

## **The complaint**

Mr H complains that Klarna Bank AB (publ) ('Klarna') registered two late payment markers on his account.

## **What happened**

In October 2021 Mr H purchased an item using a fixed sum loan agreement from Klarna. Later that month he set up a direct debit mandate so Klarna could take monthly payments towards the debt.

In late January 2022 Mr H went to purchase a kitchen using credit through a different provider and was declined. He explained at this point he realised there was a problem with his credit file and that two late payment markers had been logged against him by Klarna.

Mr H contacted Klarna and was told he'd correctly set up his direct debit mandate but he hadn't set up 'autopay' within his Klarna account and both were needed in order for payments to be taken by Klarna. So, Klarna had been unable to take payments towards the debt in November or December 2021 via direct debit.

Mr H was unhappy and complained to Klarna. He said he'd never been made aware he needed to set up 'autopay' and stressed that all he'd ever needed to do with previous credit agreements was set up a direct debit mandate. Klarna didn't uphold his complaint. It said Mr H had been notified that Klarna had yet to receive payment – he had been emailed twice a month, with his statement and a reminder email. That being said, it agreed to remove the November 2021 late payment marker from his credit file due to the lack of clarity surrounding the autopay process. It also apologised for any inconvenience or distress caused.

Mr H still didn't think this was a fair resolution to his complaint and so he brought the matter to our Service. Mr H clarified that he made overpayments towards the debt of £100 in October 2021 and payments of £115 and £220 in January 2022 which means the missed minimum debt repayments were for very small amounts of around £8-9 each. He told us that he didn't think to check his bank account to see if these amounts had come out.

Mr H said that as a result of Klarna's mistake he was declined for credit in January 2022 and was unable to purchase a kitchen at a discounted price – he said the kitchen would cost him £3,076.03 more post sale period and he thinks Klarna should pay the difference, in addition to removing the negative credit marker from his file.

Our Investigator looked into things and initially upheld the complaint. They didn't think Klarna had made the requirement for autopay clear and they didn't think Mr H would necessarily have realised payments had been missed from the correspondence he'd received. He recommended Klarna remove the late payment markers, refund any late fees and pay £150 compensation for the distress and inconvenience caused. He didn't recommend Klarna pay the difference in kitchen cost as Mr H never purchased the kitchen.

Klarna disagreed with the Investigator's view. It said it had sent emails to Mr H on 5 December 2021 and 6 January 2022 which told him Klarna hadn't received his last

payment – so it said he ought to have known there was a problem. However, it offered to pay Mr H £50 compensation in recognition of the confusion with autopay.

After reviewing the evidence, our Investigator changed their opinion and didn't think Klarna needed to do anything further. They said that, on balance, Mr H would've read these emails and therefore could have avoided the late payment markers. And they felt the £50 compensation offer was fair in the circumstances.

Mr H disagreed outlining the emails had gone to his junk folder, so he'd never seen them. He asked for an Ombudsman's decision on his complaint and so the matter was passed to me to decide.

Our Service sent Mr H the evidence Klarna had shared which indicated that he'd opened the email on 5 December 2021.

In response Mr H said this email was still sitting in his junk folder unopened. He said Klarna's evidence didn't make sense because it showed he'd opened the email at nearly midnight but he had an early meeting the next day and so would have been asleep.

I'm now in a position to issue a final decision on this complaint.

### **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.

*Was it clear Mr H needed to set up autopay for payments to be taken?*

Having reviewed the evidence Klarna has sent our Service, I'm not persuaded that it was. As Klarna has acknowledged, this is not a commonplace requirement when setting up a direct debit within the UK. So, I wouldn't have expected Mr H to have known about this unless he was told.

Mr H's welcome email doesn't mention autopay nor does the credit agreement itself.

Following the set up of the direct debit Mr H was sent mandate success emails by Klarna and neither of these alerted him to the fact he also had to enable autopay in order for payments to be taken. Having reviewed these emails, they clearly state the direct debit had been successfully set up. So, I think it was reasonable for Mr H to assume at this stage that he'd put in place the arrangements he needed to to ensure payments would be taken.

In reaching this view I have also considered the autopay promotional email which was sent to Mr H on 6 December 2021. But having reviewed this I don't think it makes it clear that this is required in addition to a direct debit.

So overall I don't think Klarna's communication was sufficiently clear and I do think it made a mistake. Which means I need to consider the consequences of this.

Mr H said this is what caused him to miss his minimum payments but Klarna has disagreed saying Mr H ought to have been aware of the missed payments in any event.

*Ought Mr H to have been alerted to the missed payments in any event?*

Mr H's Klarna statements showed the following:

- The first page of the statement uploaded around 5 December 2021 showed £7.78

was the minimum payment due by 31 December 2021 and that there was £9.07 overdue from previous statements. At the bottom right hand corner of the first page of the statement was a section which stated: *'you have failed to make a minimum payment'*. This section was in bold but in the same size font as the rest of the statement containing payment information.

