

Complaint

Ms L has complained about a credit account PayPal (Europe) Sarl et Cie SCA ("PayPal") provided to her. She at the time she was approved she was already in a lot of debt and relying on credit.

Background

PayPal provided Ms L with a credit account with an increased credit limit of £3,000.00 in October 2022.

One of our investigators reviewed what Ms L and PayPal had told us. And she thought PayPal hadn't done anything wrong or treated Ms L unfairly in relation to providing the credit limit increase in October 2022. So she didn't recommend that Ms L's complaint be upheld.

Ms L disagreed and asked for an ombudsman to look at the 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 Ms L's complaint.

Having carefully considered everything, I've not been persuaded to uphold the complaint. I'd like to 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 Ms L 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 offer Ms L a limit increase after it checked her income and carried out a credit search. And the information obtained indicated that Ms L would be able to make the monthly repayments due for this credit limit increase. On the other hand Ms L says that she shouldn't have been lent to.

I've considered what the parties have said about the limit increase.

What's important to note is that Ms L was provided with a revolving credit facility rather than a loan. This means that PayPal was required to understand whether a credit limit of £3,000.00 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £3,000.00 required smaller monthly payments in order to clear the full amount owed within a reasonable period of time, than say a loan of the same amount would.

For the credit limit increase, it appears as though PayPal relied on Ms L's account having been managed well in the years since her account had been opened. In the first instance I should make it clear that it isn't immediately apparent to me how it would automatically be the case that a borrower could afford a higher amount of credit simply because they might not have defaulted on a lower amount.

That said, PayPal's credit check did indicate that Ms L didn't have previous difficulties with credit in the form of defaults and county court judgements ("CCJ"). Ms L was reasonably indebted at the time as well. It's also fair to say that Ms L had around £250 a month in terms of credit commitments as well.

Ms L was making more than just the minimum payment – indeed she made a large lump sum balance payment prior to limit being increased. So Ms L's actions and repayment record did indicate that she might be able to make the payments on a higher credit limit. Equally, Ms L had not been maxing out the facility and owed just over £1000.00 when the limit increase took place. Furthermore, PayPal wouldn't have known about Ms L's partner taking loans out in order for Ms L to have made the payments concerned either.

Given the amount of the likely increased monthly payments, I do think that it would have been reasonable and proportionate for PayPal to find out a bit more about Ms L's regular living costs before offering the credit limit increase. As PayPal didn't obtain this information, I've considered the information Ms L has provided with a view to deciding what it might have found out about Ms L's regular living costs had this information been asked for.

Having done so, I don't think that PayPal would have made a different decision even if it had asked Ms L for more information. I say this because the information Ms L has provided about her finances at the time appears to show that when her committed regular living expenses and existing credit commitments were deducted from the funds going into her account, she did have the funds, at the time at least, to sustainably make the repayments due.

It's possible that Ms L's position might have been worse than what it looks like, or that it worsened after the credit limit increase took place. But it wouldn't be fair and reasonable for me to use hindsight here, or say that PayPal should have known this was the case. This is especially as the available information indicates proportionate checks would more likely than not have shown that Ms L could repay what she could owe at the time the lending decision was made.

So overall while I can understand Ms L's sentiments, I don't think that PayPal treated Ms L unfairly or unreasonably when increasing her credit limit. And I'm not upholding Ms L's complaint. I appreciate this will be very disappointing for Ms L. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like PayPal of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Ms L's account and it be the case that she is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Ms L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 8 January 2024.

Jeshen Narayanan
Ombudsman