

The complaint

Mr M complains about how Klarna Bank AB (publ) ("Klarna Bank") has administered his account with it.

What happened

Mr M wanted to buy an item online. He'd qualified for a discount and a promotion on the purchase price of the item due to a separate account that he had with a third party entity which I will refer to as "G". As part of the transaction Mr M had intended to trade in an item which he already owned for which he would have received payment. Mr M wanted to fund this transaction using credit from his account with Klarna Bank.

However, despite several attempts to carry out the transaction over several days Mr M was unable to proceed. Mr M considers the problem lay with Klarna Bank. He contacted it for help but instead was given lots of different advice which ultimately proved to be unhelpful. Mr M indicates he found this distressing and frustrating. Mr M mentioned that he knew Klarna Bank had experienced what appeared to be a systemic technical error in relation to purchases from G. He questioned whether his purchase had been impacted by that.

Mr M complained to Klarna Bank. Mr M considers he had lost out financially due to Klarna Bank. At this point he told it he wanted £450 from it to put things right as this would cover his financial loss.

Initially Klarna Bank responded to say it had done nothing wrong. It did not agree that Mr M's problem with purchasing stemmed from anything it had done incorrectly. Further, it said the systemic technical error Mr M had talked about had not affected Mr M. Therefore it declined Mr M's request for compensation of £450 and did not uphold his complaint.

Dissatisfied Mr M complained to our service.

Once Mr M's complaint was with us Klarna Bank provided more information about its stance. It told us Mr M had been unable to complete the transaction because he had insufficient funds in his account to do so.

However, Mr M provided new information that related to subsequent attempts he'd made to purchase items using credit from his account. He thought this information shed light on what had gone wrong when he tried to make his original purchase.

Klarna Bank agreed that this new information was relevant. Klarna Bank looked at everything afresh. When it did so it realised that a technical issue had prevented Mr M from using credit from his account to make the original purchase and the subsequent purchases. To correct this it said.

"We have now put in place a tailored solution for [Mr M]".

Also Klarna Bank indicated that it would have to work with G to sort out a more permanent solution. To put things right it made an offer which it said would put Mr M in the position he would have been in if the original purchase had gone ahead. Therefore it offered him £400. It also offered £50 as a gesture of goodwill.

Mr M declined this offer, he did not consider this was enough. I've summarised why Mr M came to this conclusion. In Mr M's opinion Klarna Bank had taken far too long to realise what had gone wrong and sort it out. He pointed out that without his tenacity Klarna Bank would

not have investigated further and discovered the technical issue that required the tailored solution for him. He expressed dissatisfaction with the initial investigation Klarna Bank carried out. He indicated its investigation had been characterised by delay and inaccurate information. Mr M considered some of that inaccurate information had been given on purpose by Klarna Bank knowing it to be false.

Moreover, the offer did not cover the 10% he would have got back if the purchase had gone ahead. Mr M told us that Klarna Bank's actions had caused him so much stress it had caused him to lose sleep and quarrel with his wife. When he took into account the guidance about the awards for distress and inconvenience on this service's internet site the £50 for goodwill was insufficient. Mr M suggested a total payment of £1,300 was more appropriate.

We shared Mr M's misgivings about its offer with Klarna Bank. Klarna Bank responded:

"Having taken into consideration the time taken to resolve [Mr M] and his instrumental role throughout the investigation, along with the time given, distress and inconvenience experienced, Klarna would like to offer £600.00 compensation."

Mr M rejected Klarna Bank's revised offer for the reasons he rejected the first offer.

Our investigator endorsed Klarna Bank's offer as he thought it was fair. Therefore he did not recommend it had to take any further action than this.

Mr M rejected our investigator's recommendation for the reasons he had given before. Mr M also added that he wanted details of his complaint to be published and explained why that was.

Mr M asked that an ombudsman take a fresh look at his 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.

First, I'm very aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. Rather, I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

Klarna's offer covers the financial losses that Mr M initially said he'd made. I recognise he has subsequently said that the £450 he asked for at first does not fully cover his financial loss. But I don't see why his original assessment would have been inaccurate, no new information has come to light between then and now about this part of his complaint as far as I am aware. Therefore I don't agree it is fair and reasonable to say Klarna Bank has to pay more in relation to this part of Mr M's complaint.

The bigger issue here appears to be the amount that Klarna Bank is offering for distress and inconvenience, £150. I think it is undisputable that if Mr M had not provided new evidence he would not have received any offer of redress. He has shown resilience and he should not have had to do so, just to get the correct answer. His frustration with Klarna Bank's behaviour jumps off the page and it is regrettable that this has caused him to experience

distress and inconvenience. All Mr M was trying to do was to make a payment and that was what his account with set up to help him do. In short, it really should not have come to this.

That said, on balance, I don't agree I can fairly say that Klarna Bank caused unnecessary delays. I say this because Klarna Bank took a few weeks to give Mr M its first final response, which I don't find unreasonable. It found a credible reason for the failure of Mr M's transaction, as far as I can see it had good cause to think this reason was correct. I am not satisfied it purposefully gave inaccurate information. I say this because I can't see why it would risk reputational damage, as well as risk alienating its customer, and breaching its regulatory obligations to provide truthful information, over this one isolated matter.

Mr M points to how long overall this complaint has taken and I can see why he places weight on this. But I don't see it the same way. As I mention above the first time Mr M complained he got a prompt, albeit inadvertently inaccurate response. Then Mr M provided new information and when Klarna Bank received that information it took around a month to respond. It seems likely that when investigating this technical issue it had to talk to G. That in itself would have added time which Klarna Bank could not control. Further, by their nature technical issues tend not to be simple to identify right up front. Therefore I think Klarna Bank did enough here.

I also thought about what Mr M says about communicating with frontline staff who provided information that was unhelpful and ultimately wrong, when he was trying to carry out his transaction. In the circumstances I'd have expected all those members of staff to give the same advice. And this suggests there was some lack of consistency in staff systems and training. What staff systems and staff training a financial business has in place is an internal matter for individual businesses to decide. We don't have the power to tell a business to change its systems. But we can look at whether those systems mean that Mr M was treated unfairly. That's what I've thought about here.

I do get that Mr M found his experience with the frontline staff frustrating and likely confusing too. However, I think in all probability those members of staff gave the best help they could albeit they gave differing advice. I don't think it likely they'd have been able to tell at the time that the issue was a technical one. In other words, I just don't think they were in a position to get to the bottom of things. Especially since it appears it was not a systematic issue because Klarna Bank tells us the technical issue required a "tailored solution" for Mr M. I don't find it likely in the circumstances that what Klarna Bank has said about this is incorrect. Though I do take on board Mr M's customer experience with Klarna Bank here fell below the standard he was entitled to expect.

I also take on board Mr M has looked at our website and read what we've said about awards for distress and inconvenience. He tells us he falls into the "bracket" where an award of at least £550 should be made. Whilst I accept that this is Mr M 's assessment it is not mine.

Rather, overall I think an award of £150 for distress and inconvenience is appropriate, for the reasons I have set out above. This means that Klarna Bank has to pay Mr M £600 in total, as it has already offered to do.

My final decision

My final decision is that Klarna Bank AB (publ) must pay Mr M £600 in total as it has already offered to do.

It must pay the total compensation within 28 days of the date on which Mr M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of the final decision until the date of payment at the rate of 8% simple per year.

If it considers it is legally required to deduct income tax from that interest, it must send a tax deduction certificate with the payment so that Mr M can reclaim the tax if he is able to.

Mr M should refer back to Klarna Bank if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 April 2023.

Joyce Gordon
Ombudsman