

## **The complaint**

Mr A complains that he bought an item using interest free credit, through PayPal Europe Sarl & Cie, SCA. But he said that the payment he made hadn't been used to pay off the item he bought.

## **What happened**

Mr A said he bought a fan. He bought this through an offer which said he could have this item interest free, if he paid in six instalments. But Mr A said he'd actually paid almost all the money off straight away. Except that payment hadn't been applied to his purchase. And he said that his balance hadn't reduced to reflect his payment.

PayPal said that Mr A had £3,000 of credit available to him. That's the most PayPal would lend him, and it had already lent him most of that. Just before he bought this item, he didn't have enough available credit to make this purchase.

But then, on 31 March, Mr A paid £500 onto his PayPal credit balance. That reduced his debt a bit, enough that he could buy the fan.

Then on 1 April, the next day, Mr A bought the fan, borrowing money again from PayPal credit.

PayPal said that Mr A couldn't have meant the £500 to pay off the fan, because he hadn't bought that when he made this payment. And it said that it would always apply payments to the part of the debt that incurs the highest interest rate, anyway, because Mr A is better off if the debt he's paying interest on reduces fastest.

Our investigator didn't think this complaint should be upheld. He said that he could see that what PayPal had said matched what was on Mr A's statements. Our investigator didn't think PayPal had acted inappropriately or unfairly, so he said he wouldn't ask it to do any more.

Mr A didn't agree. He didn't think he should have to pay this debt while the dispute was ongoing. And he said he is paying twice. Because Mr A didn't agree with our investigator, this case was passed to me for a final 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 reached the same overall conclusion on this complaint as our investigator.

I've looked at Mr A's statements. I can see that in March, he was using almost all of his available credit. Mr A pays interest on that debt each month.

In March, Mr A didn't have £549 in available credit, to buy this fan.

When he paid £500 on 31 March, that money was used to reduce his pre-existing debt. That also meant he freed up enough credit for him to buy the fan.

When he bought the fan, his available credit was used up. When interest was charged that month on his pre-existing debt, Mr A was then actually slightly over his credit limit.

I don't think Mr A is being asked to pay for the fan twice. And I don't think that PayPal made a mistake when it applied the payment he made on 31 March to his existing debt. He hadn't bought the fan then, so PayPal couldn't use this payment towards that purchase.

I know that Mr A will be disappointed, but I don't think PayPal has done anything wrong here. And that means I don't think this complaint should be upheld.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 August 2021.

Esther Absalom-Gough  
**Ombudsman**