

The complaint

Mr M complains about how Klarna Bank AB (publ) has administered his various credit agreements.

What happened

Mr M has several credit agreements with Klarna. In 2024, he complained about issues he'd had with his repayments.

In short, Mr M said that Klarna was attempting to take repayments too early. He also says he was advised, by Klarna, to take steps himself which might fix the issue. This, though, had only led to further problems.

Klarna sent a final response letter to Mr M. In it, Klarna said that it upheld Mr M's complaint in part. That was largely due to the poor level of service Mr M had received, specifically one of Klarna's agents – whom Mr M had spoken with on the phone – not understanding the problems he was having. To resolve the issue, Klarna wrote off the remaining payment of one of Mr M's finance agreements. Mr M, though, remained unhappy. He'd already contacted this Service before he received Klarna's response and – after reading Klarna's letter – he still wanted to pursue the matter.

While Mr M's complaint had been with this Service, Klarna had offered to write off a further amount from another of Mr M's agreements. It then changed that offer, to become a compensation payment of £50 instead.

An Investigator here reviewed what had happened and, broadly, thought that Klarna had done enough to put things right. Mr M didn't agree, and he asked for an Ombudsman's decision. So, the complaint was passed to me.

I issued a provisional decision setting out why I intended to uphold Mr M's complaint. I said:

"...It seems to me that this dispute centres, largely, on administration. Essentially, Mr M says that any issues with his repayments weren't down to him doing something wrong; Klarna too denies doing something wrong, at least in terms of processing Mr M's repayments, and seems to suggest that it's correctly followed its usual process.

I think it's fair to say that some not inconsiderable confusion has been caused around how repayments are processed, and how best Mr M can make them. Be that through either Klarna telling Mr M to take various actions like cancelling Direct Debits, or by Mr M attempting to make repayments manually.

Either way, what's important here is to see if Mr M has been unfairly disadvantaged. If he has, I must consider how Klarna should put things right for him. From what I've

seen, Klarna hasn't recorded any adverse data on Mr M's credit file. So, based on the evidence I have, I can be satisfied that Mr M hasn't suffered any detriment in that regard. My view is that's certainly appropriate, given the general uncertainty around what's happened with his repayments, so I can put that aspect to one side for the moment.

In terms of the service it provided, it's reasonably clear that Klarna did make some error. Klarna's said as much, and it's made offers to compensate Mr M for some poor service he received. That, of course, is a reasonable thing to do in the circumstances. Currently, Klarna's offer appears to be to pay Mr M £50 compensation for the inconvenience he's suffered. I've noted that Mr M, though, wants much more; up to £750 given the distress he says he's been caused. I've also noted that previous offers to write off some of Mr M's various balances appear to have been withdrawn and replaced with the offer of compensation.

With all of that in mind, and at least as a starting point to make things clear; as well as to try and resolve things here, I'm minded to recommend the following next steps:

- Klarna should ensure that Mr M has accurate information for him to determine how best to meet his various repayments. So, in essence, Klarna needs to make sure Mr M understands how it processes repayments and what he needs to do to avoid missing them.*
- Mr M, on the other hand, needs to ensure his repayments are met as per the terms of the agreements.*
- Klarna should check that Mr M's credit file hasn't been affected for anything that's happened around repayments to date.*
- Klarna should provide Mr M with enough information to understand the balances of his outstanding agreements. Perhaps in a manner such as taken from a sample credit agreement on its website, which I've set out below:
 - a) the details of each repayment owing under this Agreement together with their due dates;*
 - b) the amount and any conditions relating to the making of the repayment;*
 - and*
 - c) a breakdown of each repayment, setting out how much of the repayment is made up of the amount borrowed, interest on the amount borrowed and any other charges (if applicable)."**

Given the passage of time since Mr M complained, I'm aware that some of the above may have already been carried out; or has simply happened through either party taking action themselves. But I thought, nonetheless, that it was worth including – just to ensure clarity moving forward.

Aside from that, looking at what did happen with Mr M's repayments, while somewhat confusing on the face of it, it seems to me that Klarna did at least attempt to initiate repayments just as it says it will do. That initiation – which is, essentially, Klarna requesting that Mr M's bank set aside money in Mr M's account for the repayment – happens around two days before the payment is due. The money itself is then released on the due date. That's not inherently unreasonable, nor outside of how Direct Debits work more broadly.

Although, with that said, I can surely see how Mr M's frustration would've grown. I don't think things have been very clear, and whether it was solely misinformation or a misunderstanding; a "glitch" that occurred at some point in Klarna's processing of repayments, or even both, something has caused confusion and inconvenience here. I'll add that I certainly think if Klarna's process did experience a "glitch" – which led to Mr M being informed that repayments were late when they weren't – then Klarna should address and take steps to fix that, if it hasn't already done so.

In terms of redress for what's happened, Mr M has described just how much the matter affected him. I am truly sorry to hear of his mental health struggles, and I really do hope that things have since improved for him. But while I've no doubt this experience was distressing, I'm afraid I can't agree to recommend a compensation award as high as £750 or similar. That's a significant amount, which we'd consider for long-running and severe distress. I certainly don't mean to downplay the impact this experience has had on Mr M – and I don't think the £50 currently on offer does go far enough – but I'm not minded to award Mr M the amount he seeks.

Instead, in the circumstances of this complaint, I think an award of £150 for the misinformation and confusion caused is sufficient. So, that's what I intend to ask Klarna pay Mr M.

In closing then, and in summary, my provisional findings are that Klarna did provide Mr M with poor service here – and that, consequently, Mr M should be paid £150 compensation. I'd also ask both parties to review the bullet-pointed steps I've set out, and for Klarna to agree to the actions within them, if for nothing else than to ensure everything is clear on repayments moving forward, as well as the current position in terms of Mr M's various balances."

Both parties responded, and both accepted my provisional findings.

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.

Given both parties have accepted my provisional findings I see no reason to depart from them. It follows that I uphold Mr M's complaint and the following administrative steps should now take place:

- *Klarna should ensure that Mr M has accurate information for him to determine how best to meet his various repayments. So, in essence, Klarna needs to make sure Mr M understands how it processes repayments and what he needs to do to avoid missing them.*
- *Mr M, on the other hand, needs to ensure his repayments are met as per the terms of the agreements.*
- *Klarna should check that Mr M's credit file hasn't been affected for anything that's happened around repayments to date.*
- *Klarna should provide Mr M with enough information to understand the balances of his outstanding agreements. Perhaps in a manner such as taken from a sample credit agreement on its website, which I've set out below:*
 - a) *the details of each repayment owing under this Agreement together with*

their due dates;
b) the amount and any conditions relating to the making of the repayment;
and
c) a breakdown of each repayment, setting out how much of the repayment is made up of the amount borrowed, interest on the amount borrowed and any other charges (if applicable).”

Klarna Bank AB (publ) should also pay Mr M £150 compensation as directed in my provisional decision.

My final decision

My final decision is that I uphold Mr M’s complaint. Klarna Bank AB (publ) should now put things right as I’ve set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 1 April 2025.

Simon Louth
Ombudsman