

The complaint

Mr D complains that PayPal UK Ltd trading as PayPal charged his bank account for a transaction of £5,198.00 when he had selected PayPal Credit as his chosen funding source.

What happened

On 29 September 2025 Mr D used his PayPal account to make a purchase of £5,198.00. Despite having selected PayPal Credit to fund the transaction, the purchase price was debited from Mr D's bank account. As a result, Mr D's current account went into unarranged overdraft, and he wasn't able to use the account. Mr D had to take out a loan to repay the overdraft.

Mr D complained to PayPal. PayPal didn't uphold the complaint. It said that PayPal Credit wouldn't have been available as the funding source because the purchase price exceeded the credit limit.

Mr D remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. They said they weren't persuaded that PayPal had acted unfairly or unreasonably. The investigator said that they thought it likely that the PayPal Credit option wouldn't have been available because Mr D didn't have enough credit to cover the transaction.

Mr D didn't agree. He said the checkout process didn't clearly communicate that the PayPal Credit option had been withdrawn and that his bank account would be debited for the full amount. Mr D said that at no point in the checkout process was he shown his PayPal Credit credit limit or told that his credit limit was insufficient to fund the purchase. Mr D said he'd been misled into believing that the purchase was being financed by PayPal Credit and hadn't given consent for his bank account to be debited.

Because Mr D didn't agree I've been asked to review the complaint.

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 can see that Mr D applied for a PayPal Credit account on 4 January 2025. The application was approved and PayPal emailed Mr D with confirmation of his successful application and confirmed his credit limit of £4,550.00.

PayPal has explained that PayPal Credit can include different types of purchases. These may include interest bearing purchases, interest free purchase and reduced interest rate promotional purchases. PayPal has also explained that a merchant who has been approved by PayPal to receive PayPal Credit funded transactions can offer promotional offers such as interest free instalment plans.

In this case, the merchant was authorised to provide PayPal Credit as a funding option and

advertised this on its website. Mr D has said that having placed his order he selected the PayPal interest free instalment plan option on the merchant's website. Because Mr D already had a PayPal Credit account, he was transferred to PayPal and prompted to log in.

I've reviewed the screenshots provided by PayPal. These are examples of the screens that Mr D would likely have seen when he was completing the PayPal process. The screenshots suggest that in the "Pay With" section, Mr D's bank account would have been shown as the funding source. PayPal has said that the PayPal Credit option wouldn't have been shown as available to Mr D to select at checkout because the purchase price exceeded his credit limit. PayPal has explained that the funds were paid by PayPal to the merchant on 29 September 2025 and PayPal subsequently debited the funds from Mr D's bank account.

The screenshots suggest that before the purchase was confirmed, an order summary was presented showing the purchase price and the selected funding source.

Based on what I've seen, I think it's more likely than not that – although Mr D selected to pay by interest free credit on the merchant's website – the option of interest free credit wasn't available to him on the PayPal checkout page, resulting in him selecting his bank account as the payment method.

Mr D has said that he didn't know or consent to his bank account being used to fund the transaction. Based on the screenshots I've seen, the funding method would've been clearly presented on screen and by clicking the "pay now" or "continue" button, Mr D confirmed the selected funding source and authorised the transfer of funds to the merchant.

I appreciate that Mr D never intended to use his bank account as the payment method. I fully accept that he selected PayPal interest free credit as his chosen method of payment when he was on the merchant's website. This is confirmed by the invoice from the merchant. It's possible that Mr D didn't notice that PayPal Credit wasn't showing as an option to complete his purchase once he had been directed to the PayPal screen and continued through the screen under the impression that he was paying with PayPal Credit. I can't say for certain what Mr D was thinking at the time. However, based on the screenshots I've seen, I'm satisfied that the selected funding method was clearly displayed, and that in Mr D's case, the selected funding method was his bank.

Mr D has said that he didn't receive a warning that his credit limit was insufficient to proceed with PayPal Credit. He's said that PayPal has admitted that the lack of a warning during checkout meant that its systems were unclear. I've thought about this. In relation to a warning about the credit limit, I'm not persuaded that PayPal made an error, because it had communicated the credit limit to Mr D when he applied for the account. So Mr D was aware – or ought to have been aware – that his credit limit wasn't sufficient to purchase the items he wanted on credit.

In relation to the lack of warning, PayPal acknowledged in an email dated 2 October 2025 that a lack of a clear warning during checkout may have led to confusion and unintended financial consequences. The email has to be seen in context. It was sent in response to a communication from Mr D in which he complained about the lack of warning and asserted that the website wasn't transparent. The response sent by PayPal to Mr D acknowledged that the lack of a warning may have caused confusion for Mr D. However, the email isn't an admission that the website was misleading, or that PayPal made an error in its processes.

I've thought about whether PayPal complied with its obligations under the Consumer Duty here, having regard to the points Mr D has made regarding consumer understanding. I've also had regard to FCA Principles 6 and 7. Mr D has said that he was taken through a credit based checkout, shown interest free repayment options and not warned that the transaction

would default to an immediate debit from his bank account. I've already referenced the screenshot evidence provided by PayPal and what Mr D would've been presented with at checkout. So irrespective of the lack of warning, I'm not persuaded that the information about the funding source wasn't clear, or that the information presented was misleading. Nor am I persuaded that the principle of foreseeable harm has been offended. Whilst firms are required to act in good faith and take proactive steps to avoid causing foreseeable harm to customers by anticipating potential issues and mitigating risks, I don't think (as I've said) that the information presented on screen was unclear or unfair or misleading. So I can't fairly conclude that the harm suffered by Mr D was due to an error or omission by PayPal, or that the harm was foreseeable for some other reason.

I understand that Mr D feels very strongly about what happened. And I appreciate that he fully intended – and wanted – to use PayPal Credit to fund his purchase. But based on what I've seen, I'm not persuaded that PayPal has made an error or treated Mr D unfairly. So I won't be asking it to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 May 2026.

Emma Davy
Ombudsman