

The complaint

Miss D is unhappy with PayPal (Europe) S.a.r.l et Cie, S.C.A trading as PayPal ('PayPal') and how they have handled her revolving credit account.

What happened

I issued my provisional decision to both parties explaining why I thought Miss D's complaint should be upheld in part and invited both parties to provide any further evidence and / or submissions in reply.

The background to this complaint was set out in my provisional decision together with my provisional findings which are both copied below and now form part of this final decision.

Background

On 16 October 2023 PayPal reported Miss D's account as defaulted to the credit reference agencies (CRAs).

Miss D says she was not told her account had been reported as defaulted until she engaged with PayPal in March / April 2024 due to experiencing financial difficulties. Miss D says after she contacted PayPal in early 2024, breathing space was put in place, followed by a three-month plan to clear the outstanding balance. Miss D cleared the balance in June 2024.

Miss D raised a complaint, but PayPal concluded they had not done anything wrong.

Our Investigator determined PayPal had acted fairly in reporting the account as defaulted, but they did find shortcomings in the information PayPal had given Miss D when they arranged the payment plan for her. The Investigator proposed PayPal pay Miss D £50 to reflect the upset caused to Miss D because of this.

Miss D did not accept the Investigator's findings. Amongst other reasons, Miss D said PayPal had reported the default too early and not informed her it had been reported, only to then mislead her about it later. Miss D said £50 did not reflect the distress and financial hardship caused to her because of the default.

Provisional Findings

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

I've only included a summary of what's happened above, and while I may not respond to every point each party has raised, I have reviewed all the submissions available and focused on what I consider relevant to reaching a fair and reasonable resolution in this matter.

To reach a fair and reasonable decision I have taken into account any relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

It is not my role to fine or punish a firm, or to interfere with a firm's systems, processes or controls – these are all considerations for the appropriate regulator.

The Information Commissioner's Office (ICO) sets out guiding principles for the reporting of arrears, arrangements and defaults to the CRAs. The ICO's principles set out if an expected payment is not made by the agreed time and / or for the agreed amount according to the terms and conditions of the account, then the account can be reported as being in arrears.

The ICO's principles explain the purpose of arrears is to indicate at the earliest reasonable opportunity that a customer is showing signs of potential financial difficulty or inability to manage their finances. And they set out that the status of arrears can be based on missed payments or months past the repayment date.

The principles set out a default may be recorded usually when the account is three months in arrears, and normally by the time the account is six months in arrears.

Miss D disputes that her account reached three months in arrears. I have therefore considered if Miss D's account reached the required number of arrears for PayPal to be able to report the account as defaulted.

I'm aware Miss D has used her bank statements to show what was paid to her PayPal account, but as our Investigator has previously explained, the references on Miss D's bank statements to PayPal do not always mean the payments have gone to her PayPal account and can in fact be related to payments to third parties.

To better understand what payments were made to Miss D's PayPal account I've reviewed her PayPal statements from January 2023 until December 2023. Each statement sets out what the minimum payment is that Miss D needs to make and by which date.

Having reviewed Miss D's statements, I think what led to PayPal reporting a default against Miss D's PayPal account stems from Miss D's 5 June 2023 statement which required a minimum payment of £22.05 to be made by 30 June 2023.

Miss D's £22.05 payment that she made on 30 June 2023 was reversed, so the payment was not made when it should have been.

The following month Miss D made the minimum payment required of £10.64, but it appears due to the timing of the statement being produced it does not appear her £22.05 reversal had yet been taken into account. So Miss D's £22.05 was still not paid in July 2023.

The £22.05 was also not paid in August 2023 as although Miss D paid £45.92 on 30 August 2023 (which would have included making up the £22.05 payment), the £45.92 payment was also reversed and so it was not applied to Miss D's PayPal account.

Miss D attempted to bring the account up to date when she then paid £56.81 on 14 September 2023 which it appears was comprised of £45.92 and her minimum payment of £10.89 due on 30 September 2023. However, the payment of £56.81 was reversed immediately on 14 September 2023 and Miss D ended up just making the payment of £10.89 on 30 September 2023.

Taking the above into account Miss D's payment due on 30 June 2023 was therefore not paid for three months. In effect this put Miss D's account three months in arrears.

I'm aware Miss D has said her credit file shows only two months of arrears, but I think this is

due to the reversal of payments and timing of when Miss D's statements were produced as I've described above. As I've explained, Miss D's account did reach what the industry would recognise as three months in arrears.

Miss D has said she was unaware of the default until after it happened. PayPal have produced a copy of the Notice of Default they issued to Miss D on 15 September 2023, correctly addressed. So it seems more likely than not that it was sent, and I cannot hold PayPal responsible for any issues with the postal service. It is also of note that the ICO sets out on their information to the public that there is no data protection obligation on a lender to issue such a notice to individuals prior to marking the account as being in default on their credit file.

