

The complaint

Miss W complains that PayPal Europe Sarl & Cie, SCA ('PayPal') has recorded a default on her credit file.

What happened

Miss W originally complained to PayPal about the interest she was charged in respect of missed PayPal Credit repayments. PayPal issued a final response in respect of this complaint on 12 October 2021 and advised Miss W that when she changed her bank, she also needed to update her chosen PayPal Credit repayment details separately. As a gesture of goodwill, PayPal reimbursed the interest charges.

In 2022 Miss W found out that PayPal had registered a default on her credit file in respect of the missed payments in July 2021. She contacted PayPal and this service. PayPal said the complaint was brought out of time so wasn't one this service can consider. An investigator at this service said that as the default was registered after the date of the final response, this service can consider whether it was fair to record a default on Miss W's credit file. But she didn't uphold Miss W's complaint.

The investigator said that PayPal had made Miss W aware that payments were outstanding and given her a reasonable opportunity to make payment. The investigator also said PayPal followed the correct process when recording the default. PayPal didn't receive a payment to the credit account between September 2020 and February 2021 in spite of sending emails to the correct address and sending a default notice on 23 July 2021 which advised that it would contact credit reference agencies if payment wasn't received by 6 August 2021.

Miss W didn't accept the investigator's findings. She said that a direct debit to pay the outstanding balance each month was moved to a different bank as part of a current account switch and her new bank said all amounts claimed by PayPal had successfully been taken. Miss W also said that payments were made to PayPal in July and August 2021.

The complaint has been passed to me to decide.

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 can't comment on what happened when the current account switch was completed and can only consider whether PayPal acted fairly in registering the default.

It's clear from the transaction history provided by PayPal that no payments were made to the account between 19 September 2020 and 12 February 2021. The payments Miss W has referred to relate to payments she has made for purchases and aren't related to PayPal Credit.

PayPal's Credit User Agreement says,

"Missed Payments

Missing your minimum payments could have severe consequences, including our taking legal action against you, and may make obtaining credit more difficult. If you miss payments...

C. your credit records may be affected in a way that makes it more difficult or expensive to obtain further credit..."

So I'm satisfied PayPal acted in accordance with its terms in Miss W's case.

I've also considered the communications PayPal had with Miss W to ensure it took reasonable steps to make Miss W aware that minimum payments had been missed. Having done so, it's clear Miss W received multiple emails as follows:

Date	Content
21/10/21	Payment unsuccessful
20/11/21	Payment unsuccessful
24/11/21	Payment overdue
26/11/21	Statement notification
02/12/21	Missed payment
04/12/21	Missed payment
12/12/21	Missed payment
23/12/21	Payment overdue
26/12/21	Statement notification
28/12/21	You've cancelled your direct debit
01/01/22	Overdue – action required
13/01/22	Overdue – action required
14/01/22	Account due a payment
22/01/22	Important – account overdue
26/01/22	Statement notification
03/02/22	Account overdue – action required
26/02/22	Statement notification
17/03/22	Payment due soon
26/03/22	Statement notification
14/04/22	Payment due soon
15/05/22	Payment due soon
02/06/22	Missed payment
11/06/22	Missed payment
14/06/22	Payment due soon
02/07/22	Account overdue – action required
14/07/22	Account overdue – action required
15/07/22	Payment due soon

Having considered the evidence provided to me, I'm satisfied PayPal took reasonable steps to contact Miss W about the missed payments. I appreciate Miss W has explained that long term mental health issues prevented her from keeping a close eye on the situation and that she always relied on direct debit payments automatically clearing her balance. I can also see that once Miss W became aware that payments hadn't been made, she cleared her balance. Whilst I can understand that Miss W may not have read all the communication sent to her and am sympathetic to the position she now finds herself in, I can't say PayPal acted unfairly in the circumstances of this case. The emails PayPal sent to Miss W made it clear that she needed to take action.

PayPal also sent a default notice to Miss W by post on 23 July 2022 which gave Miss W until 6 August to pay the arrears she owed. The letter also gave Miss W 28 days' notice of PayPal's intention to register a default if payment wasn't made. No payment was received, and the default was reported to credit reference agencies on 23 August 2021. In the circumstances, I'm satisfied PayPal followed the right process before registering the default.

My final decision

For the reasons stated, I do not uphold this complaint.

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

Jay Hadfield
Ombudsman