

The complaint

Mr B complains PayPal UK Ltd have unfairly defaulted his credit account with them.

What happened

As I understand it, Mr B had a PayPal Credit account with a limit of £2,600. The account fell into arrears and a default was registered on 5 June 2025.

Mr B says he wasn't properly told the account would be defaulting – saying he was given conflicting information over the phone and in the app he was using. Mr B also said he could have paid off the amount owed had he been given clearer information.

PayPal say they properly notified Mr B they would be defaulting him, and overall didn't think they'd done anything wrong. Unhappy with their answer Mr B asked us to look into things.

One of our Investigators did so, and didn't think PayPal had done anything wrong. Mr B didn't accept this – saying he agrees he owes the money but the default is heavy handed. So, the complaint's been passed to me to decide.

Before doing so it's important to note we asked Mr B about the conflicting information he said he'd received. We asked him for copies of the correspondence. And we also asked Mr B how he would have paid off the balance if he'd been given clearer information. As at the date of the decision, Mr B hasn't replied and has had over two months to, so I'm satisfied it's appropriate to go ahead and decide this case.

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.

I think it's important to explain I've considered all of the information provided by both parties in reaching my decision. If I've not reflected or answered something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

The Information Commissioner's Office (ICO) is the UK regulator for data protection and information rights. They set out guidance on their website which in brief says financial businesses such as PayPal can apply a default once at least three months' payments have been missed, and should usually have applied the default by the time six months' payments have been missed. I'm satisfied this is reasonable guidance to rely on.

So, the question initially for me is whether PayPal applied the default within these timeframes.

PayPal have said Mr B didn't make payments for four months – February, March, April and May 2025. My understanding is Mr B doesn't dispute he owes the money and that unfortunately he missed some payments.

As a starting point then, it'd appear PayPal have acted fairly in defaulting Mr B's account.

But, Mr B says he was given conflicting information, didn't get the letter which confirmed PayPal were going to default his account, and if he had then he'd have paid it off.

As mentioned above, Mr B hasn't replied to our contacts asking for clarification and any evidence he has of the conflicting information he says he was given.

Because of that, I've only got PayPal's records to rely on. This includes notes recorded by PayPal's agents during their phone calls with Mr B. I've read through all of these, and there isn't anything to suggest Mr B was given conflicting information about a default potentially being applied.

I'm aware Mr B says he didn't get the letter telling him in advance PayPal were planning to default his account. PayPal can't show us it was sent – which isn't helpful.

But, I'm not sure it matters if the letter was or wasn't sent. I say that because regardless, the key issue for me to consider here is what Mr B would have done if he had received the letter.

Mr B has told us he'd have cleared the arrears. But, when asked, he's not replied to explain how. So, I can only take into account the information I do have.

As above, this includes PayPal's contact notes.

The notes for 1 April 2025 say Mr B told PayPal the minimum payment they were asking him to pay was unaffordable. And the notes for 13 June 2025 say Mr B told PayPal the whole amount wasn't affordable.

Given the default was applied on 5 June 2025, it'd appear both before and after it was applied Mr B wasn't able to repay what he needed to.

Taking everything into account, I've seen nothing to suggest PayPal unfairly defaulted Mr B's account.

My final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 February 2026.

Jon Pearce

Ombudsman