

## **The complaint**

Mr A complains that Klarna Bank AB (publ) did not act upon information they received, and their actions caused impact to his credit file.

## **What happened**

Mr A says he used Klarna to make a purchase and a direct debit was set up to make repayments over a 24 month period. He says in January 2023 he contacted a Debt Management Company) DMC, and he completed paperwork to agree for them to take over his debts, however, the following day he contacted the DMC, and he told them he withdrew his consent as he didn't wish to proceed with the agreement. Mr A says that on 10 January 2023 the DMC sent a termination notice to Klarna about them dealing with his debt.

Mr A says that from February 2023 he noticed his credit score fell drastically each month, and he's been notified by third party companies that his credit limit was being reduced with immediate effect. He says in August 2023 he received a letter from Klarna informing him he was months in arrears on his repayments, and he needed to bring his account up to date or he would risk further action, which surprised Mr A, as he said he hadn't cancelled his direct debit with them.

Mr A communicated with Klarna to find out what was happening, and they informed him of the DMC agreement. Mr A contacted the DMC, and he has a call recording of the conversation, with them telling Mr A that they had sent Klarna a termination of authority. He says Klarna have missed this termination which has resulted in months of missed payments appearing on his credit file. Mr A made a complaint to Klarna.

Klarna said they partially upheld Mr A's complaint due to the time they took to respond to him, which they offered an apology to him. They said upon receipt of the letter of authority from the DMC, and as their internal processes and routines, their specialist team took the necessary actions and disputed the order as debt reconstruction. Klarna said as part of this process, send-outs were also suppressed. Mr A brought his complaint to our service.

Our investigator did not uphold Mr A's complaint. He said he had listened to the call Mr A had with the DMC. On this call, the DMC confirmed they sent an electronic spreadsheet to Klarna on 10 January 2023, asking them to withdraw the letter of authority, although our investigator hadn't been provided with the spreadsheet, so he said he couldn't reasonably say where the spreadsheet was sent, and what information it contained relating to Mr A. Our investigator said Mr A had provided him with a copy of a letter the DMC said it sent Klarna, however, the letter didn't request Klarna cancel or stop Mr A's account being written off.

Mr A asked for an ombudsman to review his complaint. He made a number of points. In summary, he said the DMC sent Klarna a letter to their registered address, so it is deemed to be received by the recipient the moment it is sent, therefore the spreadsheet notification of termination, or lack thereof was irrelevant. Mr A concluded that the DMC explained the real reason why Klarna did not act on or failed to see the termination notice, as they were overwhelmed with customers, which affected their level of service.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Firstly, I'm aware that I've only summarised Mr A's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't 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 to be able to reach what I think is a fair outcome.*

*I must make Mr A aware that I can only look into the actions of Klarna as part of this complaint, and I cannot look into any issues with the DMC (if there is any). This is because the complaint Mr A has brought to our service is regarding Klarna.*

*I'd like to explain to Mr A that it is not within this service's remit to tell a business how it should run their debt reconstruction policies, such as cancelling direct debits when they receive a debt reconstruction application, suppressing communications with a customer, and deciding to write off a debt. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Klarna to make changes to their policies and procedures, if necessary.*

*While I can't verify the call Mr A had with the DMC was genuine, I don't doubt Mr A genuinely recorded the call with the DMC. I've listened to the call, however, as I don't have access to the DMC's systems to verify what they've told Mr A, it becomes one word against another here.*

*I say this because I can't fairly say that Mr A's details were included on a spreadsheet the DMC say they sent Klarna without any evidence of the spreadsheet, in the same way I can't say Mr A's details weren't on a spreadsheet that I wouldn't have access to. This is because the spreadsheet would in all likelihood have other customers details on, which I don't have the other customers consent to access their data as part of Mr A's complaint.*

*I've considered what Mr A has said about the letter the DMC claims to have sent Klarna and that it is deemed to be received by the recipient the moment it is sent. But I'm not persuaded by this. I say this because I have no proof of postage. But even if the letter was sent to Klarna, this does not guarantee it would be delivered to Klarna, even if the address was their registered address. As we assess complaints on what is fair and reasonable, it wouldn't be fair to hold Klarna responsible for any postal system errors. And I've not been provided with a proof of delivery confirmation. So I can't fairly say the letter was actually sent, or more importantly received by Klarna.*

*I asked Klarna for Mr A's system notes. I can see the ticket being raised on their system notes for the debt reconstruction application dated 9 January 2023 at 9:59am. And there is an email address for the DMC on the ticket. But there is no system notes after this to say that Klarna received any notification from the DMC to cancel this, or that they weren't going to act on Mr A's behalf anymore.*

*The next system notes were on 17 March 2023, when they acted upon the DMC original instructions. So I agree with Mr A that there have been delays. But the next system note was on 4 July 2023 at 12:49pm. This shows an email Klarna sent to the same email address the DMC included in the original application on 9 January 2023. The email also confirms no legal action will be taken against Mr A, and no further interest or charges will be added to the*

debt. It tells the DMC if they require any further clarification, then they shouldn't hesitate to contact them.