- The first page of the statement uploaded around 6 January 2022 showed £16.85 was overdue from previous statements. Again, at the bottom right hand corner of the first page of the statement was a section which stated *'you have failed to make a minimum payment'* – bold. The third page of the statement was a notice of sums in arrears and showed the missed payments from 4 November and 4 December 2021.

I appreciate Mr H thought everything was in order with his direct debit. However, there's no doubt that Mr H was sent information by Klarna indicating there was a problem. The statements were available to him within his Klarna account and this was reiterated in the 'account statement ready' emails sent to him on the 5 December 2021 and 6 January 2022. These emails told Mr H his statement was ready, included a link and immediately underneath this clearly stated: *'we didn't receive your last payment.'* And I do I think Mr H should have checked the information he was being sent by Klarna in order to make sure things were in order.

I'm aware Mr H says he never received the 'account statement ready' emails as they went into his junk folder. He also said that the email of the 5 December 2021 remained unopened in his junk folder. However, the evidence Klarna has sent indicates Mr H did open the 5 December 2021 email the same day it was sent. Where evidence is incomplete or conflicting, I have to decide what I think is most likely.

I'd note the evidence Klarna has sent is quite persuasive as it shows the date and time each of the emails was opened. I appreciate Mr H has also said this evidence doesn't align with his movements that day, but Mr H has told us that this is an email address he shares with his wife. It's not clear if Mr H is suggesting this may have been an email she opened and he missed, but I have to consider this to be a possibility. Even if this were the case, it was Mr H's choice to use a joint email account for his loan agreements and if this private arrangement means he missed key correspondence from Klarna, this isn't something I would hold Klarna responsible for. So, on balance, I think it's more likely Mr H, or someone operating Mr H's email account, did open the December 2021 email from Klarna.

But, even if I were to decide that this email wasn't opened, I'm still satisfied it was sent. And it's not Klarna's fault if Mr H's email provider flagged this as junk, nor is Klarna responsible for the fact Mr H chose not to check his junk mail or his account statements. Ultimately, I think Mr H was sent information by Klarna in December 2021 which ought to have alerted him to a problem. And had action been taken at this point, I think the December 2021 late payment marker would have been avoided as I don't doubt Mr H had every intention of making the minimum payments. For these reasons, I don't think Klarna is responsible for the December 2021 missed payment marker.

I mention the December 2021 marker specifically, as I'm not persuaded Mr H would have been able to avoid the November 2021 late payment marker. I say this as it would seem the payment deadline had already been missed at the time this statement and the accompanying email were issued. So, this is something I think Klarna is responsible for – but I'd note Klarna has removed this late payment marker from his credit file already.

### *Putting things right*

I appreciate Mr H thinks Klarna is entirely responsible for the missed payments due to the lack of information about autopay, but I'm not satisfied this is the case. I think he was given

information that ought to have alerted him to the missed payments and so he had an opportunity to avoid the December 2021 late payment marker – which is the matter which remains in dispute.

Given this, whilst I agree Klarna made an error in not being sufficiently clear about its autopay requirements, I don't think it's responsible for the fact Mr H missed his minimum payment in December 2021. I note Klarna has already removed the November 2021 late payment marker which I think is fair in the circumstances. I also think the £50 it has now offered is sufficient compensation for the distress and inconvenience caused by the lack of clarity and the November 2021 late payment marker.

Had the issue with the November 2021 missed payment been raised by Mr H in December 2021, I think it's most likely the late payment marker would have been removed from his credit file in time for Mr H to purchase the kitchen he wanted in late January 2022. So, I don't think any potential loss here is a result of Klarna's error and I won't be asking Klarna to compensate Mr H for this. I would also note that I'm not persuaded the two late payment markers were the sole reason Mr H was declined credit for his kitchen. Every lender makes its own decision using its own criteria when deciding whether to provide credit or not. I've not been provided with a copy of Mr H's credit file, so I don't know what else was on there. Therefore, I can't safely say this was why Mr H was unable to obtain credit for his kitchen. I appreciate Mr H has said he had a good credit score, but lenders can consider other factors including existing available credit and committed expenses. And, if Mr H's finances were in such a healthy position that this was the only reason he'd been declined, and he'd wanted to take advantage of the sale price, I think it's likely he could've funded this in another manner.

### **My final decision**

My final decision is that I partially uphold this complaint. I direct Klarna Bank AB (publ) to pay Mr H £50 for the distress and inconvenience caused and to remove the November 2021 late payment marker from his credit file if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 October 2022.

Jade Cunningham  
**Ombudsman**