

## **The complaint**

Mrs O is unhappy PayPal (Europe) Sarl et Cie SCA 'PayPal' recorded a missed payment on her credit file, in relation to a PayPal Credit account she holds with it.

## **What happened**

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

*"Mrs O used her PayPal Credit account to make a purchase in November 2022. Mrs O returned the purchase the same month and was due a refund. However, the refund wasn't applied to the account. Mrs O says she realised this in March 2023 and refunded the £71.20 to the PayPal Credit account on 8 March 2023.*

*On 22 February 2023, PayPal sent a statement to Mrs O with an outstanding balance of £132.12. The statement explained that a minimum payment of £5 was required and that this was due on 19 March 2023. Mrs O had a direct debit set up for the minimum payment, but this was returned. Mrs O says PayPal didn't notify her of the returned direct debit nor attempt to take it again. The £5 payment was made by Mrs O on 14 April 2023.*

*As the payment was missed, PayPal recorded that onto Mrs O's credit file. Unhappy with the adverse information recorded by PayPal, Mrs O complained. She said it was incorrect of PayPal to spoil her credit file for a £5 returned payment, especially when her account had been refunded with £71.20.*

*The complaint was referred to our service and an investigator looked into the matter. They concluded that PayPal should remove the missed payment marker. They said the implications of a marker showing for six years is disproportionate to the amount and the circumstances leading to the missed payment.*

*PayPal didn't agree and said what it recorded was an accurate reflection of what happened and to remove the missed payment marker would be irresponsible. In response to PayPal disagreeing with the findings, Mrs O added that the refund of £71.20 was applied prior to the £5 minimum payment due date so her account was up to date.*

*As PayPal didn't agree with the investigator's findings, the complaint has been passed to me to decide.*

## **What I've provisionally decided – and why**

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of the complaint. I would like to point out I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.*

*I've reviewed Mrs O's statement dated 22 February 2023. This makes it clear that a £5 minimum payment was due on 19 March 2023. It isn't disputed that this payment was missed and the £5 wasn't paid until 14 April 2023.*

*Lenders have an obligation to report true and accurate information to credit reference agencies. In this case, while I understand the payment was only for £5, it was still missed and therefore PayPal has acted correctly in reporting this.*

*Mrs O has said that she believed she didn't need to make the £5 payment, because the £71.20 refund was applied to her account before the minimum payment due date of 19 March 2023.*

*I've looked at the terms and conditions that govern Mrs O's PayPal Credit account. Section 2.3 of the terms and conditions explains how the minimum payment can be made. It states payments can be made "by direct debit, with your debit card or from your PayPal account balance." While refunds do reduce the outstanding amount, they're not given as a way of making the minimum payment by the due date.*

*Section 7.4 of the terms and conditions says:*

*"The amount you owe us will be reduced by all cleared payments made into the Credit Account and any refund due to you from us or a Merchant who has sent us a properly completed refund request for a Transaction."*

*It's clear a refund was finally sent by the merchant, as this shows as being credited to Mrs O's account on 8 March 2023. Mrs O's statement balance given on the February 2023 statement is £132.12. Therefore, after the refund of £71.20 on 8 March 2023, she still had an outstanding balance of £60.92.*

*In addition, the terms and conditions also say in summary, that the minimum payment amount due is the greater of the following:*

- "i. 2 % of the outstanding balance; or*
- ii. £5; or*
- iii. the whole amount of the outstanding balance;"*

*As I've said above the refund Mrs O received didn't clear the full outstanding amount of £132.12. Mrs O still owed £60.92 and the refund she received, isn't an accepted way of making the minimum payment. Therefore, I'm satisfied Mrs O was still required to make the £5 minimum payment detailed on her February 2023 statement.*

*As this didn't happen, the missed payment marker is a true and accurate reflection of what happened. PayPal hasn't made an error here and while I acknowledge the investigators point that the missed payment being recorded is disproportionate, I agree with PayPal that removing something that is accurate would be irresponsible.*

*Lastly, I've considered Mrs O's point that PayPal didn't notify her the direct debit payment had been missed and didn't try to take it again afterwards. PayPal has provided an email it sent to Mrs O, after the payment was missed. It's also provided evidence this email was sent to the same email address Mrs O provided our service and that it was opened on 25 March 2023. This email made it clear the payment was unsuccessful and made no mention that PayPal would try to take it again."*

*I invited both parties to respond with new information they wanted me to consider before I made my final decision.*

*Mrs O didn't agree and said she was due two refunds which she believed would clear her PayPal Credit balance. Mrs O says the refunds were delayed and when she realised this, she chased the merchant. When the refunds were finally processed, only one was paid to her PayPal Credit account. Mrs O says the other refund was paid to a credit card that's linked to her PayPal account.*

Given this Mrs O maintains that the missed payment wasn't due to any fault of hers. Mrs O also said that PayPal didn't try to take the £5 minimum payment again, nor did it send a letter or call her when the payment was missed.

In response to the provisional decision, PayPal confirmed it agreed and had nothing further to add.

### **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 understand Mrs O's frustrations with the delays in receiving refunds from the merchant and that one of these went directly to her credit card. However, that isn't something that I can hold PayPal responsible for.

PayPal issued a statement that clearly showed a £5 minimum payment was due on 19 March 2023. While one refund was paid to the PayPal credit account before 19 March 2023, it still left an outstanding balance. From looking at the emails Mrs O had provided regarding the refunds, it appears that the one paid to her credit card was for £53.10. So even if this had of been credited to the PayPal Credit and done so before 19 March 2023 (the email appears to say it was refunded on 27 August 2022), there would still have been an outstanding amount owed and therefore a direct debit still due on 19 March 2023.

As explained above, refunds aren't an accepted way of making payment on the account when one is due. Mrs O had an outstanding balance on 19 March 2023, that as per the terms and conditions, meant a £5 direct debit payment was due. This payment wasn't made and so PayPal, in line with its obligations to report true and accurate information, correctly recorded the missed payment. I'm therefore unable to recommend PayPal remove this from Mrs O's credit file.

In my provisional decision I explained that PayPal did email Mrs O when the payment was missed, and this email was opened. I don't think PayPal needed to call Mrs O or send a letter after emailing. I appreciate Mrs O feels that PayPal should've tried to take the payment again, but PayPal didn't say it would and there isn't an obligation for it to do so.

### **My final decision**

I don't uphold Mrs O's complaint against PayPal (Europe) Sarl et Cie SCA.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 23 October 2023.

Paul Blower  
**Ombudsman**