

The complaint

Mr D complains that Klarna Bank AB (publ) provided incorrect information when he contacted it to ask about changing his payment date.

What happened

In June 2021 Mr D purchased goods and entered into a fixed sum loan agreement with Klarna. The loan was payable by 12 monthly repayments of £93. Mr D set up a direct debit to make repayments.

In August 2021 Mr D contacted Klarna via live chat and asked whether he could change his payment date. The representative advised Mr D that it wasn't possible to change the payment date but said that if he made a manual payment of the exact sum due, this would be allocated to his next instalment payment. Mr D asked the representative to confirm that this meant that his direct debit payment wouldn't be taken. The representative confirmed this.

In September 2021 Mr D contacted Klarna via live chat again and said he'd made a manual payment and wanted to make sure his direct debit wouldn't be taken. The representative confirmed that the direct debit payment wouldn't be taken.

However, Mr D's direct debit payment was taken. Mr D contacted Klarna via live chat again. The representative apologised and said that extra payments made towards the agreement wouldn't stop the direct debit from being taken. The representative advised Mr D to claim the payment back from his bank via a chargeback.

Mr D raised a formal complaint. In response, Klarna apologised for providing incorrect information and credited Mr D's account with £15.

Mr D remained unhappy. He feels that a higher level of compensation is due because he was provided with incorrect information on two separate occasions. He said the unexpected direct debit meant that he had to increase his overdraft, which resulted in him incurring extra charges.

Our investigator didn't think Klarna had acted fairly. She looked at the impact that the incorrect information had on Mr D and said it had led to him incurring overdraft charges. The investigator said Klarna should pay Mr D additional compensation of £100 and refund the bank charges he'd incurred of £1.04.

Klarna didn't agree. It said that Mr D hadn't advised them that he had gone into overdraft and incurred charges. It also said that Mr D had been advised to retrieve his payment via chargeback but had failed to do so, which lengthened the time he was overdrawn for. Klarna said it didn't agree with compensation of £100 and offered £65.00 compensation instead.

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.

There's no dispute that Mr D was provided with incorrect information about the effect of a manual payment on his direct debit payment. The issue for me to decide here is whether the compensation offered by Klarna is fair, taking into account the impact of the incorrect information on Mr D.

I've reviewed Mr D's bank statements covering the period August – September 2021. I can see that when the direct debit was taken on 7 September 2021, Mr D was already overdrawn by around £32. Mr D's interest free overdraft limit was £50, so he was within this.

The direct debit payment, which Klarna had told Mr D on two separate occasions wouldn't be taken, caused Mr D to exceed his interest free overdraft limit, and as a result he incurred bank charges.

I'm satisfied that Mr D incurred charges of £1.04 as a result of the incorrect advice given by Klarna. It's fair to ask Klarna to refund these charges.

I've also considered the wider impact of this on Mr D. Mr D was given incorrect information twice and suffered the trouble and upset of being overdrawn and incurring charges for two weeks, which caused him to worry about his finances. In the circumstances I think it's fair to ask Klarna to pay compensation for the trouble and upset caused to Mr D.

Klarna has said that Mr D should have followed its advice and done a chargeback. Whilst I can see that Klarna suggested this as an option, I'm not persuaded that Mr D choosing not to do this isn't a reason not to award compensation. Even if Mr D had done a chargeback, I'd be awarding compensation for the trouble and upset of being put in a position where he had to do this.

Putting things right

To put things right, Klarna must pay compensation of £100 to Mr D for the trouble and upset caused by the incorrect advice. It must also refund Mr D's charges of £1.04.

My final decision

My final decision is that I uphold the complaint/. Klarna Bank AB (publ) must pay compensation of £100 to Mr D and refund the charges of £1.04.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 July 2022.

Emma Davy
Ombudsman