

The complaint

Mr O complains that PayPal (Europe) S.a r.l et Cie, S.C.A. ('PayPal Europe') didn't support him during a period of financial difficulty and defaulted his account when he'd made an arrangement to pay.

Mr O would like his debt to be marked as settled and for his credit file to be amended.

What happened

Mr O lost his job following the Covid-19 pandemic and experienced a close bereavement. He contacted PayPal Europe in March 2021 and entered a repayment plan for his PayPal Credit account.

On 16 April 2021, PayPal Europe sent Mr O a default notice requiring payment of his arrears of £387.51 by the end of the month. A few days later Mr O paid £205.23 and asked for the payment plan to be cancelled. Mr O next paid £60 towards his account on 5 July 2021, by which time his account had defaulted.

On 31 October 2023 PayPal Europe changed how they operated, and they passed Mr O's account to a new company ('X') who managed Mr O's credit account going forwards.

In July 2025, Mr O complained to X about how his credit account had been handled. As he was unhappy with X's response, Mr O referred his complaint to the Financial Ombudsman Service. Our investigator set up two cases in relation to Mr O's complaint – one against PayPal Europe for the complaint events up to 31 October 2023, and one against X for events after that date.

PayPal Europe told our investigator they didn't think they'd treated Mr O unfairly. Our investigator considered the information from both parties and didn't recommend Mr O's complaint be upheld. She said PayPal Europe had offered forbearance and had acted fairly when defaulting Mr O's account. Mr O disagreed and sought an ombudsman's decision.

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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

I have decided not to uphold Mr O's complaint. I'll explain why, though I broadly agree with our investigator.

I've considered PayPal Europe's responsibilities as set out by the Financial Conduct Authority ('FCA') in their Handbook. This includes the Consumer Credit sourcebook ('CONC') which is the specialist sourcebook for credit regulated activities, the FCA's

overarching principles and the FCA's guidance for firms on the fair treatment of vulnerable customers.

CONC 7.3.4(R) says that a firm must treat customers in default or in arrears difficulties with forbearance and due consideration. This builds on the FCA's expectation that a firm will *"pay due regard to the interests of its customers and treat them fairly,"* as set out in Principle 6 of the Handbook.

Although I'm considering Mr O's complaint about what happened from 2021, I've noted that Mr O had the benefit of temporary measures introduced by the FCA for the Covid-19 pandemic. PayPal Europe's records show they applied two payment holidays, deferring any payments initially from April 2020 to June 2020, and then again from August 2020 to January 2021.

This is relevant because when the deferred payment periods ended in January 2021, the FCA expected PayPal Europe to provide tailored support to Mr O if he was still facing payment difficulties due to circumstances arising out of coronavirus.

This means the FCA expected PayPal Europe to proactively contact Mr O about his payments, consider that Mr O may need further time to address his arrears, and offer appropriate forbearance. The FCA typically expected normal credit reporting to resume but stressed the importance of clear communication regarding the impact on a customer's credit file. PayPal Europe weren't prevented from defaulting Mr O's account, but they were expected to treat Mr O fairly when considering this.

Mr O's account notes show PayPal Europe called Mr O in February 2021 to update him about his account and advised him of the risk of his account defaulting due to the level of arrears. I think this demonstrates PayPal Europe were proactively communicating with Mr O when the deferred payment periods ended. Mr O said he couldn't resume his minimum payments at the time.

In March 2021 PayPal Europe completed an income and expenditure assessment with Mr O. They agreed an affordable longer term payment arrangement with Mr O, for less than the minimum payments, and suspended interest and charges. I think this was a fair response to the financial difficulty and vulnerability Mr O had disclosed, in line with the FCA's tailored support guidance and their obligations under CONC 7.

The account notes show that on 15 April 2021 Mr O called PayPal Europe to say he planned to make a payment, and he indicated he didn't want the payment arrangement. On 19 April 2021 Mr O called to make payments totalling £206.23, and he cancelled the payment arrangement.

By the time of this call, Mr O had been sent a default notice requiring payment of the arrears of £387.51 by 30 April 2021. The call notes show that PayPal Europe advised Mr O of the risk of default when he cancelled the payment arrangement. Mr O said he'd call back and clear his arrears before the end of the month, but his next payment was £60 in July 2021. By that time, his account had been defaulted.

Mr O said his hardship and vulnerability did not end when he cancelled the payment arrangement. He doesn't feel it was fair for PayPal Europe to default his account and report a default to his credit file. I don't doubt this was a very difficult time for Mr O and I'm sorry that he felt unsupported by PayPal Europe. I've thought carefully about this, but on balance I think PayPal Europe treated Mr O fairly.

I can't listen to the calls between the parties as these are no longer available due to the passage of time, so I've had to rely on what Mr O's recollection, the available records and PayPal Europe's account notes. The available evidence shows PayPal Europe sent Mr O a default notice and warned him of the risk of default on 19 April 2021 when the payment arrangement was cancelled, so I'm satisfied PayPal Europe communicated fairly with Mr O about the potential impact on his credit file and how to avoid the default. Mr O didn't pay the sums required by the date set out in his default notice, so his account was defaulted.

The Information Commissioner's Office ('ICO') typically expects a default to be registered when an account is between three to six months in arrears. The ICO says defaults won't normally be registered if there's an active payment arrangement in place, but the ICO also wouldn't expect an arrangement marker to be reported if very low or token payments are being made. I think that's because arrangement markers could negatively impact a credit file for longer than a default would.

I'm satisfied there was no arrangement in place when Mr O's default was registered. But even if Mr O hadn't cancelled his payment arrangement, I think it would likely have been fair for PayPal Europe to register a default rather than report an arrangement long term, given his arrears were likely to increase.

In the circumstances I think it was fair for PayPal Europe to register the default with the Credit Reference Agencies ('CRAs') when they did, and this was in accordance with their obligations. This means I won't ask PayPal Europe to make any changes to Mr O's credit file on this occasion.

I am sorry to hear of the effect the default has had on Mr O over the years, and I recognise my decision isn't the outcome he had hoped for. If Mr O pays the outstanding balance to X, the default will be marked as "satisfied", but I'd expect the default to remain on Mr O's credit file until it is due to be removed in 2027.

My final decision

For the reasons I've given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 9 April 2026.

Clare Burgess-Cade
Ombudsman