

## **Complaint**

Mrs C has complained about a credit account PayPal UK Ltd (“PayPal”) provided to her. She says that she shouldn’t have been approved for the finance given the credit she already had.

The account was provided by a previous firm associated with PayPal and for ease of reference I’ll refer to PayPal throughout this final decision.

## **Background**

PayPal provided Mrs C with a credit account which had a credit limit of £2,000.00 in February 2020. The credit limit on the facility was never increased.

PayPal didn’t uphold Mrs C’s complaint. But in view of her financial position at the time it confirmed that it was prepared to refund all interest, fees and charges that Mrs C paid on her account. Mrs C was dissatisfied at this she referred her complaint to this service.

One of our investigators reviewed what Mrs C and PayPal had told us. And she thought PayPal hadn’t done anything wrong or treated Mrs C unfairly in relation to providing the account. So she didn’t recommend that Mrs C’s complaint be upheld.

Mrs C disagreed and asked for an ombudsman to look at the complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold the complaint. I’d like to explain why in a little more detail.

PayPal needed to make sure it didn’t lend irresponsibly. In practice, what this means is PayPal needed to carry out proportionate checks to be able to understand whether Mrs C could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

PayPal says it initially agreed to offer Mrs C an account after it checked her income, asked her for some information on her committed expenditure and carried out credit searches. And the information it obtained indicated that Mrs C would be able to make the monthly repayments required for this facility. On the other hand, Mrs C says that she shouldn't have been lent to.

I've considered the parties' submissions.

What's important to note is that Mrs C was provided with a revolving credit facility rather than a loan. This means that PayPal was required to understand whether a credit limit of £2,000.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of this amount required reasonable monthly payments in order to clear the full amount owed within a reasonable period of time.

PayPal's credit checks indicated that Mrs C didn't have recent difficulties with credit in the form of defaults and county court judgements ("CCJ") and that she was managing the credit that she did have reasonably well. Furthermore, when the amount Mrs C declared for her living expenses at the time of this application are combined with her existing credit commitments and then deducted from her income at the time, she does appear to have sufficient funds left over in order to repay £2,000.00 within a reasonable period of time.

It's possible that Mrs C's position might have been worse than what it looks like, or that it worsened afterwards. For example, I know that Mrs C says that her expenditure was much higher than this and that she was using her overdraft. In the first instance I would say that the fact that Mrs C was using an overdraft doesn't in itself mean that PayPal shouldn't have lent to her.

Mrs C had an arranged overdraft which meant that she was using a credit facility that she had had permission to draw down funds on. There is no prohibition in relation to a lender lending funds to a borrower that is already using credit in such circumstances. If Mrs C is unhappy at being allowed to use her overdraft in the way she says she was, this is a matter that she will have to take up with her bank rather than PayPal.

I'm sorry to hear that Mrs C has found it difficult to make her payments. But as the available information indicates proportionate checks would more likely than not have shown that Mrs C could repay what she could owe at the time PayPal made this lending decision, I'm satisfied that PayPal doing more in this instance won't have stopped it from lending to her.

I've also considered what Mrs C has said about PayPal giving her two accounts against its own internal policies. In the first instance, a respondent firm failing to follow its own policy, rather than regulations, doesn't necessarily mean that a complaint should be upheld. In any event, as this is the first of the accounts that PayPal provided Mrs C with, I don't think that the second account which was provided after this one is a relevant factor in relation to whether this account should have been provided.

In reaching my conclusions, I've also considered whether the lending relationship between PayPal and Mrs C might have been unfair to Mrs C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that PayPal irresponsibly lent to Mrs C or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mrs C's sentiments, I don't think that PayPal treated Mrs C unfairly or unreasonably when agreeing to provide her with a credit account which had an initial limit of £2,000.00. So I'm not upholding this complaint. I appreciate this will be very disappointing for Mrs C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind PayPal of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs C's account given what she has now said about experiencing financial difficulty.

For the sake of completeness, I'd also add that Mrs C may be able to complain to us – subject to PayPal retaining ownership of this debt as well as any other jurisdiction concerns – regarding any failure by PayPal to agree a repayment arrangement with her, or she is unhappy with any other actions in relation to it exercising forbearance going forward.

### **My final decision**

For the reasons I've explained, I'm not upholding Mrs C's complaint.

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

Jeshen Narayanan  
**Ombudsman**