

The complaint

Mr O complains that PayPal UK Ltd ('PayPal') didn't agree to settle his PayPal Credit account balance for £50.

Mr O wants PayPal to accept his proposal and amend his credit file to reflect this.

What happened

PayPal took over management of Mr O's credit account after 31 October 2023. In July 2025, Mr O complained to PayPal about how his credit account had been handled and their refusal to accept £50 in full and final settlement of the balance outstanding.

PayPal said they'd need details of Mr O's financial circumstances before considering his settlement proposal. When these weren't supplied, PayPal didn't agree to settle Mr O's account.

Mr O wasn't happy with PayPal's response. He referred his complaint to the Financial Ombudsman Service saying his proposal was not a matter of affordability but about achieving fairness. He referred to historical actions taken on his account, to include the circumstances in which his account defaulted in 2021.

Our investigator considered the information from both parties and didn't recommend Mr O's complaint be upheld. She didn't think PayPal had treated Mr O unfairly by asking for income and expenditure details or reporting Mr O's account accurately to the Credit Reference Agencies ('CRAs'). 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.

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

The role of the Financial Ombudsman Service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. It is not for this service to interfere with a firm's processes, systems or controls, nor can we fine or punish a business. Those are considerations for the Financial Conduct Authority ('FCA'), as the regulator.

The circumstances leading to Mr O's default in 2021 have been addressed in a separate complaint. This decision only considers what happened after PayPal took over management of Mr O's account on 1 November 2023.

I agree that deciding whether to write off part of Mr O's debt in these circumstances is a commercial decision for PayPal, and not something I can force them to do.

I don't consider it unfair for PayPal to request information about Mr O's financial situation to properly assess his settlement proposal, nor do I think it was unreasonable for them to decline the proposal when this information wasn't provided. It's common for lenders to take factors such as affordability and health into account when considering whether to write off all or part of a debt, so PayPal's requests weren't out of the ordinary. Ultimately, it is for Mr O to decide what information he feels comfortable sharing.

The Financial Ombudsman Service has issued a decision in relation to Mr O's separate complaint about the circumstances of his default, which was registered in 2021. PayPal are obliged to report fair and accurate data about Mr O's account to the CRAs, and I think it's fair and accurate for PayPal to continue reporting the default here. The default is due to be removed from Mr O's credit file in 2027.

I'm sorry to hear about the ongoing impact the default is having on Mr O's ability to secure good credit. I understand Mr O feels PayPal's continued reporting of the default is disproportionate given its lasting effect and the goodwill payments he's made. However, this isn't a reason for me to require PayPal to amend or remove the default. The purpose of reporting a default isn't to penalise Mr O, but to provide an accurate and fair record of his account history — and I'm satisfied that this is what PayPal have done here.

If Mr O can clear his balance, or settle this account amicably with PayPal, then I would expect his credit file to be amended to reflect this by marking his defaulted account as satisfied or partially settled.

If Mr O would like to give some context to the circumstances of the default, he can add a notice of correction to his credit file. To do this, he will need to contact each of the main CRAs.

My final decision

For the reasons I've given, and whilst fully acknowledging Mr O's unhappiness, 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