

## **The complaint**

Miss M complains about a claim she made to Klarna Bank AB (publ).

## **What happened**

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my informal remit.

Miss M purchased some furniture from an online supplier using Klarna. However, she was not satisfied with the quality of the furniture and wanted to return it.

The supplier agreed to take the goods back for a refund. But Miss M is unhappy she has to post the items overseas to return them.

Miss M approached Klarna to raise a dispute. Klarna was unable to get Miss M a refund for the goods.

Miss M's complaint about the claim came to this service. She is unhappy Klarna could not do more to help her and says she wants it to force the supplier to collect the goods for a fair price.

Our investigator did not uphold the complaint, so it was escalated to me to make 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.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes informally.

I am sorry to hear about Miss M's issues with the goods she purchased. However, it is important to note that I am looking at the actions of Klarna, which is not a supplier of goods but a financial services provider. Klarna does have tools it can use to help Miss M – but this doesn't extend to forcing the supplier to collect goods, or dictate what it charges for returns.

I note here that Miss M paid the supplier using Klarna's 'One-Time Card' service – which creates a virtual Visa card to pay for the goods on behalf of Miss M. Miss M used her third party debit card to fund this transaction by paying back Klarna in three instalments.

There was a question mark raised by our investigator over the jurisdiction of this service to look into things due to the lack of a regulated credit agreement underpinning this arrangement. However, Klarna appears to be of the view this service is able to consider a complaint about this product. Because Klarna does not appear to dispute jurisdiction here I am not going to comment on jurisdiction in any detail. Only to say I agree this service can

get involved here due to the complaint being about an act or omission relating to the payment of money by card (albeit virtual rather than physical) or an activity ancillary to this.

For clarity – I know Miss M has raised a dispute with her third party bank for the payments she made to Klarna using the third party bank card. However, I won't be going into that here as this complaint is about Klarna's handling of a claim in relation to the payment it made to the supplier using the virtual card service. I also note that the outcome of the dispute Miss M raised with the third party bank does not in itself show that Klarna acted unfairly in respect of a dispute against the supplier.

Klarna indicated its card is a virtual Visa card – therefore, I consider the Visa chargeback rules are relevant here. But even if it were the MasterCard rules – this would not change the outcome here in any event.

It appears Klarna didn't raise a chargeback for Miss M– but they declined the claim for a refund. It is arguable they could have attempted one for Miss M but I think it would have failed in any event. I will explain why.

Based on what Miss M described it appears the most relevant chargeback dispute category here would be for a credit not processed (failure to refund). However, I don't think that would have succeeded in any event as although the supplier had consented to a refund Miss M did not return the goods inline with the supplier's returns policy as stated on its website.

I note Miss M has also said the goods were not as described. But it isn't clear from the evidence she presented how they are not as described. I note she initially said to the supplier that the furniture was uncomfortable – but this is quite subjective and doesn't mean goods are not as described or faulty – so I don't think Klarna was incorrect in not pursuing this issue further. And although there is also a chargeback category relating to faulty or not as described goods – I don't think this would have succeeded here in any event due to the lack of persuasive evidence supporting wrongdoing by the supplier, and the fact that Miss M had not returned the goods despite being offered a refund in any event.

I know Miss M says the crux of the issue is she didn't realise the supplier is based overseas – and she would not have ordered had this been clearer. But there isn't really a chargeback reason that suits this situation very well. So all things considered, I don't consider Klarna made a mistake in not pursuing a chargeback further than it did here.

I note Klarna also provide their own buyer protection policy. I have considered this for completeness but I don't consider it gives Miss M a right to a refund here – for similar reasons to those I have outlined in respect of a chargeback.

I am sorry to disappoint Miss M – as I know this matter has frustrated her. However, I don't consider Klarna has acted unreasonably, or caused her a financial loss in any event.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 21 October 2024.

Mark Lancod  
**Ombudsman**