

## The complaint

Mrs P is unhappy with the service she received from PayPal UK Ltd surrounding a buyer protection dispute that she raised and also how refunds were allocated to her account.

## What happened

Mrs P purchased an item from a merchant (whom I'll refer to as 'X') for £319 using her PayPal Credit account. However, Mrs P quickly realised that she could buy a better item from another merchant (whom I'll refer to as 'Y') at a lower price. So, Mrs P cancelled her order with X, who reimbursed the £319 back to Mrs P's PayPal Credit account, and then purchased the better item from Y for £309,

When the item was delivered by Y, Mrs P discovered that it was faulty. Mrs P tried to contact Y, but initially had no success, and after three days of trying she decided to raise a dispute against Y with PayPal, under PayPal's buyer protection scheme.

After Mrs P had raised the dispute with PayPal, she tried to contact Y again and was able to speak with them. Y agreed to send a courier to collect the item and, once it had been received and verified, to reimburse Mrs P the £309 purchase price back to her PayPal Credit account.

The earliest suitable date for a courier collection was a week away, and Mrs P was concerned that if PayPal continued with the dispute that she'd raised it might jeopardise the agreement that she'd come to with Y. But Mrs P was aware that if she closed the dispute with PayPal, and then Y didn't reimburse her money as they'd said they would, she wouldn't be able to reopen the dispute with PayPal, because PayPal didn't allow closed disputes to be reopened. So, Mrs P contacted PayPal and asked them to delay progressing her dispute, but to keep it open.

A few days later, Mrs P received a message from PayPal saying that they had contacted Y. This was despite Mrs P asking them to delay doing so. Mrs P continued to be concerned that PayPal pursuing a dispute might negatively affect the agreement she'd come to with Y, so she contacted PayPal and closed the dispute with them.

The item was then collected by a courier sent by Y as agreed, but Mrs P didn't then receive a reimbursement of the £309 as she was expecting. Because of this, Mrs P contacted PayPal and asked them to reopen her dispute, but PayPal refused. Mrs P wasn't happy about this, and she felt that her statutory rights as a consumer were being ignored.

A little later, Mrs P spoke with Y again and the £309 reimbursement was issued to her PayPal Credit account. But when Mrs P checked her PayPal Credit account she found that PayPal had allocated the received reimbursements incorrectly. Specifically, Mrs P had two outstanding balances with PayPal that were benefitting from interest-free promotional offers that expired at different dates.

Mrs P felt PayPal should have applied the reimbursements to reduce the balance with the interest-free offer that expired soonest. But PayPal didn't do this. Mrs P wasn't happy about

how PayPal had handled the reimbursements, or how they had handled her dispute with Y. So, she raised a complaint.

PayPal responded to Mrs P but didn't feel that they'd done anything wrong. Mrs P didn't agree, so she referred her complaint to this service, where it was considered by one of our investigators, who liaised with Mrs P and PayPal about it.

During our investigator's review, PayPal acknowledged that it had applied the reimbursements incorrectly but noted that there was no corrective action that they could take because Mrs P had now paid off both balances and, in both instances, had done so before the interest-free offers had ended, meaning that Mrs P hadn't incurred any interest charges. However, PayPal did apologise to Mrs P via this service and offered to pay £100 to Mrs P as compensation for any frustration or inconvenience she may have incurred.

Our investigator felt that PayPal's apology and offer of compensation represented a fair outcome to this complaint. Mrs P didn't agree and felt that PayPal should also acknowledge that they had handled her dispute poorly and had ignored her statutory rights. So, the matter was escalated to an ombudsman 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.

Mrs P feels that by declining her request to reopen her dispute with Y, PayPal ignored her statutory rights as a consumer. It's therefore important to note immediately that this service isn't a Court of Law or a regulatory body and doesn't operate as such. This means that I have neither the remit nor the authority to decide whether PayPal have acted unlawfully in the manner that Mrs P suggests.

Instead, this service is an informal, impartial dispute resolution service with a remit focussed on fairness of outcome. As such, when assessing this complaint, I've done so in accordance with this remit.

I highlight this point because Mrs P is unhappy with the process that PayPal have followed. But as explained, this service is outcome focussed. We assess whether any corrective action needs to be taken to provide a fair outcome. We also assess the impact of any unfair outcome that may have occurred. But it's not within our remit or authority to punish or fine a business for any poor process that they may have followed.

Mrs P is unhappy that PayPal didn't reopen her buyer dispute against Y when she asked them to. But by her own admission, Mrs P understood before she closed her dispute with them that PayPal's policy was to not reopen closed disputes. It therefore seems unreasonable to me that Mrs P would complain that PayPal followed a policy she knew that they would most likely follow.

In her submissions to this service, Mrs P had described the difficult personal circumstances she was experiencing at that time. I'm conscious of those circumstances and of the impact that Mrs P has described that they had on her. But I feel that Mrs P could potentially have mitigated against what happened here by explaining to Y when she was able to speak with them that she had raised a dispute with PayPal, because of Y's delay in responding to her, which she now couldn't close because PayPal wouldn't allow it to be reopened if she did.

Ultimately, however, Mrs P did obtain a reimbursement from Y, and so there was no adverse impact of PayPal refusing to open her dispute. But if there had been an adverse impact on

Mrs P, I wouldn't have upheld this aspect of Mrs P's complaint in her favour, because I feel that PayPal's policy on reopening closed disputes was clear and was understood by Mrs P when she made the decision to close the dispute against Y. And it wouldn't feel fair to me to instruct PayPal to compensate Mrs P for following a policy that Mrs P knew about and knew PayPal would likely follow.

Regarding how PayPal applied the received reimbursement to Mrs P's PayPal credit account, PayPal have accepted that this was done incorrectly. But once again, there hasn't been an adverse impact on Mrs P as a result. This is because Mrs P repaid the two balances in question before the interest-free offers expired, meaning that she hadn't incurred any interest accrual on her account that she shouldn't fairly not have.

Mrs P has pointed out that she could have incurred interest that she shouldn't have incurred. But as I've explained, this service doesn't consider what could have happened, but only what did happen. And because Mrs P didn't incur any unfair interest, there is no corrective action for PayPal to take.

However, PayPal have acknowledged the inconvenience and frustration that Mrs P may have experienced in bringing this matter to them, especially as they initially didn't recognise that they had made a mistake, and they've apologised to Mrs P for this and offered to pay £100 compensation to her. This feels reasonable to me, and I feel that £100 does provide fair compensation to Mrs P for the impact that PayPal not applying the reimbursements correctly to her account may have had.

All of which means that while I'll be upholding this complaint in Mrs P's favour, I'll be doing so only to formally instruct PayPal to pay the £100 to Mrs P that they've already offered to pay, and I won't be issuing any further instructions to PayPal beyond this. I hope that Mrs P will understand, given what I've explained, why I've made the final decision that I have.

### **Putting things right**

PayPal must pay £100 to Mrs P.

### **My final decision**

My final decision is that I uphold this complaint against PayPal UK Ltd on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 19 March 2026.

Paul Cooper  
**Ombudsman**