

The complaint

Mr G complains about the misallocation of payments made to his credit card he held with PayPal UK Ltd ("PayPal").

What happened

Mr G held a credit account with PayPal.

Mr G said he made purchases with his credit account and these purchases carried a promotional offer which meant that zero percent interest would have been charged if he paid the money for them in full by April 2025. And so, Mr G made several payments to his account.

Mr G later noticed that none of the payments he had made were being applied to pay off the two payments which carried the promotional offer, but rather that they were being used to reduce the amount he owed towards other purchases he had made. Mr G said that he was already being charged interest on those purchases. So, he was surprised to see that payments to his account weren't automatically being allocated to the promotional zero percent interest purchases he had made, to ensure he could benefit from the promotional offer.

Mr G was unhappy as he didn't think PayPal made it clear to him that he would have no control on where his payments would be allocated. And so, Mr G complained to PayPal.

PayPal sent Mr G their final response In April 2025, in which they partly upheld his complaint. PayPal didn't think they had made a mistake in the way Mr G's payments were allocated to clear his outstanding balance, but they offered him £60 as a gesture of goodwill.

Mr G didn't think their offer was fair and thought PayPal should also remove the interest charges they applied. And so, Mr G referred his complaint to our service.

During our involvement, PayPal explained to our service that they didn't think they had made a mistake. But they said they recognised that it may have been distressing for Mr G, and so, they made a further offer of £150 to put things right.

Our investigator communicated this offer made to Mr G, who declined it. And so, our investigator went on to look into things for Mr G. PayPal made a further offer of £250 to Mr G.

Our investigator issued his view and explained that PayPal had acted in line with their terms of the agreement. He also recognised the offer PayPal had made was generous, and in the circumstances, more than what he would have considered was required to be paid. And so, he didn't think PayPal needed to do anything further.

Mr G didn't agree with the investigator's outcome. Among other things, Mr G thought the PayPal's promotional offer was clear in setting out what he needed to do to comply with the

offer, and he thought he had done so. Mr G provided a significant amount of other information which our investigator reviewed and responded to in turn.

As Mr G disagreed with the investigator's findings, the complaint was passed to me to decide. Mr G explained that the core of his complaint is about the allocation of payments and that the promotional offer explained that he needed to pay in full by a specific date and the inconsistencies in other plans he had taken out.

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'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Mr G complains about payments made to an open-ended (revolving) credit facility. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr G's complaint about PayPal.

While Mr G has made several complaint points here, I think the crux of the issue boils down to how payments were allocated to purchases Mr G had made on this credit account. The reason this is important is because some purchases Mr G had made were when PayPal were offering a zero percent interest offer if those transactions were paid in full by a certain date. And other purchases Mr G had made also had instalment plans in place, where Mr G was charged interest until the outstanding amount was paid for that transaction.

So, to consider this complaint, I've firstly looked at what Mr G would have been told about the allocation of payments when he used his account with PayPal. From statements that would have been sent to Mr G, in a section called, "*Allocation of Payments*", it said:

"When we receive a payment which isn't for the total current balance, we will apply your payment to any monthly instalments due on instalment plans first and then in the order as specified in your Credit Agreement with us."

I have also noted online, PayPal's website says:

"When you make a payment, you're not able to select which purchases are paid off first. However, it will automatically apply to purchases with the highest interest rate first, while ensuring any instalment offers are repaid within the term of the plan."

The website also goes on to give examples and a breakdown of which order repayments would be allocated to the account.

In this instance, Mr G has explained that when he had made repayments towards his credit account, towards the end of 2024 and in the first few months of 2025, his repayments went towards previous purchases he had made.

I can also see from statements PayPal has provided of Mr G's account, that he held several instalment plans with PayPal – all with different outstanding balances which expired on different dates – and all which held an annual interest rate which was charged to Mr G. In

addition to these, Mr G also had a zero percent promotional purchase, which had an outstanding balance, which was due to expire in February 2025.

Mr G has explained (and provided screenshots) to show that the wording he was supplied showed that he was required to pay in full by a certain deadline to avoid interest. But, I'm mindful this wording is generic in nature and not specific to Mr G's circumstances, where he held an outstanding balance and several other promotional transactions were attached to his account.

From the statements that I have been supplied with, I can't see that PayPal has acted outside of their terms of what their website explains. I'm satisfied that PayPal clearly explains on their website and on additional sources, like statements, that there isn't an option to choose how payments are allocated and there is a system in place which decides how the payments are allocated, in the interests of the consumer. So while I appreciate Mr G may think PayPal didn't make it clear to him that he would have no control on where his payments would be allocated to, I don't agree.

Considering things here, I'm not satisfied PayPal has acted outside of their terms and treated Mr G unfairly with how they have allocated his payments, or in how they didn't give Mr G the option in how his payments are allocated to his outstanding balance he held with them on his credit facility.

Having said the above, I have noted that PayPal has offered Mr G £250, and in their own words, to make this, "*a positive experience for [Mr G]*".

Mr G has told our service about the occasions he has contacted PayPal to try to get a clearer understanding about his outstanding balance and how his payments were allocated. Mr G has explained that he doesn't think PayPal has sufficiently answered his questions here. I have also noted that Mr G has asked for a specific account ledger, which hasn't been supplied to Mr G. Our service has also relayed this information to PayPal, in the interests of giving Mr G the clarity that he requires.

It is disappointing that PayPal hasn't provided the recordings that our service requested, despite Mr G providing a rough timeframe of when those calls occurred. However, PayPal has provided their call notes about what was discussed. Having reviewed the notes, I can see that Mr G contacted PayPal at times and was left frustrated with information he said he was told in previous calls. So, I accept there is merit to what Mr G says here, and that PayPal hadn't clearly explained over those calls to him, his outstanding balance and how his payments were allocated.

Having said that, I think PayPal's offer is a fair and reasonable way to put things right. I say this because, the amount I would ask PayPal to pay Mr G to put things right is broadly the amount they have offered.

So, I think the offer they made is fair in the circumstances, considering I'm satisfied they have acted in line with their terms.

My final decision

For the reasons I've explained, I uphold this complaint, and I instruct PayPal UK Ltd to put things right by paying Mr G £250 to reflect the distress and inconvenience caused by this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 January 2026.

Ronesh Amin
Ombudsman