

The complaint

Miss I complains PayPal (Europe) S.a r.l Cie, S.C.A. (“PayPal”) irresponsibly lent to her and still has to make repayments that she can’t afford.

What happened

In April 2021 Miss I applied for a credit account with PayPal. The application was approved, and she was given an initial limit of £1,000.

In January 2022 Miss I applied for a limit increase, which was also approved. Her limit was increased to £2,000.

Miss I complained to PayPal in April 2025. She said the lending was irresponsible due to her financial situation. She feels the checks completed weren’t sufficient. Miss I said she was struggling to repay the credit and at the same time held other products with PayPal that she was unable to repay. She said she contacted them many times but didn’t receive help.

PayPal responded to the complaint – they rejected it. They said they completed external credit reference agency (CRA) checks and relied on the information Miss I declared at the time of application, and having done so, it was determined she had enough disposable income to repay the credit.

Miss I was unhappy with the response so referred her complaint to our Service. An Investigator here looked into things. They agreed that the checks carried out by PayPal were proportionate for both the account opening and the credit limit increase. They also felt that a fair decision to lend was made for both account opening and the limit increase. Having reviewed the times Miss I reached out, the Investigator didn’t feel PayPal acted unfairly in their responses.

Miss I responded to the complaint with a lengthy reply – but in summary, she felt it was clear she was unable to repay and was persistently using the credit limit, she also had missed payments on other products held with PayPal, PayPal didn’t complete an income and expenditure assessment, and they relied on inaccurate expense figures. Because 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 rules and regulations in place at the time PayPal provided Miss I with the credit required them to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be ‘borrower’ focused. This means PayPal had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss I. In other words, it wasn’t enough for PayPal to consider the likelihood of them getting the funds back or whether Miss I’s circumstances met their lending criteria – they had to consider if Miss I could sustainably repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether PayPal did what was needed before lending to Miss I.

Account opening

When Miss I applied for credit in April 2021, PayPal gathered information regarding her financial circumstances. It recorded that she was earning a salary between £1,500 and £2,000 per month. She had no defaults within 12 months of the time of application, and her declared living expenses were around £500. This was collated using the information Miss I declared at application, and an external credit check.

I believe the checks PayPal carried out were proportionate, and considering the amount being provided to Miss I, and the information they gathered in these checks, I don't think they acted unfairly when providing her with the credit. I say this because it was for a relatively modest amount of £1,000, and there were no signs of financial difficulty in recent months. It wouldn't be a significant cost for Miss I to repay this credit in a reasonable period of time based on her salary and existing credit commitments.

I note Miss I's comments regarding PayPal not completing an income and expenditure assessment, but I don't think this is fair. They asked her to declare her income and expenditure and it's her responsibility to ensure those figures were accurate so they could make an informed decision about whether or not to lend.

Based on the above, I'm also satisfied PayPal made a fair decision to lend to Miss I.

Credit limit increase

PayPal completed the same checks at the point of increase, and also now had information about how she managed her account internally to rely on. Miss I's total external debt at the time of the increase was £937.00, which was made up of one account. She didn't have any payday lending and no defaults. There were no indicators of financial difficulty either internally or externally.

Based on the above, I'm satisfied PayPal's checks were proportionate and they made a fair decision to lend when increasing her credit limit.

Miss I has referred to missed/late payments for other PayPal products, but the evidence supplied comes from 2024 which is after the date both lending decisions were made, therefore I don't think PayPal ought reasonably to have been aware she was struggling.

I've also looked at the instances where Miss I has said PayPal haven't responded to her requests for support. And again, I'm unable to agree. They've referred her to specialist teams and it looks as though she's contacted them previously when this team has been unavailable. I encourage Miss I to reach out PayPal if she requires support, and remind PayPal of their obligations to treat their customers with forbearance.

In reaching my conclusions, I've also considered whether the lending relationship between PayPal and Miss I might have been unfair to Miss I under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that PayPal did not lend irresponsibly when providing Miss I with the credit, or by increasing her credit limit. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Miss I, I won't be upholding her complaint against PayPal for the reasons explained above.

My final decision

It's my final decision that I do not uphold this complaint against PayPal (Europe) S.a r.l Cie, S.C.A..

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 12 May 2026.

Meg Raymond
Ombudsman