

## **The complaint**

Ms J complains that PayPal (Europe) Sarl et Cie SCA have unfairly registered a default with the Credit Reference Agencies (CRA's).

## **What happened**

Ms J says her PayPal credit account was linked to her parents address, but she was unaware that PayPal had sent letters to this address informing her that she owed them money. She says she could not access her PayPal account and she didn't have a phone as this was being repaired by a third party company, so she was unaware PayPal credit had been trying to contact her and they registered a default when she didn't pay them the funds owed. Ms J says she had the funds to make the payment in her bank account, but she wasn't aware that any payments were outstanding. Ms J made a complaint to PayPal.

PayPal did not uphold Ms J's complaint. They said she had missed payments to her PayPal credit account for the months of May, June, July, and August 2022. As a result, her account went into default in September 2022. Ms J brought her complaint to our service.

Our investigator did not uphold Ms J's complaint. He said multiple emails were issued by PayPal to Ms J from 10 May to 6 September 2022 notifying her that her payment was overdue and hadn't been received. He said although Ms J says she didn't have access to her emails, this wasn't PayPal's fault and they confirmed they hadn't received emails returned undelivered. He said Ms J scheduled a repayment on 27 June 2022 using her bank card but when PayPal attempted to debit the payment, it was rejected by her bank, and PayPal emailed Ms J notifying her that the payment had been unsuccessful on the same day.

Our investigator said PayPal issued a default notice by post to the address they held for Ms J but as they didn't receive the arrears by the deadline given then they registered the default. Our investigator said Ms J made a payment of £1,000 to bring her account up to date on 10 September 2022, but the default had already been registered, and no error had been made by PayPal. Ms J asked for an ombudsman to review her complaint. She said she was unsure what prevented the payment being made and she had enough funds in the account to make the payment.

## **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 looked at an example of the PayPal credit agreement online as this is what Ms J would have needed to have agreed to when she opened her account. The agreement states that *"We will send notices to the latest email or postal address we hold for you. You must tell us as soon as possible if you change your email or postal address or your name, and confirm any such change in writing if we ask you to do so."* But it appears that Ms J didn't inform PayPal of her address change as this was registered at her parents address as opposed to the address she was living at.

The PayPal credit example agreement shows *“If you cannot view your statement online, please contact our Customer Services team using the address or telephone number in Condition 12.3. If you are unable to access your statement, it is important that you contact us as you will still have to pay interest. Please also contact us if you think any amount shown on your statement is incorrect.”* Ms J has documented that she was without her phone for months. But I’ve seen no evidence that she notified PayPal about this and couldn’t see her statements online. If she had done this, then PayPal would have been able to change her address on the system and she would have been able to request paper statements.

As PayPal were unaware that Ms J was living at a different address and didn’t have access to her email address, they notified her via these methods in line with the agreement. This is what I would expect them to do. PayPal appear to have kept Ms J up to date with the account status and the arrears on the account. Although she tried to make a payment to the account in June 2022, this was not successful, and PayPal informed her about this the following day.

A default can only be registered when a customer has been in arrears for at least three months. Ms J appears to have missed her payments due on her PayPal credit account between May-August 2022. So they sent a default notice to the registered address on the account giving her until 23 August 2022 to clear the arrears. But when this didn’t happen, PayPal registered the default. Although Ms J made a payment on 10 September 2022, this was after the deadline given. PayPal have a responsibility to accurately report the account status to the CRA’s. As the account defaulted when Ms J didn’t clear the arrears by 23 August 2022, then PayPal made no error in reporting the account status as defaulted. And as a result of this, I’m unable to ask them to remove the default.

I’m sorry to hear about the effect the default is having on Ms J. She may wish to consider registering a *“notice of correction”* with the CRA’s to explain what happened here. This is a short explanatory note that she can add to an entry on her credit file, to explain the background to that entry. So anyone who searches her credit report, would see the notice of correction and take the notice into account if they viewed her credit file. Prospective lenders will each consider a notice like this differently and it isn’t a guarantee that they will put the underlying payment information to one side. But given how strongly Ms J feels here - it is an option that is open to her. She would need to contact the CRA’s to do this. But as PayPal are obliged to report the default to the CRA’s, it follows I don’t require PayPal to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms J to accept or reject my decision before 14 August 2023.

Gregory Sloanes  
**Ombudsman**