

The complaint

Mr J feels that Klarna Bank AB (Publ) has treated him unfairly with regard to his credit agreement and his credit file.

What happened

Mr J entered a credit agreement with Klarna in May 2021 to purchase a bike. Mr J says he filled all the documents and expected payments to be taken automatically. A couple of months later Mr J said he checked his credit file and could see Klarna had logged late payment markers relating to June and July 2021. So he complained. He explained that although the Klarna staff he had contact with were sympathetic to his situation his complaint was unsuccessful. So he complained to this Service.

Our Investigator liaised with Klarna and it changed its position. It offered Mr J £50 distress and inconvenience and offered to remove the first months' adverse credit reporting. But it didn't offer to remove the second missed payment because it said it had sent him sufficient reminders and notifications in time so that he could have paid it, even if he'd not understood he needed to set up the payments originally.

Our Investigator felt this offer was fair considering what had happened here. But Mr J feels that he's done little wrong, that Klarna staff have agreed with him and as such all adverse reporting should be removed from his credit file. He's also paid off the credit as he feels he's not been treated fairly.

As Mr J remains unhappy, this complaint has been passed to me for a 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.

The facts are not in dispute here. Mr J says he entered the agreement with Klarna. He doesn't dispute not paying during the period in question. And having considered the statements I can see no payment was made in the months in question. So considering everything in the round I'm satisfied that the payments weren't made. So it follows that Klarna could apply late payment markers to his credit file. But the question here is whether that would be fair or not.

Mr J says that in credit agreements he's seen before the repayment method is set up when the credit is taken out. And for many agreements that is the case. However this running account agreement isn't the same as many other types of agreements. It's a running account agreement which is more like a credit card type agreement where there may be months where nothing needs to be paid because there is no outstanding balance. And other months there might be a need to pay significant sums because there is significant borrowing.

So I've considered what happened from when he took out the borrowing. I can see a welcome letter and a copy of the agreement and explanation of how to pay were provided

just after he purchased the bike. I can also see statements being sent to Mr J which showed his purchase, no payments being shown each month to the outstanding balance and the outstanding balance not going down. Klarna has also pointed to text messages and other correspondence that it sent at the time.

Having considered everything in the round I'm satisfied that whether or not Klarna made clear the need to set up repayments at the point of sale it did enough after the agreement was arranged to tell Mr J that he needed to pay, how to pay and when to pay particularly by the time of the second payment Mr J missed. So I don't think it is at fault for him not paying the second payment. And accordingly I think it is fair for the latter late payment marker to remain on his credit file.

I can see Klarna has offered to remove the first late payment marker and to pay £50. I can also see Klarna's staff comments to Mr J about the matter and it not being an isolated incident. So although there was some information about paying provided at the start I do think Klarna's offer to remove the first payment adverse credit reporting and to pay £50 is fair.

Mr J says that if it's fair they remove the first then Klarna should remove the second adverse reporting as it flows from the same issue. But I don't agree. I've seen copies of the statements sent, along with emails sent (which includes when they were opened) and text message reminders as well. And considering the number of these and when they were respectively sent I think Klarna did enough to show Mr J that he needed to pay that month. So in the round I think the suggested settlement is fair.

In summary I am not persuaded by Mr J's arguments that the offer isn't enough. So in short this complaint does succeed. I appreciate this will be a disappointment to Mr J and I appreciate he points to comments made by Klarna's staff. However Klarna repeatedly made clear what he had to pay between when the agreement was set up and when he missed the second payment which was recorded as late. So I think it fair that particular reporting remains.

Putting things right

Accordingly Klarna should remove the first month's adverse reporting and pay Mr J £50 if it hasn't done so already.

My final decision

For the reasons set out above, I uphold the complaint against Klarna Bank AB (Publ). It should remove the first adverse reporting and pay Mr J £50 if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 19 October 2022.

Rod Glyn-Thomas
Ombudsman