

The complaint

Mr S is unhappy with how PayPal UK Ltd ('PayPal') handled his account following a disputed transaction. Mr S is concerned that payments and refunds weren't properly allocated to his account and he'll pay interest on a debt he's already cleared.

Mr S wants his account putting right and compensation for his distress and inconvenience.

What happened

Mr S wasn't happy with PayPal's response to his complaint. PayPal said they'd not found an error in their process, and they provided £50 compensation to Mr S as a goodwill gesture.

Our investigator obtained evidence from PayPal. He thought PayPal had accounted for the refunds and payments, and didn't recommend that PayPal take further action.

Mr S disagreed and said his statements showed his refunds hadn't been allocated. Mr S said he'd been told by PayPal that there was an error that needed to be resolved. He wanted someone to check that payments had been allocated correctly. The matter then came 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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having done so, I think PayPal have already offered a fair and reasonable resolution to Mr S's complaint. I'll explain why, though my reasons mirror our investigator's.

I acknowledge Mr S says PayPal admitted during a call that there had been an error with how refunds/payments had been applied to Mr S's account. I haven't been able to listen to this call as although it has been produced, there is no sound and this cannot be fixed.

Where evidence is incomplete, inconclusive or contradictory, I'll make my decision on the balance of probabilities – in other words, based on what I think is more likely than not to have happened given the available evidence and the wider circumstances.

On 4 January 2025 Mr S ordered goods from a seller totalling £328. On 5 January 2025 Mr S raised a dispute due to the quality of the goods. Mr S says PayPal moved the transaction of £328 from a promotional balance to his open account, whereas PayPal say they ringfenced the £328 so that regular payments wouldn't come off this amount.

I've seen a system record from PayPal showing the seller issued three refunds totalling £284. So I've looked to see where these were allocated.

The first refund was for £27.30 on 16 January 2025 and I can see this is recorded on Mr S's January 2025 statement. A second refund of £102 was issued on 31 January 2025, which appears on Mr S's February 2025 statement. On 11 March 2025 there was a third refund of £154.70, shown on Mr S's March 2025 statement. So, I'm satisfied that the refunds were applied to Mr S's account.

In the list of balances on the February 2025 statement Mr S's transaction for £328 showed a credit of £129.30. So there's evidence that the first two refunds were allocated to the £328 transaction.

In the list of balances on the March 2025 statement, the balance of Mr S's transaction for £328 was replaced with £44. I think this is because £328 minus the refunds totalling £284 is £44. So even if there had been a mistake initially, I am satisfied the refunds were allocated towards the correct transaction, and that £44 is what Mr S had leftover to pay.

I can see from the list of balances on the March 2025 statement that the £44 balance was put on the 0% interest promotion Mr S expected, which I think was fair.

Mr S's statements for January 2025 to March 2025 give figures for the amounts spent, amounts credited and the balance each month. They show that no interest was charged. So, I don't agree that Mr S was charged interest because of the way PayPal handled the refunds.

It is not for this service to conduct a full audit of Mr S's account to check that each payment is allocated to the correct balance, I'm afraid that's beyond our remit. PayPal provided this service with a step-by-step explanation to demonstrate that payments Mr S made towards his account were credited to his account balance. I'm persuaded by PayPal's explanation that it's unlikely Mr S's payments are going missing, which was a concern he raised during our investigation. I'm aware this document was shared with Mr S so I will not set out the detail in this decision.

Having examined Mr S's statements, it appears to me that Mr S's payments reduced the balances on 0% interest promotions that were due to expire first which is what I'd expect. If Mr S thinks this isn't right, then I think he will need to raise a separate complaint for PayPal to address in detail before our service can consider this.

It's clear Mr S made quite a few calls about his account and was repeatedly informed that PayPal would escalate his concerns and get back to him. I think there's always a level of distress and inconvenience when sorting something out that's potentially gone wrong, but I was glad to see that PayPal arranged a goodwill payment of £50 for Mr S here, which I think was reasonable.

In these circumstances I don't think PayPal have treated Mr S unfairly and I won't ask them to take further action on this occasion. That means I won't be upholding Mr S's complaint.

My final decision

For the reasons I've given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 November 2025.

Clare Burgess-Cade
Ombudsman