

## **The complaint**

Miss A is unhappy with how Klarna Bank AB (publ) have handled her request for a replacement Visa credit card.

## **What happened**

In April 2022, Miss A applied for a replacement card with Klarna. While waiting for the card, Miss A added it to her mobile wallet, so she was able to use it. Miss A contacted Klarna on 14 April 2022 to let them know her card went to her old address so Klarna told Miss A that she needed to cancel the card and apply for a new card. In doing this, Miss A says she had to go through the application again to get a new card, but this time, she was told she wasn't eligible for it. So, Miss A contacted Klarna again on 3 May 2022 to raise a complaint about having to go through the application process. Miss A provided her current address and the advisor told her a new card was sent out and that she'd receive it within 14 days. However, after some time, Miss A still hadn't received the card so got in touch with Klarna once more on 20 May 2022 to ask what had happened.

Miss A says she's spent a lot of time trying to resolve this issue – she has also shared her concerns that the first card and pin was sent to a previous address which could have impacted her financially. Miss A complains about being given incorrect information from Klarna – she was told multiple times that she'd be receiving the card, when she didn't. Miss A says multiple searches have been carried out on her credit file as a result of this issue which has a negative impact on her.

Miss A has asked for a replacement card to be sent to her as promised originally.

Klarna acknowledged Miss A cancelled the card and that she needed to re-apply for it. Klarna say in instances like this, they close the old card and a new card gets created in the background. But that this means customers have to be approved in the eligibility assessments required for a Klarna card. Klarna also explained that since Miss A first applied for her Klarna card, they'd updated their eligibility assessment criteria, so Klarna didn't give Miss A a new card. However, Klarna recognised Miss A had been misadvised on 3 May 2022 when the advisor told her a new card was requested and was going to be delivered. Klarna say the advisor should have apologised for this, but overall, they didn't uphold Miss A's complaint.

Our Investigator looked into Miss A's concerns. In summary, he explained that Klarna misadvised Miss A that a replacement card was sent to her, when this wasn't the case. Our Investigator also explained the checks that were carried out were 'soft' checks so shouldn't impact Miss A's credit file. Overall, our Investigator felt Miss A's expectations could have been managed better by Klarna and by not doing this, he recognised this caused Miss A distress and inconvenience. So because of this, our Investigator asked Klarna to pay Miss A £100 compensation.

Miss A agreed with our Investigator's view. But Klarna didn't. They explained they felt the £100 compensation was too much for the one instance where Miss A was misadvised. And they said they felt £50 compensation was a fairer reflection for the inconvenience caused.

We put this offer to Miss A, but she wasn't prepared to accept it. So, the complaint has been passed to me to make a decision on the matter.

### **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.

It seems to me that the issues Miss A complains of stem from the fact that Miss A's card was sent to her previous address. Having looked at the evidence supplied by Klarna of the address they held for Miss A at the time, I can see it's her previous address. I note Miss A says she updated her address with Klarna last year, but I haven't seen any evidence to suggest this was the case. In addition to this, Miss A said to Klarna on 14 April 2022 through their online chat *"I thought I had changed my address when I moved last year but when I still haven't received my card I double checked and realised I never"*. So, on balance, I think it's more likely than not that Miss A's address wasn't updated to her new address as a result of Miss A not making this change.

When Miss A contacted Klarna on 3 May 2022 to let them know she wasn't able to get a replacement card as a result of the card being cancelled, Miss A expressed concerns about her credit file being impacted by Klarna. The advisor assured Miss A during this conversation that the credit check carried out was a 'soft' check. A 'soft' check is often carried out by lenders to look at certain information on a credit report. This check may be visible on Miss A's credit report but shouldn't impact her credit score nor her ability to get credit in the future. With this in mind, I'm persuaded the checks are likely to have been 'soft' checks as Klarna would have needed to look at certain information before granting an application.

I note Klarna have acknowledged Miss A was misadvised on 3 May 2022 when she was told her replacement card had been sent out and that she would receive it in 14 days. Miss A was provided several reassurances that she'd be able to use the card when it arrived and it's quite clear that these reassurances were important to Miss A. When Miss A didn't receive the card, she contacted Klarna again and explained her frustrations at not receiving the card.

Miss A then had to explain everything again to the new Klarna advisor on 20 May 2022 which I think was inconvenient and frustrating for her. In addition to this, I think Klarna could have explained in more detail to Miss A on 14 April 2022 what it meant if she cancelled the card - I don't think it was clear to Miss A that if she cancelled or blocked the card, she would have needed to go through the application process again. I say this because this isn't how things usually work when someone needs to cancel a card associated to an already existing account. For example, if someone cancels their debit card on a current account, they wouldn't usually need to go through the application process for another current account. I also think there's a level of inconvenience involved for Miss A in having to apply for a new card and account, because Klarna didn't properly explain what cancelling the card would mean for Miss A. I haven't seen any evidence to persuade me Miss A has been impacted financially or that the card was misused by a third party as Miss A has suggested could have been the case. Having considered all of this, I agree with our Investigator that £100 compensation is fair for the distress and inconvenience caused to Miss A.

Klarna said Miss A's application was declined during the reapplication process and that there are many factors they take into consideration when deciding whether to offer their services to customers. I realise this is frustrating for Miss A, but I haven't seen anything to suggest Klarna have acted unfairly when assessing Miss A's eligibility for their card. Klarna explained to Miss A in their final response letter that customers who aren't approved for the Klarna card can express interest in getting one by joining the waitlist. But that a Klarna card still isn't

guaranteed as the application could still be rejected during the underwriting process. It's up to Miss A if she wishes to do this, but I can't require Klarna to give Miss A another card.

### **My final decision**

For reasons explained above, I uphold this complaint and I require Klarna Bank AB (publ) to pay Miss A £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 10 January 2023.

Leanne McEvoy  
**Ombudsman**