

The complaint

Ms S complains that Klarna Bank AB (publ) ("Klarna") were wrong to report a default to the credit reference agencies.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead I'll focus on giving my reasons for my 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.

I know it will disappoint Klarna, but I agree with the investigator's opinion.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Ms S didn't receive her bike until 29 June 2020. Klarna told Ms S that payments would be taken on the 5th of every month. So, I think the first payment was therefore due on 5 July 2020, but it'd already been taken by Klarna, too early, on 23 June 2020.

Ms S raised concerns about the payment being taken too early and payments were suspended and reactivated in August. Klarna confirmed the reactivation to Ms S on 17 August 2020 and they took a payment on 21 August that would have covered the payment due for that month. They also took another payment on 28 August 2020. I think that would have covered the instalment due on 5 September 2020.

When Ms S received further emails, one explaining a further payment was due on 5 September 2020 and another explaining that a payment would be taken on 8 September 2020 I can understand her confusion. The payment on the 28 August was unexpected and now it seemed a further two payments would be debited. I can understand that in those circumstances she would have wanted to cancel her direct debit to protect herself as it appeared that Klarna were planning to take four payments from her account within three weeks.

Ms S therefore didn't make a payment in September 2020, but I don't think one was due as it had been collected on 28 August 2020.

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments a default may be registered. Klarna have explained that they have recorded the date of default on Ms S's credit file as 24 November 2020.

Ms S didn't make the payments which were due on 5 October and 5 November 2020, so I don't think it's fair for Klarna to suggest she was three months in arrears at the point they defaulted the account, she was at worst two months behind. I therefore don't think Klarna were fair to register a default.

Klarna do have a responsibility to report accurate information about a consumer's credit performance. They may therefore consider there's a need to report missed payments towards Ms S's credit file for October and November 2020, but I don't think that would be reasonable. The payment due on 5 November 2020 was made on 26 November when Ms S also paid the October instalment. I think it would be reasonable to suggest payments were delayed because Ms S was confused about what was due and when and that confusion stemmed from the first payment on this contract being taken too early. I think it would therefore be unreasonable to report any missed payments or a default on this account as I don't think it would be a fair reflection of Ms S's financial performance.

Putting things right

Klarna should remove the default and any missed payment markers they may have reported to Ms S's credit file in relation to these issues. I understand Klarna have offered to refund the instalment paid in June 2020 and I think that's reasonable compensation for the issues Ms S experienced.

My final decision

For the reasons I've given above I uphold this complaint and tell Klarna Bank AB (publ) to remove the default and any missed payment markers they may have reported to Ms S's credit file in relation to these issues and to refund the first instalment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 2 November 2022.

Phillip McMahon
Ombudsman