

The complaint

Miss C believes PayPal UK Ltd (PayPal) acted irresponsibly when it approved her credit card application.

What happened

In August 2021 Miss C applied for a credit card with PayPal. This application was approved with a credit limit of £2,500. The credit limit was never increased.

In January 2025 Miss C complained about PayPal's decision to lend. The details of the complaint are familiar to both sides, so I won't repeat them in detail here. But, in short, Miss C said that she didn't think PayPal should have approved her application due to her financial situation. Miss C also felt the checks PayPal carried out prior to lending were not sufficient.

In February 2025, PayPal issued its final response, in which it said it did not uphold the complaint. In short, PayPal said that – as well as obtaining information from a credit reference agency - it had asked Miss C to disclose key information about their identity including employment and residential status, along with their net monthly income and expenses. And, having done so, it did not think it had been wrong to lend.

Unhappy with this, Miss C referred the matter to our service.

One of our investigators reviewed Miss C's complaint and issued their opinion in July 2025. In doing so, the investigator said that they did not think PayPal had acted unfairly, and so they didn't recommend that the complaint be upheld. In short, the investigator was of the view that PayPal did not conduct reasonable and proportionate checks but went on to say that, had it done so, it would have agreed to lend and therefore, it didn't act unfairly when doing so.

Miss C didn't agree and, as an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Miss C. I hope my explanation helps her to understand why I've come to this conclusion.

However, whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

PayPal needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss C could repay the borrowing in a sustainable way.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did PayPal carry out reasonable and proportionate checks to satisfy itself that Miss C was likely to have been able to repay the borrowing in a sustainable way?

i. If PayPal carried out such checks, did it lend to Miss C responsibly using the information it had?

Or

ii. If PayPal didn't carry out such checks, would appropriate checks have demonstrated that Miss C was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Miss C lose out as a result of PayPal's decision to lend to her?

3. Did PayPal act unfairly or unreasonably in some other way?

Did PayPal carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Miss C was applying for along with the size, length and cost of the borrowing; and
- Miss C's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The total cost of the credit.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to

applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss C's complaint.

Prior to agreeing to lend, Miss C was asked to provide details about her income by selecting from a pre-determined band. Miss C said her net monthly income was between £1,001 and £1,500 (PayPal used the median figure of the two - £1,250 - as part of its lending application). It doesn't look like PayPal took steps to check Miss C's income and, given it asked her to declare a salary band, it may have been reasonable to have undertaken a further assessment of her income. However, towards the start of a lending relationship it doesn't seem unreasonable to have accepted what Miss C had told it.

But even if PayPal felt that further checks were needed to confirm Miss C's income – perhaps by asking for a copy of her payslip or even by asking for her bank statements it would've discovered Miss C's income was slightly higher than the figure she declared – around £1,700 on average per month.

With regards to expenditure, Miss C declared her monthly living expenses were between £1 and £500 (it is my understanding PayPal used the median figure - £250 - as part of its lending application). Miss C also said she was a homeowner without a mortgage, and she declared her housing costs were £0. As a result, PayPal calculated that Miss C had disposable income of £1,000 and, therefore, it concluded that the lending appeared to be affordable.

I note here that if PayPal had used the bottom of the income range and the top of the outgoings range that still would've left Miss C with £500 of disposable income each month. So the facility would still have looked affordable.

PayPal also said that Miss C was known to it as she had a "Wallet" account which had a good behaviour score and spend which indicated she had disposable income.

In addition, PayPal has said that it checked Miss C's credit file which showed she had no defaults in the 12 months prior to her application. It also said that the information obtained from the credit reference agency indicated that Miss C was not overindebted at the time of the application.

However, I can't see that the credit check PayPal carried out revealed information about Miss C's existing credit commitments. Notwithstanding the information PayPal gathered suggested Miss C was not overindebted, I think understanding Miss C's existing credit commitments was particularly important in determining her disposable income. I say this bearing in mind Miss C had declared what was, in my view, an unusually low level of monthly expenditure notwithstanding she had declared she did not have a mortgage.

In the absence of this information, I find it difficult to conclude that the checks were reasonable and proportionate in the circumstances.

Would reasonable and proportionate checks have demonstrated that Miss C was likely to have been able to repay the borrowing in a sustainable way?

I've reviewed a credit file provided by Miss C. This contains information which is relevant to the time when Miss C entered into the agreement with PayPal. This is the best evidence I have available for Miss C's credit commitments at the time. I'm satisfied that it shows the information that PayPal would've seen from a credit search at the time.

It appears Miss C did not have many active accounts at the time. From what I can see there was a loan from a telecommunication company with a monthly repayment of £24. There was also a telecommunication account with zero balance. There were also two catalogue shopping accounts which were both well within agreed limits. I note there were two current accounts but, at the time, neither had an overdraft facility. I note there is no record of arrears or missed payments around the time the lending in question was approved. So, it appears that Miss C was managing her existing commitments well. What's more, the credit report does not provide an indication of any defaults, insolvencies or any other public records – such as County Court Judgments – about which PayPal would have been informed.

So, even if PayPal did obtain more information about Miss C's existing credit commitments through its credit check, I'm not persuaded that it would have revealed anything which would have led it to conclude that the information Miss C declared as part of her application was inaccurate such that it ought to have gathered more information or otherwise refused to lend.

In her submissions to our service, Miss C has pointed to a large number of gambling transactions present on her bank statement as evidence PayPal ought to have refused to lend. And Miss C has also said that she used the account in question for gambling. I'll address each point in turn.

I've carefully considered whether the circumstances at the time of Miss C's application warranted a full review of her bank statements. In this case, given the rest of the information PayPal gathered (or ought to have gathered) suggested that Miss C was in a reasonable financial position, I don't think that forensically reviewing Miss C's bank statements – including forensically reviewing any activity on her existing PayPal 'Wallet' account - would have been proportionate here.

Based on the figures Miss C declared during her application, it appeared she had sufficient disposable income to clear this facility (assuming she utilised the entire facility) within a reasonable period of time. Further, Miss C's was not overindebted and her management of her existing credit facilities was reasonable. There wasn't anything else in the information PayPal gathered (or ought reasonably to have gathered) that suggests the repayments would be unaffordable. So, in my view, the circumstances here (including the size of the lending in question) did not suggest that a manual review of multiple months' worth of bank statements was necessary or proportionate.

So, I don't think reasonable and proportionate checks would have alerted PayPal to the possibility Miss C was excessively gambling.

Turning to the way that Miss C managed her account up until the time she complained to our service. PayPal has provided a transaction log since the account was opened in August 2021 to March 2025. I can't see evidence of excessive gambling. Like our investigator, I've identified £70 worth of gambling in this period, which wouldn't give PayPal cause for concern. What's more, whilst acknowledging Miss C may have made minimum payments for a sustained period, it looks like Miss C never missed a payment or fell into arrears.

So, I don't think that there was anything about the running of the account which might have caused PayPal to conclude Miss C was struggling financially - or otherwise review it's continuing to provide the account.

Whilst I recognise this will be disappointing for Miss C, I do not think PayPal has acted unfairly here and, therefore, I do not uphold this complaint.

Did PayPal act unfairly or unreasonably in some other way?

I've considered whether PayPal acted unfairly or unreasonably in some other way given what Miss C has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think PayPal lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above, I do not uphold Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 5 November 2025.

Ross Phillips
Ombudsman