

Complaint

Miss N has complained about a credit account and subsequent limit increase PayPal UK Ltd (trading as “PayPal”) provided to her. She says her finances were already strained and so she couldn’t afford this credit.

Background

In November 2019, PayPal provided Miss N with a credit account with an initial limit of £2,000.00. The credit limit was increased to £3,000.00 in December 2021.

One of our investigators reviewed what Miss N and PayPal had told us. And he thought what PayPal hadn’t acted unfairly or unreasonably when providing Miss N with her account or the limit increase. So he didn’t recommend that Miss N’s complaint be upheld.

Miss N disagreed and asked for an ombudsman to look at her complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss N’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss N’s complaint. I’ll explain why in a little more detail.

PayPal needed to make sure it didn’t lend irresponsibly. In practice, what this means is PayPal needed to carry out proportionate checks to be able to understand whether Miss N could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

PayPal says it initially agreed to Miss N’s initial application for a credit account after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss N would be able to make the monthly repayments due on a credit limit of £2,000.00. PayPal says that Miss N was then offered a credit limit increase to £3,000.00 in December 2021 as the information it had suggested that Miss N could afford the increased payments that would be required had the extra credit been used.

On the other hand, Miss N says that she shouldn't have been lent to or had her credit limit increased.

I've considered what the parties have said.

What's important to note is that Miss N was provided with a revolving credit facility rather than a loan. And this means that PayPal was required to understand whether credit limits of £2,000.00 and £3,000.00 could be repaid within a reasonable period of time, rather than all in one go. Credit limits of £2,000.00 and £3,000.00 required reasonably sized monthly payments in order to clear the full amount owed within a reasonable period of time.

I understand that Miss N didn't have any significant adverse information such as defaulted accounts or county court judgments recorded against her at this stage. From the information provided, it looks like Miss N declared that she was employed and earning between £1,001 and £1,500.00 each month. So PayPal doesn't appear to have had clear information on what Miss N was earning at this time. As this is the case, I'm not in a position to be able to say that its checks before lending to Miss N were reasonable and proportionate.

In these circumstances, I've looked at the information that Miss N has provided in order to determine what a proportionate check is likely to have shown at the time of Miss N's application and when the limit increase was offered. While I've looked at the bank statements Miss N has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like a number of years after this should have been done. And bank statements have all the information I now need to do this.

However, I wish to make it clear that PayPal was not required to review Miss N's bank statements. In any event, the bank statements provided do appear to show that when Miss N's committed regular living expenses and existing credit commitments are deducted from her income, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due.

I accept that Miss N appears to be suggesting that she shouldn't have been lent to because she had been using an overdraft and had taken out a payday loan. However, an arranged overdraft is a credit facility that a customer is permitted to use. As this is the case, there isn't a prohibition on a lender lending to a customer using an overdraft. Indeed, if Miss N is unhappy at the way that she was allowed to use her overdraft this is a matter she needs to take up with her bank.

Equally, while I accept the possibility that Miss N may have taken out a payday loan in August 2019, a single loan for an extremely low amount, taken out a few months before an application for more mainstream credit, doesn't in itself mean that Miss N shouldn't have been lent to. I'm satisfied that a one off loan isn't in itself a sign of financial difficulty or that it means an prospective applicant shouldn't be lent to. So I don't think that the loan Miss N has referred to means that she shouldn't have been provided with this account or the limit increase either.

In reaching my conclusions, I've also considered whether the lending relationship between PayPal and Miss N might have been unfair to Miss N under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that PayPal irresponsibly lent to Miss N or otherwise treated her unfairly in relation to this matter. And I haven't seen

anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Miss N found making her credit account payments a struggle, I don't think that PayPal treated Miss N unfairly or unreasonably when providing her with her credit account or subsequently increasing her credit limit. And I'm not upholding Miss N's complaint. I appreciate this will be very disappointing for Miss N. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 13 April 2026.

Jeshen Narayanan
Ombudsman