

The complaint

Mr F complains that PayPal (Europe) S.a r.l et Cie, S.C.A. registered a default against his credit account. He also complains that it didn't allow him to make a payment into the account, and about the level of service he received.

What happened

Mr F held a credit account with PayPal. In April 2023, a default was registered against the account due to the level of arrears. In March 2024, Mr F contacted PayPal to discuss a compensation award he'd received relating to a separate complaint. He enquired about using the funds to reduce the balance of his credit account. During the call, the agent told Mr F his account had defaulted. Mr F was unhappy with this and said he never received any notification of the default and wasn't aware of it. He said it was unfair to register a default when the balance of the account was the subject of an ongoing complaint with this service. He asked to speak to a manager about the situation.

Mr F later made a complaint. He remained unhappy with the default and said he hadn't received a call back from a manager as promised. He was also unhappy PayPal failed to respond to a data subject access request (DSAR) made in August 2023. PayPal said Mr F's DSAR didn't include the necessary information for it to be processed at the time – but recognised that it should have contacted him to clarify the details and apologised for this. It didn't agree it had made an error by recording a default on Mr F's credit file.

The complaint was referred to this service. One of our Investigators considered the complaint and didn't uphold it. They were satisfied the default was applied fairly, and saw no evidence of any errors made by PayPal. Mr F didn't agree. He said the status of the account was in dispute at the time of the default, so he couldn't have known what the level of arrears was or what action he needed to take. He didn't understand why PayPal had failed to process the payment he wanted to make over the phone – and remained unhappy that he hadn't been called back despite months of chasing. He asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

I wrote to both parties to explain that I'd reached the same overall conclusions as our Investigator regarding the application of the default – for the same reasons. I also listened to a call recording provided by Mr F and explained why it didn't affect my overall conclusions. But I did think PayPal had provided Mr F with a poor service at several points – and I intended to require it to pay £150 compensation to recognise this.

PayPal said it accepted my recommendations, but Mr F didn't. To briefly summarise, he didn't feel £150 fairly reflected the compounding impact all of PayPal's errors had on him. He said PayPal had made a number of mistakes, and that he should receive appropriate compensation awards for each of these. He reiterated his concerns regarding the default and was unhappy that PayPal had failed to address all of his concerns in full. Finally, he was concerned that PayPal had given this service false information, as it previously stated a call recording wasn't available but later provided him with a copy of it.

I've now considered Mr F's comments and have reached a decision on the matter.

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 recognise I've summarised Mr F's complaint in significantly less detail than he has. This isn't intended as a discourtesy – but simply reflects the informal nature of my role. While I've taken into account all of the information Mr F and PayPal have provided, my decision will focus on what I consider to be the key points of the complaint. If I haven't specifically commented on something that doesn't mean I didn't see or consider it – but that I didn't deem it necessary to comment on in order to reach a fair outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. But I've ultimately reached my decision based on what I consider to be fair and reasonable. My role isn't to fine or punish a business for its mistakes – but to consider how things ought to be put right taking into account what impact those mistakes had on a consumer (if any).

Mr F has raised several concerns which I've considered in turn.

The default

Mr F's account was the subject of a previous complaint considered separately by this service. Under that complaint, the Ombudsman considered the reduced and missed payments made by Mr F in the months preceding the default. It wouldn't be appropriate for me to reconsider issues already decided by this service, so I won't comment in detail on the circumstances that resulted in the default. But I have considered the registration of the default itself, as that wasn't the subject of any previous complaint.

PayPal – like all lenders – is required to report true and accurate information to credit reference agencies. Typically, lenders will report an account as defaulted when it's at least three months in arrears – and a default should normally be recorded by the time the arrears have reached six months. In this case, Mr F had been making payments below the minimum required for several months – and hadn't made any payments at all since a payment of £2 made in February 2023. PayPal issued a default notice requiring the arrears to be paid by 27 April 2023. Because Mr F didn't respond or make the required payment, a default was registered. I'm satisfied that by registering a default PayPal was accurately reporting the status of the account.

Mr F says he didn't receive any notification of the default before it was registered. I've seen a copy of the default notice sent on 6 April 2023. I appreciate Mr F says he didn't receive this notice – but I can see it's correctly addressed. Mr F notes that PayPal didn't send the notice by recorded delivery – but I don't think it needed to. Lenders are required to send statutory notices – such as defaults – by letter, and I'm satisfied PayPal did so in this case. I haven't seen anything to persuade me that the notice wasn't sent. If Mr F didn't receive – or see – the notice, that isn't something I can fairly hold PayPal responsible for. Even if Mr F didn't receive the notice, I'm satisfied he was aware that his account was significantly in arrears – as he'd stopped making payments towards the balance. I can see he received monthly statements notifying him of the status of the account as well as messages following each missed payment.

I've considered Mr F's comment that he ought to have been notified of the default following his DSAR – and that he could have taken steps to avoid it had his request been dealt with correctly. But the DSAR was made in August 2023 - after the default had already been

registered. Even if Mr F received another copy of the notice at that point, it would have been too late to avoid the default being registered. So, I'm not persuaded that any delays to Mr F's DSAR made any difference here.

Mr F says he was told the notice would be sent through PayPal's messaging service. He's provided a recording of a call from March 2024 to demonstrate this. Having listened to the call, I don't agree Mr F was told the notice would be sent digitally. The agent told Mr F that it had sent the default notice by post. When he asked if PayPal also sent an email, the agent said:

"So emails would be sent through the message centre on PayPal, and we would send monthly statements advising of the status of your account and any missed payments – and then we do then send the letter with the notice of the default..."

