

The complaint

Mr O complains that PayPal UK Ltd ('PP') defaulted his credit account.

What happened

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my role resolving disputes with minimum formality.

Mr O took out a credit loan with PP. He says that in 2023 due to financial difficulties he entered a reduced payment plan with PP to repay the outstanding credit balance.

Mr O says he made consistent payments under this agreement and additional payments when possible. He says that despite this he recently discovered that PP had defaulted him in December 2023 without notifying him. He also says that he discovered it had cancelled the Direct Debit on the account without notifying him.

Mr O says this default is unfair and is severely impacting his creditworthiness and reputation. So he wants it removed.

PP did not uphold the complaint so Mr O referred it to this service. Our investigator did not uphold it either so Mr O asked for an ombudsman to make a final decision. The matter has now been passed to me.

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.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time. In the particular case here, concerning the registration of defaults I consider the guidance issued by the Information Commissioner's Office ('ICO') around the registration of information on credit files (including defaults) to be particularly relevant.

Was PP registering a default an accurate reflection of the account status?

The ICO explains that credit files need to be an accurate reflection of account status at the time, and that the recording of a default is reflective of the relationship between the lender and the borrower having broken down. It might occur when the borrower has difficulty repaying a debt over a prolonged period – usually 3-6 months.

The account statements I have seen show that Mr O started to miss or was making less than the minimum repayments from at least around June 2023. And in this case there appears to

be no dispute that Mr O was having difficulty meeting his minimum contractual repayments in 2023 and that he contacted PP about it. From what I can see from PP's contact notes Mr O contacted PP to discuss late payments from around June 2023. And by October 2023 he had explained he was still having difficulty meeting the minimum repayments and had agreed with PP to go on a reduced payment plan. As a result arrears built up on the account.

PP sent Mr O a default notice in early December 2023 and appears to have registered a default shortly after the deadline given in said notice (being 28 December 2023) as the arrears were not paid.

On the face of it, looking at the ICO guidance PP was not acting unfairly in registering a default in January 2024 here as Mr O was at least 3 months in arrears – and had been missing payments for even longer. Despite this I do note Mr O was in a temporary repayment arrangement with PP. The ICO does not outright prohibit registration of a default where a temporary arrangement is in place. However, that doesn't mean it is always fair for one to be registered when someone is in an arrangement – as it shows Mr O was engaging with the lender to get things back on track.

I have thought about this. However, even if it could be argued that the default was premature– I note Mr O continued making less than the contractual payments into around the middle of 2024 and in some cases (as shown on the February 2024 statement) not making repayment at all. Although Mr O did make some overpayments – this was at a later stage. So, looking at what happened, and despite the arrangement to pay, I don't think PP registering a default is an unfair reflection of the account status overall.

Is there some other reason why registering a default would not be fair and reasonable here?

Mr O argues that it isn't fair for a default to be registered as he didn't get a default notice. PP has provided a copy of the default notice it says it issued. This appears to be credible and is correctly addressed to Mr O. So I don't see why he wouldn't have got it. However, even if I accept he didn't get this, I don't think it changes things. I say this because it's clear from PP's notes that Mr O was still in financial difficulties in December 2023 and beyond that well into 2024 (for example there is a credible call note showing that in April 2024 his circumstances had not changed). So I don't think he was in a position to remedy any default notice issued by PP in December 2023 in any event. I also think that even if it were fair for PP to have delayed issuing the default notice into the earlier part of 2024, the evidence shows this was unlikely to have made a difference either.

In coming to my findings I have also thought about whether Mr O was likely aware of the risks to his credit file from not making the contractual repayments to the credit account. I can see that PP's correspondence to Mr O (including the default notice and a notice of arrears, and an electronic payment reminder) all mention the possible impact on his credit file in not making required minimum payments. Furthermore, the credit agreement he agreed with PP explains:

'missing your minimum payments could have severe consequences....and may make obtaining credit more difficult'

And while I don't have call recordings, I note PP's credible call notes indicate that on several occasions it advised him of the risk of not meeting the required minimum payments. On balance I am satisfied that Mr O was sufficiently informed about the risks around not keeping up to date with his repayments here.

Mr O has mentioned that PP cancelled a Direct Debit without his knowledge. PP says that it was Mr O who cancelled this in September 2023 and has provided a credible system note to

show this. I know Mr O is adamant that it was PP and not he who did this, however it seems more likely than not that it was Mr O – noting that around this time he was entering into a reduced repayment plan with it due to ongoing financial difficulties. Furthermore, I note Mr O appears to have been making manual payments to the account so would have known there was not a Direct Debit in place – but I can't see where he raised this around the time. I also think that the presence of a Direct Debit was not material to the default here in any event – which was ultimately a result of Mr O's financial difficulties.

For the reasons I have given I don't think it is fair and reasonable for PP to remove the default or take other action. For completeness, I note Mr O had mentioned that PP restricted his account due to its repayment status (although he has not focused on that recently). I don't think PP has acted unfairly here noting that its credit terms and conditions clearly state it may limit an account where there is an increased risk that Mr O cannot meet repayment obligations. With the repayment history and Mr O's circumstances in mind I don't consider PP was acting unfairly here.

I am sorry to hear about Mr O's difficulties and know this decision will likely come as a disappointment. I remind him that he does not have to accept my decision and may choose to pursue this matter by more formal means (such as court). That is a matter for him to decide and potentially take independent advice on.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 5 February 2026.

Mark Lancod
Ombudsman