

The complaint

Miss P complains that Klarna Bank AB (publ) didn't close her credit account promptly and made a number of administrative errors with payments.

What happened

In January 2021, Miss P contacted Klarna to arrange to close her running account credit facility. She said that she had cleared her outstanding balance and wanted the account showing as settled on her credit file. Klarna explained that Miss P had overpaid her account, so it was now in a credit balance. This was because Miss P had made a payment by direct debit as well as a manual payment for the same amount. Klarna said it would arrange to refund the overpayment Miss P had made, as it couldn't close the account until the balance was zero.

The overpayment was refunded to Miss P and the balance was reduced to zero by the end of January 2021. However, a further £2.78 of interest was added at the end of the statement period.

Miss P contacted Klarna to query the interest charge. She was told this was interest that had accrued on the outstanding balance prior to Miss P clearing it in full. Klarna said that so long as Miss P paid off this interest charge, there would be nothing further to pay and the account could then be closed.

Miss P made the payment but Klarna didn't apply it to her credit account. This meant Miss P had to make the payment a second time. Klarna then applied the first payment, resulting in Miss P having overpaid her balance once more, so the account still couldn't be closed. After contacting Klarna again the overpayment was refunded and the account was closed in May 2021.

Our investigator recommended the complaint be upheld. She didn't think Klarna had provided clear explanations about what was happening with the account, nor did it process things quickly enough. She said it should pay Miss P £100 compensation for the distress and inconvenience that was caused.

Klarna didn't agree. It said that £80 would be more appropriate compensation. Miss P also didn't agree. She felt that £250 would be fairer given everything Klarna had put her through.

The complaint has been passed to me 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.

It doesn't appear to be in dispute that Klarna ought to have provided a better level of service to Miss P when she tried to close her account. What's left for me to decide is what an appropriate amount of compensation should be for the upset and inconvenience Klarna's

actions caused.

I note that the problems initially arose because Miss P overpaid the account, this wasn't something that was caused by Klarna. However, after that point, I think Klarna could have done more to have resolved things more quickly.

I'm not persuaded that Klarna were clear enough about what timescales would apply for the refunds to be made to Miss P in order to bring the account balance to zero. It also didn't tell her about the possibility of further interest being charged the following month which would delay the account being closed. Miss P was therefore understandably surprised to receive a further demand for payment – albeit of a small amount – in February 2021. This upset could have been avoided if Klarna had communicated more clearly with Miss P.

Miss P made the interest payment that was due and Klarna accepts it was their error that caused it not to be applied to the account, which in turn caused Miss P to make a second payment for the same value. Once Klarna located the missing payment, this further delayed the closure of the account because it once again didn't have a zero balance. So, I think Klarna's actions did cause unnecessary delays and inconvenience to Miss P.

Lastly, I note that in April 2021 Klarna said it would process the account closure but didn't do so. In May 2021, Miss P had to once again contact Klarna before this was actioned. This was a further unnecessary and inconvenient step for Miss P to make. I've also seen that Miss P expressed her concerns about what was being reported on her credit file a number of times and Klarna didn't provide adequate assurances or explanations of what was being reported. This clearly caused Miss P further unnecessary upset.

Having considered all the circumstances of the complaint I'm satisfied that Miss P was very frustrated with how Klarna were dealing with her requests and I don't think Klarna communicated with her clearly nor carried out the account closure as quickly as it could have. However, I've also taken into consideration that Klarna's actions caused no financial loss to Miss P nor have I seen that its actions had any detrimental impact on her credit file, which is what she was concerned about. Therefore, I'm satisfied that fair compensation for Klarna to pay for the distress and inconvenience caused to Miss P is £100.

My final decision

For the reasons given above, I uphold this complaint and direct Klarna Bank AB (publ) to:

- Pay Miss P £100 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 6 July 2022.

Tero Hiltunen
Ombudsman