I'm satisfied the agent was reasonably clear that emails are sent through its messaging service, and that default notices would be sent by letter. I appreciate Mr F may have interpreted this differently, but I'm satisfied he was given the correct information during the call. Even if he was wrongly told a default notice would be sent digitally, this call took place nearly a year after the default was registered – so I don't think it made a difference in any case. Ultimately, PayPal wasn't required to notify Mr F of the default through its messaging service, and I haven't seen anything to persuade me that it would normally do this.

Finally, Mr F was unhappy that a default was registered while he had an ongoing complaint regarding the balance of his account and the missed payments. But a complaint – through this service or otherwise – doesn't affect Mr F's obligations under his agreement with PayPal. I don't agree that the fact Mr F had complained prevented a default from being registered. So, I don't find that PayPal made an error when registering a default, or that it treated Mr F unfairly by doing so.

Payment of the compensation sum

Shortly after he received the compensation sum, Mr F told PayPal over the phone that he wanted to use the funds to reduce the balance of his credit account. During the call, the agent acknowledged Mr F's request. The conversation then turned to the default, and the matter of the compensation payment wasn't revisited.

Mr F made it clear to the agent how he wanted the funds to be used, and although I can understand why this didn't happen during the call, it ought to have been followed up on. Mr F says he wasn't able to make payments the way he usually would, as the account wasn't accessible online following the default. However, I can see that PayPal wrote to Mr F in June 2024 with details on how he could schedule the payment – and I can't see that he responded at the time.

The balance was later used by Mr F – partially to pay for some transactions, and the rest was transferred to a bank account. So, while I agree with Mr F that PayPal could have been more proactive about arranging the payment when he first requested it, I don't think the fact that the funds weren't put towards the balance was due to an error on PayPal's part. Ultimately, Mr F chose to spend the funds elsewhere instead of putting them towards the balance. I haven't seen anything to persuade me that PayPal refused to process the payment.

Other customer service issues

Mr F is unhappy with the service he received from PayPal. Specifically, he's unhappy that a manager failed to call him back to discuss his concerns after he requested this. PayPal says

a call back with a manager was agreed following the call of 21 March 2024, but it has no record of this taking place. I've reviewed the contact notes and chat history. PayPal's agents agreed to arrange a manager call back in both March and June 2024. Mr F contacted PayPal to chase this up on at least nine separate occasions between March and November 2024. Following most of these contacts, PayPal sent an automated message suggesting that it had resolved Mr F's concerns – although I think it was reasonably clear that it hadn't. Mr F says he never received a call back – and I haven't seen any evidence from PayPal to demonstrate that the promised calls took place.

It's important to note that PayPal wasn't obligated to arrange a call back from a manager – and it may not have been necessary for a manager to contact Mr F in order for his concerns to be addressed. But I'm satisfied that PayPal promised calls on more than one occasion and didn't follow through on this despite multiple chasers and requests. This caused unnecessary frustration for Mr F – and while he raised a concern about this issue in his complaint I can't see that PayPal addressed it in its response – which would naturally have caused further frustration.

Mr F raised a concern about the processing of his DSAR request. PayPal acknowledged that it ought to have proactively followed up with Mr F when he didn't provide sufficient information for it to process the request. It agreed to process the DSAR in its response to the complaint. I find this reasonable, and don't intend to require PayPal to do anything further in relation to this point.

Finally, Mr F is unhappy that PayPal didn't provide this service with all of the information he thought relevant – specifically the call recording referenced above, which he provided himself. I can see that when this service requested the call, PayPal provided evidence of searches carried out showing that the call wasn't available. It's unclear why it was later able to send the call to Mr F. But as Mr F made the call available to this service, I don't think it ultimately made a difference.

Summary

For the reasons I've explained, I don't find that PayPal made an error when registering a default against Mr F's account, or that it failed to notify him of its intention to do so. So, I don't require PayPal to remove the default or take any further action relating to this.

But I do think PayPal ought to have provided a better service here. PayPal was aware that Mr F wanted to use his compensation payment to reduce the balance of his account, and it ought to have followed up with him sooner to arrange this. It also didn't arrange a manager callback despite repeated assurances that it would do so over the course of several months, and sent Mr F multiple messages wrongly suggesting that his concerns had been resolved. And, when responding to the complaint, it didn't address all of the key issues raised by Mr F. I'm satisfied this caused Mr F some avoidable frustration and inconvenience.

As I previously outlined to both parties, I think £150 represents fair compensation taking all of the circumstances into account. Mr F has asked for a significantly higher sum – and has referenced the number of errors made by PayPal. While I understand this, in considering fair compensation I've thought about all of the circumstances of the complaint. I've considered the overall impact to Mr F taking everything that happened into account. And while I've also considered Mr F's additional comments, I haven't seen anything to persuade me that PayPal's errors had a wider impact to him beyond some avoidable frustration and inconvenience. So, I remain satisfied that £150 represents fair compensation here – and PayPal should pay Mr F that amount.

My final decision

My final decision is that I uphold Mr F's complaint. I require PayPal (Europe) S.a r.l et Cie, S.C.A. to pay Mr F £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 10 February 2026.

Stephen Billings
Ombudsman