

The complaint

Miss C complains that PayPal UK Ltd (PayPal) acted unfairly by agreeing to lend to her.

What happened

Around April 2019 Miss C applied for a revolving credit facility (credit card) with PayPal. Her application was successful with PayPal issuing a credit card to Miss C that had a credit limit of £3,000. Miss C's credit limit was increased incrementally, around January 2024 to £3,500, May 2024 to £4,000, July 2024 to £5,000 and around August 2024 to £6,000. Miss C said she struggled to sustain her repayments, only being able to pay the minimum amount required which caused her to use a high level of her credit limit, preventing her to settle her outstanding balance within a reasonable time. She complained to PayPal.

PayPal said their checks were reasonable and proportionate using application and credit reference agency (CRA) data to assess Miss C's credit worthiness. They said as part of the application process they asked Miss C to disclose key information about her identity, including her employment and residential status, along with her net monthly income and expenses. Based on these checks they said their lending decision(s) were fair.

Miss C wasn't happy with PayPal's response and referred her complaint to us.

Our investigator said that PayPal should have checked further upon increasing Miss C's credit limit as it had been several years since the initial account opening. But said these further checks showed the lending should have been affordable for Miss C so they didn't ask PayPal to do anything differently.

Miss C disagreed and asked for an ombudsman 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've reached the same overall conclusions as the investigator, and for broadly the same reasons. Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before PayPal offered the facility they needed to complete reasonable and proportionate checks to be satisfied Miss C would be able to repay the debt in a sustainable way.

In deciding what was proportionate PayPal needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration

the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

There isn't a set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example.

What's important to note is that Miss C was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period.

When Miss C applied for the credit facility, she gave PayPal information about her income and outgoings, residential status and employment. Miss C said she was a homeowner, being employed on a part time basis earning within a range of £1,001 and £1,500. And from her income and expenditure they assessed she'd a disposable income of around £750. PayPal has provided evidence to show that they checked Miss C's credit file which showed she wasn't over indebted, with no adverse information recorded such as defaults. PayPal's checks showed Miss C would be considered as low-risk. Miss C also had an ongoing relationship with PayPal over the preceding 12 months which gave her good behaviour scores.

While the ability to repay credit without issue doesn't mean that there isn't financial distress. A good repayment history is a fairly reliable indicator that an individual can manage debt responsibly.

So, I'm satisfied that PayPal's checks were reasonable and proportionate for the type and amount being borrowed. And that based on these checks they'd made a fair assessment. I say this as I think PayPal had taken reasonable steps to estimate Miss C's income and expenditure which showed Miss C had an income, she was meeting her credit commitments, she wasn't overly indebted, and she should have had sufficient disposable income to sustain the repayments. So, I'm satisfied PayPal's lending decision was fair.

I agree with the investigator's view that before increasing the credit limit to £3,500, although this being a relatively low amount £500, PayPal should have done more to verify Miss C's income as her application was around five years prior to the credit limit increase.

While I think PayPal should have done more this doesn't automatically mean they made an unfair decision. It just means I need to see what these further checks would have shown as to whether the lending was sustainable for Miss C. I wouldn't generally expect a lender to ask for bank statements but for our purposes these provide a good indicator of Miss C's income and expenditure.

Miss C's bank statements show she'd a salaried income paid into her account each week as well as a weekly benefit payment. Across the three months prior to the credit limit increase Miss C's income averaged around £2,592 which was greater than the income PayPal considered in their assessment. And I can see she'd another source of income from an online marketplace platform, which I haven't taken into account.

PayPal's records show Miss C was managing her credit facility paying around £120 each month against an average minimum repayment of £95. PayPal's credit check showed she'd two active accounts, with no signs of adverse information. And Miss C's debt to income ratio was around 17%, which a lender would consider to be favourable and low risk.

I can see from Miss C's bank statements that her essential outgoings which include her existing PayPal repayments were higher than that considered by our investigator and PayPal. And that Miss C used her overdraft facility consistently during this time. I can see Miss C had an arranged overdraft which meant that she was using a credit facility that she had permission to draw down funds on. There is no prohibition in relation to a lender lending funds to a borrower that is already using credit in such circumstances.

So, taking Miss C's income and essential spending, I haven't been persuaded that her overdraft use would have been a barrier to PayPal approving the credit limit increase of £500, as Miss C should have had sufficient disposable income to sustainably cover her existing essential spending as well as the repayments for the additional credit facility to be able to settle this within a reasonable period. So, I'm satisfied PayPal made a fair lending decision as Miss C should have been able to sustain the repayments without causing financial duress.

I can see that PayPal increased Miss C's credit limit to £6,000 incrementally by £500, £1,000 and £1,000 over a relatively short time frame, six months. So, their records as to how Miss C was managing these increases is limited. I can see from PayPal's records they did similar checks for each lending decision which showed Miss C was managing her active credit commitments, and repaying her credit facility with them, repaying the minimum payment required. I can see Miss C's active credit accounts remained at two, with her external debt reducing from £224 to £204. Her debt-to-income ratio increased incrementally from 17% to 22%, which reflected her increased credit limits with PayPal, and which would still be considered as favourable by a lender.

Having considered Miss C's bank statements for the relevant period prior to each lending decision I can see her weekly salaried income and benefit payments regularly paid into the account, remained stable with her average income increasing to around £2,678 by the time of the last credit increase. Miss C was meeting her essential commitments each month with no unpaid direct debits or signs of missed payments. I can see Miss C continued to use her arranged overdraft facility, going above her limit very slightly on one occasion which was brought back within the limit the next day.

Overall, Miss C's income for each of the lending decisions provided sufficient remaining income after meeting her credit commitments and essential spending to enable her to sustain her repayments for her credit facility with PayPal. I haven't seen sufficient evidence to show Miss C couldn't have sustained her repayments or that PayPal acted irresponsibly in lending to her.

I understand my decision will come as a disappointment to Miss C but for me to say PayPal must do something different, I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else.

I haven't seen sufficient evidence to show Miss C wouldn't be able to sustain the repayment as the available information indicates proportionate checks would more likely than not have shown that Miss C could sustain the repayments at the time PayPal made each lending decision, I'm satisfied that any further checks PayPal could have done wouldn't have stopped them lending to her. Taking account of Miss C's income and essential outgoings Miss C should have had sufficient disposable income to be able to sustain her repayments and to cover any discretionary or unexpected costs.

Although I'm not upholding this complaint, I'd like to remind PayPal of their obligation to exercise forbearance and due consideration should they intend to collect on the outstanding balance on Miss C's account and it's the case that Miss C is experiencing financial difficulty.

I've also considered whether PayPal acted unfairly or unreasonably in some other way given what Miss C has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think PayPal lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

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

Anne Scarr
Ombudsman