

The complaint

Mr C complains that Klarna Bank AB (publ) ('Klarna') made a mistake which impacted his credit file.

What happened

Mr C bought something in June 21 using a revolving credit account with Klarna. He says that during the checkout process he was led to believe the payments were already set up to be automatically debited from his bank account. However, he then found out this hadn't occurred resulting in payment not being made in July 21 and a missed payment marker on his credit score.

Klarna firstly indicated it wasn't in the wrong, in summary it said Mr C needed to set up autopay and connect his bank account before payments would be taken. And that it had sent Mr C information about this in advance. It said it had applied to remove the late credit marker from his credit file in any event.

Mr C brought the complaint to our service as he was unhappy with how Klarna responded to it. Since then Klarna has acknowledged that as it asked Mr C for his bank details during checkout he would reasonably have assumed that payment would have been debited. So it offered him £50 compensation and confirmed he wouldn't have to pay the late payment fee.

Our investigator thought what Klarna had done was fair and reasonable. But Mr C did not. In summary, he wants more compensation because of the impact on him.

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 understand Mr C had more than one complaint about Klarna and its payments system – I will not be dealing with those other complaint points here. My focus is on the issues relating to this complaint as detailed in the background of my decision.

Klarna has already accepted that because it asked Mr C for his bank details at checkout he reasonably could have assumed payments would be automatically taken without a problem. In the particular circumstances here I can see why Klarna's actions would reasonably have caused Mr C confusion and contribute to his surprise and distress to then find a payment was missed. I also think that had things been clearer Mr C would likely have set things up as he should have – as he did do this shortly after discovering there was a problem with payments not automatically debiting.

I understand due to the misunderstanding on setting up the purchase Mr C missed the payment due on the 31 July 21 leading to a late payment marker which I understand as a result of Klarna's request in August 21 was eventually removed in October 21. There isn't persuasive evidence that it took longer than this while the screenshots Mr C has sent in

suggest that if there was an impact on his credit score from this issue it was between July and October 21.

Mr C has indicated the impact on his credit file during this time has caused him wider financial loss due to purchases he was planning to make which relied on him having a higher credit score. I don't think there is persuasive evidence of any direct financial loss to Mr C as a result of what occurred (such as refused applications for credit specifically because of the late payment marker). However, I do think the overall distress and frustration caused to him on discovering the issue and then waiting for his file to be updated for several months would warrant more than just £50 compensation.

In considering what is fair compensation I note that in its final response letter to Mr C Klarna refers specifically to email correspondence about payment and setting up the autopay system which it says it sent to him. However, the email from the 29 July 21 which it refers to notifies Mr C about an upcoming payment but does not make it clear that he has not already set this up (which is what he reasonably assumed had been done at checkout). So whether Mr C received it I am not convinced it serves as mitigation in the way Klarna had indicated.

So, in summary I agree with Mr C that he is due more compensation for the distress and inconvenience caused. Considering the factors above I think that £150 is a fairer level of total compensation (the £50 originally offered plus £100). In addition any resulting late fee should be removed or refunded if it has not been done already. Rather than delay things by issuing a provisional decision I have already informed Klarna about this - it has not raised any objections.

My decision might not be awarding Mr C the level of compensation he wants – but I think it is fair and it is up to him whether he chooses to accept my decision or pursue his dispute with Klarna by other means.

Putting things right

Klarna needs to pay Mr C more compensation and ensure that it has removed any resulting late fee from the account which is directly as a result of the missed payment issue here. If Mr C has paid the late fee then Klarna needs to refund this to him plus 8% simple yearly interest from the date he paid it to the date of settlement.

My final decision

I uphold this complaint and direct Klarna Bank AB (publ) to pay Mr C £150 compensation and ensure that any late fee resulting from the missed payment is removed or refunded in accordance with my direction above.

If Klarna needs to award interest here and decides it is required to deduct tax from it then it should provide Mr C with a certificate of tax deduction so he might claim a refund from HMRC (if appropriate).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 November 2022.

Mark Lancod
Ombudsman