

The complaint

Mrs M complains that PayPal (Europe) S,a,r.l et Cie, SCA (“PayPal”) reported a default on her credit file.

What happened

Mrs M applied for a PayPal credit account on 16 May 2022. Her application was approved and she was granted a credit limit of £1200.00.

In 2025 Mrs M discovered that there was a default on her credit file in relation to her PayPal account. She complained to PayPal.

PayPal didn’t uphold the complaint. It said it could find no error in the reporting of the default on Mrs M’s account.

Mrs M remained unhappy and brought her complaint to this service.

Our investigator didn’t uphold the complaint. They said they hadn’t found any errors with the recording of the arrears and the reporting of the default.

Mrs M didn’t agree. She said she wasn’t made aware of the default until two years later and she had been making payments every month and on learning of the default had paid off the balance. Mrs M said she wanted the default removed.

Because Mrs M didn’t agree I’ve been asked to review the complaint,

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 know it will disappoint Mrs M but I agree with the investigator’s opinion. I’ll explain why.

I’ve reviewed the history of the account. I can see from the account repayment record that although Mrs M was making payments in the months leading up to the default, these payments failed regularly, which meant that arrears accrued on the account.

I can see that in the months leading up to the default PayPal sent letters and emails to Mrs M informing her that her payments were overdue. PayPal sent a default notice letter to Mrs M on 1 May 2023 advising her that she needed to pay £253.22 to prevent her account from defaulting. Mrs M didn’t make the required payment and the account was defaulted on 31 May 2023.

I can see that Mrs M made payments to the account after it had been defaulted and on 23 April 2025 Mrs M made a payment of £645.89 to clear the account and it was then closed.

Based on what I’ve seen, I’m satisfied that the account was correctly defaulted. Mrs M’s payments failed regularly which led to arrears accruing on the account. The Information

Commissioners Office (ICO) guidelines state that a lender can default an account when there are three months of arrears. At the point when the account was defaulted in May 2023, there were more than three months arrears on Mrs M's account. I haven't found any evidence to suggest that PayPal made an error when it defaulted the account.

Mrs M has said that the arrears and the default weren't communicated to her by PayPal. She's said she continued to make payments and wasn't aware that there was an issue. It's not in dispute that Mrs M continue to make payments to the account. But in the months leading up to the default, these payments failed regularly due to insufficient funds in Mrs M's bank account. In relation to Mrs M's knowledge of the arrears, PayPal has provided evidence to show that it sent emails and letters to Mrs M about the arrears on the account, and that it sent a notice of default to her on 1 May 2023. PayPal also issued monthly statements for the account, from which Mrs M would've been able to see that her account was in arrears. Based on what I've seen, I'm satisfied that PayPal took reasonable steps to advise Mrs M about the arrears on her account.

I appreciate that Mrs M's credit file has been impacted by the reporting of the default. However, I'm unable to require a business to amend a credit file unless there has been an error. In this case, I'm satisfied that the account was correctly defaulted because it had fallen into significant arrears. PayPal – like all lenders – is under an obligation to report accurate information to the credit reference agencies. This means that where an account has defaulted, PayPal is under an obligation to report this.

Taking everything into account. I'm satisfied that PayPal hasn't made an error when it defaulted the account and reported the default. I won't be asking it to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

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

Emma Davy
Ombudsman