irresponsibly.

I've also considered whether PayPal acted unfairly or unreasonably in any other way and whether the relationship might have been unfair under section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think it lent irresponsibly to Miss T or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My final decision is I do not uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 13 January 2026.

Rachael Williams  
**Ombudsman**