On the balance of probabilities, I find it unlikely, based on the evidence I currently have that Klarna did receive the termination from the DMC. I say this as otherwise, I would expect a system note to show that at least they had received the postal version of the termination notice. If they had received the termination from the DMC, then there would be no reason for them to respond to the information asked by the DMC. The system notes do not show that the DMC informed Klarna that they weren't acting on behalf of Mr A even after Klarna had sent them the email in July 2023.

I did ask Klarna if they could double check their records regarding the spreadsheet the DMC claims to have sent them. So if Klarna had missed this originally, then they would be able to acknowledge this now. But Klarna said that after a thorough investigation, they haven't located a spreadsheet containing a termination notice for Mr A from the DMC. They also offered to check any other reference numbers that the DMC had for Mr A.

So I asked Mr A if he could reach out to the DMC to see if they had any other reference numbers for him. I'd like to thank Mr A for contacting the DMC to ask them about this, however, he confirmed they didn't have any other reference numbers for him.

During my investigations, I also discovered that when the loan was written off, a technical issue related to the interest for the loan for 26p remained outstanding. This prompted the letter to be sent to Mr A on 25 August 2023, even though Klarna had decided to write off his debt this day.

This error likely prompted the activity from Mr A by him having to constantly contact both the DMC and Klarna to find out what was happening. Although I would have expected Mr A to have realised his direct debit hadn't been collected from his bank account, he was caused distress and inconvenience by having to contact both companies. And he's told us about the impact to his credit file regarding what's happened here.

I asked Mr A for a copy of his credit file to see what Klarna had been reporting to the Credit Reference Agencies (CRA's). I'd like to thank Mr A for providing this to me. It appears the Klarna account is showing on his credit file in section C15. But while Mr A has said that what happened with Klarna has resulted in his credit being reduced with other lenders and his credit score reducing, section C15 doesn't show that Klarna reported any adverse information to the CRA which Mr A provided his credit report for.

I say this as there are statuses of "0" showing for each month on the account. If Mr A was in arrears then I would expect this to show "1" for one missed payment, "2" for two consecutive missed payments and so on. I can also see that his credit file shows the account was settled on 25 August 2023, but it doesn't show the debt was written off, which could be interpreted by other lenders negatively if this was showing as being written off.

I did note some of Mr A's other accounts were in arrears which may have impacted his credit score, such as the account in section C3 of his credit file which shows a "4" status which indicates he is four months in arrears on that agreement. But I note these were more recent than the issues he's had with Klarna.

So I've considered what would be a fair outcome for this complaint. While I can't evidence that Klarna has registered any adverse information about this account on Mr A's credit file, they have offered to amend Mr A's credit file, so I'll ask them to do this if there is any adverse information registered against this account. They've also offered to write off the 26p outstanding balance, so I'll make it clear they should write off any outstanding balance.

*Due to the errors/delays from Klarna that I've uncovered in my investigations, Klarna have also offered £150 compensation for distress and inconvenience to Mr A. I'm persuaded that this is fair. I say this because although I've seen no evidence that Klarna received the termination notice from the DMC, despite what the DMC told Mr A on a recorded call, they didn't act upon the termination notice in a timely manner, and Mr A needed to spend time communicating with Klarna and the DMC to find out what was happening. It is only through this decision that he now will know what prompted the letter to be sent to him and a balance of 26p showing on Klarna's records (despite his credit file showing the account as settled). So I intend to ask Klarna to put things right for Mr A."*

I invited both parties to let me have any further submissions before I reached a final decision. Klarna accepted the provisional decision. Mr A did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask Klarna Bank AB (publ) to take the following actions:

Write off any remaining balance on the account;

Remove any adverse information they have reported to the CRA's regarding this account;

Pay Mr A £150 for distress and inconvenience.

I'm still satisfied this is a fair outcome for the reasons given previously.

### **My final decision**

I uphold this complaint in part. Klarna Bank AB (publ) should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 December 2024.

Gregory Sloanes  
**Ombudsman**