

## **The complaint**

Mr P complains that PayPal UK Ltd (trading as PayPal) did not reduce his balance when he received a refund.

## **What happened**

Mr P says he received a refund of £168 on 1 April 2025. He says this didn't reduce his credit balance with PayPal and, instead, remained showing as an active amount. Mr P says PayPal gave him contradictory reasons for the anomaly, but then processed a subsequent refund correctly. He says that eventually PayPal offered to credit the £168 as a goodwill gesture, but that this was just the money owed rather than goodwill and it means he will incur interest on a returned item. Mr P adds that PayPal has also failed to acknowledge or respond to the Data Subject Access Request (DSAR) that he submitted on 6 July 2025.

PayPal says the £168 was applied to Mr P's account, but that it was allocated to transactions that would have incurred a higher interest rate, or were on 0% offers that were expiring sooner, rather than to the relevant balance which was on a promotional 0% interest agreement until 1 August 2025. It says this is in line with Mr P's credit agreement and minimises the amount of interest he would have paid. However, it recognised the inconsistencies in how the refunds had been allocated and explained, and offered him a credit of £168 as a gesture of goodwill. It also confirmed that the DSAR had been sent to Mr P on 31 July 2025.

Our investigator did not recommend the complaint should be upheld. He was satisfied that the initial £168 refund had been correctly applied and considered the additional £168 offered for any confusion to be fair and reasonable. He also found that PayPal had responded to Mr P's DSAR request within the required deadline.

Mr P responded to say, in summary, that:

- The £168 was never properly applied to his account and did not reduce his balance;
- PayPal's complaint handling fell significantly below expected standards;
- PayPal did not confirm receipt of his DSAR request and he did not receive any information on 31 July 2025 thereby delaying his ability to submit full evidence;
- The £168 PayPal has offered is not compensation, but funds he is already owed.

## **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.

## Refund and Payment Allocation

I've reviewed all the relevant statements for Mr P's account and am satisfied that his payments and credits were allocated fairly. He has not been left out of pocket, nor has he incurred any interest charges.

On 1 April 2025, I can see the £168 crediting Mr P's account. This, coupled with additional payments totalling £364.02, were allocated to 0% balances where the promotional rate ended on 1 April 2025 and 6 July 2025 respectively. I have seen the terms and conditions of Mr P's account, and it says payments should be prioritised in this way once interest bearing transactions have been repaid first.

I can understand Mr P's initial confusion, as the £168 transaction to which the refund applied remained visible on his statement under the "*Summary of Balances - Promotional Purchases*". However, as this promotional rate did not expire until 1 August 2025, it was to Mr P's benefit for the £168 refund to be allocated to the balances whose promotional rates were expiring sooner. I can't conclude PayPal was wrong to do so and I don't find that Mr P was out of pocket by £168 as a result.

That said, the £135 credit Mr P received on 24 April 2025 was allocated to the £300 balance which had a 0% promotional end date of 25 July 2025. At the time there were also balances with end dates prior to this in July 2025 so, as both PayPal and Mr P have pointed out, this is inconsistent with the treatment of the £168 credit.

However, because all the July balances were cleared before their promotional periods expired, Mr P did not incur any interest charges and has suffered no financial loss as a result of this inconsistency.

PayPal has apologised for the confusion caused, both in the handling of the credits and the explanations Mr P received and has offered to apply a further £168 credit to Mr P's account.

I find this compensation to be fair and reasonable and not purely the return of funds Mr P is already owed.

## Complaint handling

I acknowledge that Mr P was dissatisfied with the way in which PayPal handled his complaint. However, as the investigator explained, this service is unable to investigate complaint handling processes, only the substance of the complaint itself. This is because complaint handling is an unregulated activity within the rules under which the Financial Ombudsman Service operates.

## DSAR

PayPal has sent evidence that five emails were sent to Mr P on 31 July 2025. I acknowledge that Mr P has said he never received them, but PayPal has now confirmed that the email address it used is the same as that which this service has on file. So, I can't conclude

PayPal did anything wrong in respect of Mr P's DSAR request, but I note it has now said it will resend the information.

In summary, I find that there were some discrepancies in how PayPal has allocated the credits to Mr P's account, but he didn't suffer any financial detriment as a result. I find the offer of a further £168 credit is fair and reasonable in all the circumstances of the complaint.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 February 2026.

Amanda Williams  
**Ombudsman**