

The complaint

Miss G complains that PayPal (Europe) S.a.r.l et Cie, S.C.A. (PayPal) acted irresponsibly by providing her with a credit card account.

What happened

In February 2022, PayPal approved Miss G's application for a credit card, giving her a limit of £5,850. The limit was never increased.

Miss G complained to PayPal, saying that if they had checked her credit file, they would have seen late payment markers, defaults and new lines of credit being opened. She felt PayPal should have seen she was struggling with her finances and should have verified her income and expenditure.

PayPal responded to Miss G's complaint in April 2025 saying they found no evidence of irresponsible lending. Miss G wasn't happy with PayPal's response, so she referred her complaint to the Financial Ombudsman. An investigator here assessed her complaint and found that PayPal had made a fair decision to lend.

Miss G didn't agree with the opinion of the investigator. She explained that the initial affordability assessment did not reflect how the account functioned in practice. She said she has been stuck in a cycle of persistent debt which she feels shows that the lending wasn't sustainable.

Because an agreement couldn't be reached, 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.

Having done so, I'm not intending to uphold Miss G's complaint. I know this is likely to come as a disappointment to Miss G, so I'd like to explain the reasons for my decision in a bit more detail.

The rules and regulations in place at the time PayPal provided Miss G with the credit card required them to carry out a reasonable and proportionate assessment of whether she'd be able to repay these in a sustainable way. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower-focused'. This means PayPal had to think about whether repaying the credit would cause difficulties or adverse consequences for Miss G. In other words, it wasn't enough for PayPal to consider the likelihood of them getting the funds back or whether Miss G's circumstances met their lending criteria – they had to consider if Miss G would be able to repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer and the amount, purpose, cost of credit they were seeking. I've kept all of this in mind when thinking about whether PayPal did what was needed before lending to Miss G.

Did PayPal carry out reasonable and proportionate checks?

Before approving the credit card application, PayPal:

- Asked Miss G for her income and expenditure
- Estimated Miss G's disposable income
- Checked her credit file

PayPal's credit check showed that Miss G had no defaults or delinquent accounts in the previous 12 months. They also obtained Miss G's debt to income ratio from the credit reference agencies ('CRA') which suggested she wasn't overindebted.

Miss G said in her application she had a monthly income between £2,001 and £2,500 and living costs between £1 and £500. She also declared she was living with parents. After taking the mid-range figures of the estimates provided by Miss G, PayPal estimated her disposable income to be around £2,000.

Considering PayPal were granting Miss G a high limit of £5,850, I don't think PayPal did enough. I think it would have been proportionate for them to have verified her income and asked her for more accurate expenditure details, to ensure the lending was affordable.

What would proportionate checks have shown?

Miss G provided bank statements covering three months before the lending decision. To be clear, I've not seen anything to suggest PayPal needed to go as far as reviewing Miss G's statements. Rather, I'm relying on the information contained in the statements to decide what PayPal would have found out had they done further checks.

I can see that in the three months leading up to the lending decision, Miss G was earning on average, around £2,300 per month.

I also noted that Miss G's average monthly expenditure during this period was around £800. So, I'm satisfied if PayPal had carried out more checks they'd have been able to fairly decide Miss G likely had sufficient disposable income to afford sustainable repayments towards the new credit card. Whilst the statements don't show how much existing debt Miss G had at the time, I noted limited payments to creditors which is in line with what PayPal found.

I appreciate what Miss G told us about her personal circumstances at the time and the fact that this was a highly specific and unusual situation. She explained her outgoings were temporarily reduced at the time she applied for the card and so she doesn't believe this period fairly reflects her overall financial situation or typical living expenses. Whilst I can see from her statements that this is the case, Miss G had told PayPal she lived at home and had limited expenditure. So even if PayPal had asked more questions, it's unlikely Miss G's circumstances would have come to light.

Overall, I'm satisfied PayPal could have made a fair decision to lend if they'd done additional checks.

In reaching my conclusions, I've also considered whether the lending relationship between PayPal and Miss G might have been unfair to Miss G under s140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think PayPal lent irresponsibly to Miss G or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 16 February 2026.

Amelie Makris
Ombudsman