

The complaint

Mr R complains about PayPal UK Ltd's handling of his account and his unsuccessful attempts to make his contractual monthly payments.

What happened

Mr R held a PayPal Credit account with PayPal. In mid 2024 Mr R experienced problems making his contractual monthly payments, and from September 2024 no contractual payments were successfully received on the account.

Mr R engaged with PayPal to look to make payment to the account. Ultimately PayPal said Mr R was unable to make payment from a business account, or a card linked to a business account. Essentially, Mr R needed to make a payment to his personal PayPal Credit account from a personal account. Mr R says he opened a personal bank account but attempted payments from this account were also unsuccessful.

As Mr R didn't make his contractual payments PayPal applied interest and charges, as well as reported adverse information to credit reference agencies (CRAs). Mr R complained to PayPal about its handling of the situation and referred his complaint to our service for review. While the complaint has been with our service PayPal defaulted the account and has sold the debt to a third party debt collection company.

One of our investigators considered the complaint and upheld it in part. They didn't consider PayPal's actions in relation to the management of Mr R's account and reporting of adverse information to CRAs to have been unreasonable, given the individual details at play here. However, they did consider PayPal's level of customer service fell short of what Mr R ought reasonably to have expected to receive, and that he should have been provided with accurate information about acceptable payment methods at an earlier point. They therefore recommended PayPal pay Mr R £100 to reflect the distress and inconvenience caused.

PayPal accepted our investigator's view; Mr R didn't. In summary he said:

- PayPal had previously accepted payments to his PayPal Credit account from a business account; so, he felt it was unreasonable that it would no longer accept payments via this method.
- He opened a personal bank account specifically to make payments to his PayPal Credit account; however, attempted payments via this method were unsuccessful.
- He has been put to much distress and inconvenience because of PayPal's actions; including the time taken for it to deal with his concerns and complaint, and in the actions it's taken which has adversely and unreasonably impacted his credit file.
- In resolution Mr R wants PayPal to write off his outstanding debt, remove all adverse information reported to CRAs, and pay him compensation.

Mr R asked for an ombudsman's review, so 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 information in this case is well known to Mr R and PayPal, so I don't intend to repeat it in detail here. I'd like to assure both parties that I've carefully reviewed all submissions provided. However, in my decision I've not referenced all of the points or touched on all the information that's been provided. Instead, I've focused my findings on what I consider to be the key points and relevant facts of this complaint. I don't mean to be discourteous to Mr R or PayPal by taking this approach, but this simply reflects the informal nature of our service.

I would set out at this point that I note Mr R told our investigator that he had requested phone calls from PayPal which he considers support his case; and that once these were received he would provide them to our service. I note that Mr R told our investigator this over eight weeks ago, and the deadline for both parties to provide further evidence passed over six weeks ago. Since that point we've had no further communication from Mr R. So, I consider a reasonable amount of time has passed for Mr R to have provided us with any additional information or evidence he may consider support his complaint.

I've also taken into account that PayPal has provided our service with all of the phone calls it says it has from January 2025, when Mr R says he had looked to make a payment from his personal account. Therefore, on balance, I consider I can reach a fair and reasonable decision based on the information currently available to me.

Having considered everything available to me I don't think PayPal's actions have been unreasonable in relation to the management of Mr R's account; however, I do consider PayPal's level of customer service could have been better. So, I'm in agreement with our investigator's recommendation within their view that PayPal should pay Mr R £100 in resolution of this complaint. I've provided my findings for reaching this decision below:

- Mr R experienced problems making his contractual payments to his PayPal Credit account from mid 2024. While he was able to make a successful payment in early September 2024, no further contractual monthly payments were successfully credited to the account.
- From review of the contact notes and taking into account Mr R's testimony, I understand he says he only became aware of the problems with the payments in November 2024, and contacted PayPal to discuss the situation.
- PayPal has provided evidence that Mr R was made aware in writing of the unsuccessful contractual payment for September 2024; and I've seen Mr R's monthly account statements reflect the position that the contractual payments for September and October 2024 weren't successful. These statements also set out that Mr R's account is overdue for payment, and for him to contact PayPal. So, I consider PayPal reasonably made Mr R aware of the status of his account in a timely manner.
- Following the engagement in November 2024 it wasn't until late December 2024 that PayPal informed Mr R that payment to his PayPal Credit account couldn't be made from a business account, or therefore a card linked to a business account.
- PayPal has provided its reasons for not accepting payments from a business account; having carefully considered its approach I don't consider it unreasonable. While this approach wasn't made specifically clear to Mr R when he first contacted

PayPal about missed payments in November 2024, I'm satisfied Mr R was reasonably made aware this was the case in late December 2024.

- I note that by the point of Mr R's engagement with PayPal in November 2024, that his account was already in arrears, having not had a payment successfully applied to the account since early September 2024.
- I acknowledge Mr R has said he was advised by a PayPal representative to open a personal bank account to make payment, and that after he did this his payment attempts were still unsuccessful. While I don't doubt Mr R's testimony on this matter, the documentary evidence available to me by way of contact notes and phone calls suggest there was an authentication error with Mr R making this payment, and he was advised to speak with the card provider. It doesn't appear Mr R took this action, but rather he declined to make a payment attempt to the account by any means, as he wanted to await PayPal's resolution to his complaint.
- The monthly account statements, contact notes and phone calls I've been provided with all contain details setting out to Mr R that non-payment of the account could lead to adverse information being reported to CRAs, as well as the account being defaulted.
- Ultimately, it's Mr R's responsibility to make payment to his account in line with his contractual obligations. While I acknowledge he was previously able to make payment from a business account, it appears his action in changing his business banking facilities was the catalyst for the events that followed. I consider PayPal provided Mr R with information (albeit this could have been in a timelier manner) which placed him in an informed position about how to make payments to his PayPal Credit account in future.
- I've not been provided with information or evidence which persuades me that Mr R was unable to make a payment to his PayPal Credit account from a personal account because of a problem caused by PayPal.

I therefore don't consider PayPal's overall handling of Mr R's account and the events that it has subsequently taken to have been unreasonable in the individual circumstances.

However, I do consider PayPal could have handled Mr R's initial concerns with this issue in a timelier manner; and it has accepted the level of customer service it provided Mr R could have been better.

PayPal has accepted our investigator's recommendation to pay Mr R £100 for the distress and inconvenience caused. I consider this level of payment to be reasonable in the individual circumstances. I say this as I consider the problems Mr R experienced would have been distressing and inconvenient; requiring engagement with PayPal to resolve, which had Mr R been informed of the correct payment method at an earlier point, could have mitigated further distress and inconvenience.

However, while PayPal could have provided Mr R with information in a more timely manner, on balance I consider it more likely that the events that followed would have still occurred – as essentially Mr R didn't make payment to his PayPal Credit account. While Mr R has concerns with the adverse information reported to CRAs, it is ultimately an accurate reflection of the status of the account.

I acknowledge my decision here will be disappointing to Mr R; in no way is it intended to

downplay the level of distress and inconvenience he says he has been put to because of this situation. However, for the reasons I've set out above, I consider fair resolution of this complaint is for PayPal to pay Mr R £100 to reflect the distress and inconvenience caused.

Putting things right

For the reasons I've set out above I'm directing PayPal to pay Mr R £100.

My final decision

My final decision is that I uphold this complaint and direct PayPal UK Ltd to pay Mr R £100 in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 February 2026.

Richard Turner
Ombudsman