

## **The complaint**

Miss H complains that PayPal UK Limited lent irresponsibly when it approved her credit card application.

## **What happened**

Miss H applied for a PayPal credit card in July 2022. In her application, Miss H said she was employed with a net monthly income of between £1,501 and £2,000. Miss H also said she was living with her parents and had regular outgoings of between £1 and £500 a month. PayPal says that left Miss H with around £1,500 a month after covering her outgoings.

A credit search was completed. No evidence of adverse credit, defaults or recent missed payments were noted on Miss H's credit file. PayPal says it also obtained details of Miss H's other debts.

PayPal says it used a service provided by the credit reference agencies to verify Miss H's income and outgoings. PayPal also applied a credit scoring process to the application. The credit scores obtained all indicated a new credit card was affordable for Miss H. PayPal approved Miss H's application and issued a credit card with a limit of £1,000.

More recently, Miss H complained that PayPal lent irresponsibly and it issued a final response PayPal said it had carried out the relevant lending checks before approving Miss H's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss H's complaint. They weren't persuaded the information provided by PayPal showed it completed proportionate checks before approving Miss H's application. The investigator requested Miss H's bank statements for the months before her application to get a clearer picture of her circumstances. The investigator thought Miss H's bank statements showed she was able to sustainably afford a PayPal credit card with a limit of £1,000. The investigator also noted Miss H hadn't contacted PayPal to advise she was struggling or needed assistance before raising her complaint last year. The investigator wasn't persuaded PayPal lent irresponsibly or treated Miss H unfairly and didn't uphold her complaint.

Miss H asked to appeal and said she still thought PayPal had failed to complete appropriate checks before approving her application. Miss H also said she had other overdrafts with high outstanding balances and that a review of her circumstances by PayPal would've shown she had become overindebted. As Miss H asked to appeal, her complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say PayPal had to complete reasonable and proportionate checks to ensure Miss H could afford to repay the debt in a sustainable way. These

affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

PayPal has provided details of the information it used when considering Miss H's application as set out above. I note the way PayPal's application process works means it uses ranges for income and regular outgoings, so it's not possible to see the specific figures reflecting Miss H's income and outgoings. And the credit file information provided doesn't allow me to see the individual accounts Miss H held, only the credit scores obtained by PayPal. As I haven't seen clear evidence that shows the full detail of PayPal's checks, I'm unable to safely say they were reasonable and proportionate. As a result, I've gone on to think about what more detailed checks would've found. Miss H has provided copies of her bank statements and I've used those to get a better understanding of her circumstances in the months before the application was made.

Miss H's bank statements show an average monthly income of £1,632. I looked at outgoings for items like communications, regular savings, account fees and supermarket shopping. I found an average of around £300 a month. I can see Miss H's current account was overdrawn for much of the month. But I think it's fair to say Miss H's priority outgoings were reasonably modest and from what I saw there was a disposable income of around £1,300 a month remaining to cover Miss H's other living expenses and debts not being collected from this account.

In my view, Miss H's bank statements show she was able to sustainably afford repayments to a new credit card with a limit of £1,000. I'm sorry to disappoint Miss H but I haven't been persuaded PayPal lent irresponsibly when it approved her credit card application.

I understand Miss H feels PayPal should've stepped in to provide some support and forbearance since the account was opened. But from PayPal's perspective, Miss H's credit card was generally well managed. Miss H has told us her outstanding balance was close to the limit for almost the entire time she's held the credit card. But the statements show that from the date of approval until April 2023 Miss H's balance was generally below £600 against a limit of £1,000.

I can see that in May 2023 Miss H's balance exceeded the limit by £11 but the issue was resolved the following month. I can see some other months where Miss H's balance exceeded the £1,000 limit but the maximum amount was by less than £15. And Miss H continued to make payments towards the outstanding balance, often double the minimum payment. Whilst I can see Miss H was using a high proportion of her available credit limit and exceeded it by small amounts at times, I don't think those on their own were grounds for PayPal to have stepped in unprompted.

PayPal has explained that if Miss H is experiencing financial difficulties or struggling to maintain repayments she has the option to contact its specialist support teams. If Miss H

contacts PayPal for support it will be obliged to treat her fairly and take her current circumstances and ability to afford ongoing repayments into account. In addition, our website contains details of various organisations that specialise in providing debt advice and support. Miss H is also welcome to contact our investigator directly for those details should she wish to do so.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 PayPal lent irresponsibly to Miss H 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**

My decision is that I don't uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 27 February 2026.

Marco Manente  
**Ombudsman**