

## **The complaint**

Mr G is unhappy with how Klarna Bank AB (publ) (Klarna) recorded his payment history with a credit reference agency.

## **What happened**

In October 2019, Mr G purchased an item on interest free credit. A running-account credit agreement was set up with Klarna at this time.

A couple of days later Mr G returned the item to the retailer and asked for a full refund and for the credit agreement to be cancelled. In December 2019 he received a full refund from the retailer, rather than the refund being sent to Klarna to allow the credit agreement to be closed. So, Mr G called Klarna and made the payment to them, to bring the account balance to zero and allow it to be closed.

In January 2020 Mr G received a request from Klarna for a minimum payment to be made to his account. This came as a surprise to him as the account should have been closed, and he contacted Klarna. It took a couple of months of discussions between them before Klarna confirmed the account was closed.

In March and April 2020 Mr G made some applications for a balance transfer credit card. These applications were declined. When Mr G received a copy of his credit report it showed a missed payment in February 2020, which had been registered by Klarna. Unhappy with this, he contacted Klarna to complain. He said that the missed payment had led to his credit card applications being declined, and he wanted to be adequately compensated for that.

Klarna didn't initially raise the complaint when it should have done, but they acknowledged this and apologised to Mr G in their final response letter. They also apologised for the error in recording the missed payment and confirmed they had asked the credit reference agency to rectify Mr G's credit report. They didn't accept that the missed payment alone had led to the credit card applications being declined and explained that lenders consider many different factors when considering an application. They gave Mr G compensation of £179.10 and said they would be able to investigate the declination of the credit card applications further if Mr G provided a copy of his credit report along with confirmation from the businesses that declined the applications as to the exact reasons they were declined.

Mr G brought his complaint to our service. While our investigator was looking into things for him, Klarna offered a further £50 compensation. Our investigator felt this was fair and explained why to Mr G. He also asked Mr G to provide confirmation from the credit card companies as to the exact reasons why Mr G's applications were declined as well as a copy of his credit report. Mr G didn't provide anything, but said he felt it was obvious that the missed payment was the reason.

As Mr G didn't agree, it's been passed to me to decide.

## **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.

As the Klarna running-account credit is a regulated consumer credit agreement this service can consider complaints relating to it.

In Mr G's submissions to our service he has made it clear that he thinks our service should hold Klarna accountable for their actions. He feels the only way to do that is to hurt them financially, and he's requested a significant amount of compensation as a result. I want to make it clear before explaining my decision that our role isn't to punish businesses, nor are we the regulator. Klarna have accepted they made a mistake with Mr G's account and they've paid some compensation to him for that. They've also made an additional offer since our service has had the complaint. The decision for me to make is to decide if Klarna have dealt with Mr G's complaint fairly. In this case I think they have. I'll explain why.

Mr G notified Klarna of his concerns and asked to raise a complaint in early April 2020. This wasn't actioned by Klarna until three weeks' later when Mr G continued to contact them about his credit report, and the need for it to be rectified. At this point Klarna confirmed to Mr G that they would notify the credit reference agency and arrange for the missed payment to be removed. This process can sometimes take a couple of months for the correction to be applied to the credit report – in Mr G's case his credit report was rectified in early June 2020.

On balance, having looked at the communication between Mr G and Klarna I'm satisfied they should have notified the credit reference agency sooner, and should have logged his complaint at the earlier date in April. But I'm also satisfied Klarna took the necessary steps to arrange for Mr G's credit report to be corrected promptly once they had logged his complaint.

It was no doubt frustrating for Mr G to find that his credit report had been incorrectly updated. However, Klarna have already paid him £179.10 as compensation, and have since offered a further £50 to Mr G. I think the total amount of £229.10 is reasonable compensation for the distress and inconvenience he has suffered because of Klarna's error.

Mr G strongly believes the reasons his credit card applications were turned down was because of Klarna's error. He has said this impacted him financially and he had to borrow money from his family to enable him to settle his existing credit card debt. But lenders base their decisions to lend on several criteria. And Mr G says he wasn't told specifically why his credit card applications were declined. Klarna and our investigator have asked Mr G to provide some further evidence of the reasons for the declinations from the credit card companies, and he hasn't done that. Our investigator also asked for a copy of Mr G's credit report, and this was never provided. This means that there isn't anything to show me that the incorrect information reported by Klarna was the *only* reason the applications were declined. So, I haven't seen enough evidence to persuade me that Mr G has lost out financially because of Klarna's error.

I appreciate my decision will be disappointing for Mr G, but I won't be asking Klarna to do anything more than pay the additional £50 compensation to him.

## **My final decision**

Klarna Bank AB (publ) has already made an offer of £50 to settle the complaint and I think this offer is fair in the circumstances.

So, my decision is that Klarna Bank AB (publ) should pay Mr G £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 September 2022.

Kevin Parmenter  
**Ombudsman**