

The complaint

Mr C complains that Klarna Bank AB (publ) recorded a late payment marker on his credit file. He's also unhappy because he thinks Klarna has calculated his outstanding balance incorrectly.

What happened

In June 2021 Mr C purchased a bike and entered into a credit agreement with Klarna.

Mr C's payment for January 2022 was due on 31 January 2022. However, the direct debit payment failed. Mr C contacted Klarna on 4 February 2022 to make a manual payment. Mr C says he made the manual payment using the reference details provided by Klarna and believed that the payment had been made that day. However, he subsequently received a notification from Klarna that his payment was outstanding.

Mr C contacted Klarna via online chat and told them he'd made the payment on 4 February 2022. Klarna advised Mr C that it couldn't see the payment. After some discussion, it became clear that the payment had been received but hadn't been allocated to Mr C's account.

Mr C complained to Klarna. He said he'd been given the payment reference by Klarna and that he'd made his payment on 4 February 2022. Mr C asked to speak to a manager but never received a call back. He raised a further complaint about the outstanding balance on his account.

In its final response, Klarna said it had provided bank details and the payment reference to Mr C. It acknowledged that the payment made on 4 February hadn't been added to the account until March, but said that this made no difference to the fact that the payment due on 31 January 2022 had already been classed as a late payment and that the outstanding balance was correct.

Mr C wasn't happy with the response and complained to this service.

Our investigator upheld the complaint. He said that because the payment due on 31 January 2022 failed, Klarna hadn't made an error in recording the payment as late. The investigator said that the manual payment made on 4 February 2022 made no difference to this. In relation to how Klarna handled Mr C's complaint, the investigator said he couldn't see that Klarna had done anything wrong because it had issued its response in a timely manner. The investigator said that Klarna could've provided better customer service and found that a call back from a manager never took place. In relation to Mr C's account balance, the investigator reviewed the account and said the calculation of the outstanding balance was correct. The investigator concluded that because of the delay in allocating Mr C's manual payment and the failings in customer service, a compensation payment of £100 should be paid to Mr C.

Mr C didn't agree. He said that even though the direct debit payment due on 31 January 2022 had failed, the manual payment had been made on the day the direct debit payment

was due to come out of his account. He didn't think it was fair that a missed payment had been reported.

Klarna didn't agree either. It said the payment was due on the last day of the month and that in this case, the payment had been requested on 31 January 2022 and debited on 4 February 2022. It said that even though Mr C had made a manual payment on 4 February 2022, the payment due to be taken on 31 January 2022 had already been classified as missed. In relation to the delay in allocating the manual payment to the account, Klarna said that if Mr C had used the correct reference, the payment would have been allocated in 3-5 business days and wouldn't have remained unallocated for so long.

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.

I've looked at Mr C's account statements. The relevant statement (5 December 2021 – 4 January 2022) states that the next payment was due on 31 January 2022.

Klarna has provided information to show that it tried to take the direct debit payment on 31 January 2022. The payment failed. It hasn't been possible to establish why the payment failed. Mr C has mentioned that another payment from his account has caused the account to become overdrawn, so this might be the reason. In any event, it seems that Mr C was aware that the direct debit payment had failed because he contacted Klarna on 4 February 2022 to make a manual payment.

There was a delay in the manual payment being allocated to Mr C's account. Mr C says this was because he'd been provided with an incorrect reference number. He believes that the payment would have been credited to the account on 4 February if he'd been given the correct reference number. And he says that in these circumstances there would have been no late payment because the direct debit wouldn't have left his account until 4 February in any event.

I've taken all of the available information into account. And I've carefully considered what Mr C has said. I understand that he feels very strongly about this. However, based on what I've seen, the direct debit payment which was due on 31 January 2022 failed, and I don't think Klarna has made an error by reporting a missed payment.

In relation to Mr C's manual payment, there's a disagreement between Klarna and Mr C as to who is responsible for the delay in allocating it to the account. Mr C says that Klarna provided him with an incorrect payment reference. Klarna says it provided the correct payment reference, but that Mr C quoted his order number rather than his account number when he made the manual payment.

There isn't enough information for me to determine exactly what was said to Mr C when he called to make the manual payment. Based on what I've seen, it seems likely that Klarna's representative could've explained the process for making a manual payment more clearly. Notwithstanding the incorrect payment reference, I think there was an unreasonable delay on Klarna's part in allocating the payment to the account. The delay doesn't change my view that the payment due on 31 January 2022 was missed. But the delay is a customer service issue for which I think Klarna should accept responsibility.

I'm not persuaded that the manual payment made on 4 February would have been allocated to the account straightaway even if it had carried the correct payment reference number. Klarna has said that it would have been received after 3-5 business days. So, I don't think

the manual payment would've reached the account at the same time the direct debit payment (if successful) would have done.

In relation to the other aspects of Mr C's complaint regarding his balance, I've reviewed the account statements and I haven't found any errors.

Putting things right

For the reasons I've given, I'm unable to say that the missed payment marker has been reported in error. However, I'm of the view that there was unreasonable delay in allocating the manual payment to the account, which caused unnecessary distress and inconvenience to Mr C. I'm also persuaded that Klarna could have provided better customer service by explaining the manual payment process more clearly and calling Mr C back when it said it would. I think it's fair to ask Klarna to pay compensation to reflect this.

My final decision

My final decision is that I uphold the complaint.

Klarna Bank AB (publ) must pay compensation of £100 to Mr C for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 October 2022.

Emma Davy
Ombudsman