Taking everything into account, I've not seen enough to persuade me that PayPal have done anything wrong here or acted unfairly when they reported Miss D's account as defaulted when they did.

I realise Miss D has also expressed her concern about the information she was given in March / April 2024 that she was led to believe the payment plan would prevent a default, not knowing there was already a default in place on her account.

It is accepted the default was reported from October 2023, so it is disappointing there was any suggestion to Miss D that a payment plan would prevent a default when she engaged with PayPal in early 2024. That said, there is some suggestion from PayPal's account notes that Miss D was told on the phone that her account had been defaulted – but PayPal have not been able to now produce a copy of the call recording or any other call recordings from around that time.

It is not clear what happened on the call, but I don't think this is something I need to know given even if I accept Miss D was given wrong information about the status of her account, the remedy is not to put things right as if the error had been true. This is because if Miss D had been given the right information she would have been told her account had already been defaulted and this would not change.

I realise Miss D has said she would have done something differently with her payments to the account had she known about the default being reported, but I think it's reasonable to say Miss D had used the credit provided by PayPal and was therefore required to pay it back, and it seems Miss D managed to clear the debt. In the circumstances I've not seen enough to say Miss D would have done something differently.

I recognise Miss D would have been disappointed to learn of the default, and I've considered the £50 our Investigator proposed to recognise the upset caused to Miss D because of this. I realise Miss D is seeking a high sum of compensation, but in the circumstances I think this is fair.

The award proposed is to recognise the upset caused to Miss D after it may not have been clear to her that the account had already defaulted when she engaged with PayPal in early 2024. So it is not to recognise or related to the reporting of the default itself or any impact of the default, as in the circumstances, for the reasons I've explained above, PayPal were entitled to and fairly reported the default for Miss D's account.

Responses to my provisional decision

PayPal responded to my provisional decision and confirmed they accepted it. They did not provide any further evidence or submissions for me to consider.

Miss D replied to my provisional decision with further submissions which I have summarised as follows.

- 1) Miss D said she was not seeking a high sum of compensation, rather a sum that better reflected the duration and impact of the default, and the misleading information she relied on when entering the payment plan. Miss D said her complaint has always been primarily about the fairness of the default.
- 2) Not enough weight has been given to the written assurance that the plan would prevent a default, and that this contradicts PayPal's later reliance on call notes that she was told the account had already been defaulted. There is no recording of the call, and the written assurance was contemporaneous and should therefore carry more evidential weight.
- 3) Miss D says she was never told the default had already been registered and she entered the plan in good faith. If she had known a default had already been applied, she would have made different decisions.
- 4) Miss D says her credit file continues to show only two missed payments, so it is still not clear how this aligns with expectations of reporting that three missed payments should have occurred before a default is reported. Miss D believes the timing and proportionality of the default is unfair.
- 5) The impact of the default has caused the refusal of credit and Miss D's difficulty in managing essential costs.

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.

I realise how important this matter is to Miss D and I have reviewed the most recent submissions noting in particular Miss D's main point is that she believes the default being reported is unfair.

However, the points Miss D has submitted are matters I have already considered and addressed in my provisional findings above, and no new evidence has been provided. Therefore there is not much more I can add to what I have already said.

In my provisional findings I have explained that the payment due on 30 June 2023 went unpaid for three months. This means Miss D's account – despite what the credit files were reporting – had been in arrears for three months. So the industry would recognise that PayPal were entitled to report the account as defaulted when they did.

I have considered Miss D's point that the weight of evidence should be given to what was assured to her in writing – that the plan would prevent a default – but as I've already explained in my provisional decision, even though it is disappointing Miss D was given wrong information, this does not change the fact that her account was already defaulted.

Miss D has again said she would have done something differently if she had known the account was already defaulted, but she has not said what she would have done so I've still not seen enough to persuade me that Miss D would have chosen a different course of action if she had understood the account was already defaulted. I think Miss D more likely than not would still have sought to clear the debt.

As I've said, I realise this matter is important to Miss D and I understand things have not been easy for Miss D, but overall I've not seen enough to say that PayPal have done something wrong or acted unfairly in reporting the default, therefore there is no reason for me to make any award in relation to the default being reported.

As my provisional findings explained, PayPal did give Miss D some wrong information which caused some confusion and upset, but this did not change the status and reporting of Miss D's account. The £50 proposed is therefore to recognise the disappointment caused to Miss D on learning later on that the default had already been reported, and in the circumstances I think this is fair.

Putting things right

PayPal (Europe) S.a.r.l et Cie, S.C.A trading as PayPal should pay Miss D £50.

My final decision

For the reasons above, my final decision is that Miss D's complaint is upheld in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 19 January 2026.

Kristina Mathews
Ombudsman