

The complaint

Mr G complains that Klarna Bank AB (publ) “Klarna” unfairly holds him responsible for lending he says he didn’t authorise.

What happened

Mr G says that in December 2021 he noticed he’d been paying a monthly direct debit he didn’t recognise to Klarna. He raised the issue with Klarna and it told him the payments were in respect of a fixed sum loan it had provided for the purchase of a licence plate in September 2020. Mr G says he didn’t authorise that purchase nor apply for lending, so he raised a complaint. He also cancelled the direct debit.

Klarna responded to the complaint in January 2022. It said that it had found the email address used to apply for the lending agreement was one Mr G accepts was his and that various links would’ve been sent to that address to progress the application such as;

- The terms and conditions of the lending which were required to be electronically signed and sent back.
- A link to pay a deposit towards the agreement; and
- A welcome pack.

Klarna suggested that the licence plate seemed to include Mr G’s initials, and that the details provided for the application, including Mr G’s occupation, bank and contact details, were accurate.

Mr G referred the matter to this service. He maintained that he hadn’t authorised the application and said that his social media, email and bank accounts had all been hacked into prior to the application. Mr G asked for the sums he’d already paid to be refunded and for adverse information to be removed from his credit file.

Our investigator didn’t uphold the complaint as they weren’t persuaded that the agreement had been entered into without Mr G’s authority. They said that it was reasonable to have expected Mr G to have raised issue sooner, taking into account that he’d been sent a welcome letter and subsequently paid towards the agreement for some 15 months. They also noted that they’d invited Mr G to provide evidence to demonstrate the hacking he’d spoken of, but he hadn’t provided any evidence.

Mr G disagreed. He said that he had reported the matter to Klarna after just eight months and that no paperwork had been sent to his home address regarding the agreement. He also said he’d been living at his workshop during the pandemic to keep his business open. Mr G asked for an ombudsman’s decision so the case was passed to me.

Before issuing my final decision, I sought further information from the merchant which was to supply the license plate regarding the details it was passed at the point of application. Having been provided with that, I shared my impressions with Mr G. In summary, I said;

“Having reviewed everything that’s been provided, I’m minded to reach the same conclusion as our investigator for the following reasons;

- *The email and postal address, as well as bank details provided to Klarna at application were that of Mr G. I think Mr G accepts that. He says that his accounts had been subject to fraud but he’s not demonstrated that’s the case, despite being given ample opportunity to do so.*
- *Mr G says that his email address had been hacked and initially said it had been terminated, before saying it was still live but he didn’t have access to it. I’ve seen evidence which shows that Mr G said that he’d stopped using that particular email address prior to the application being made, but it’s the one that he used to raise a complaint about what had happened with Klarna.*
- *Mr G says he raised the issue with Klarna after eight months rather than 15. This makes me question why he chose to continue to make payments. Additionally, his complaint form referring the matter to this service says that he first noticed payments being taken after 15 months.*
- *The merchant has demonstrated to this service the contact details it used for Mr G were correct – a different, albeit correct, telephone number, as well as the correct address to which it says a certificate of entitlement was posted. So, it seems that both Klarna and the merchant only had accurate contact details for Mr G – and those details were used to process and progress the application for lending. Mr G has not persuaded me that a third party could’ve used those details to enter into the agreement without his authority.*

Overall, I think there’s insufficient evidence to suggest that someone other than Mr G entered into this agreement without his authority, for both the reasons explained by our investigator as well as those highlighted above. I expect Mr G might say that he disputes receiving the goods in relation to the contract that he’s being held responsible for. It might be useful to know, however, that the merchant has told this service that it’s able to provide a copy of the entitlement certificate should Mr G is now require it.

This complaint, however, is simply about whether or not Klarna has acted fairly in holding Mr G responsible for the lending it provided. Given the weight of the evidence outlined above, I provisionally think it has acted fairly.”

In response Mr G said;

- *I’d got the timeline of events which led to this complaint wrong, and that we’ve not asked him for evidence of his other accounts being hacked.*
- *His bank account provider could confirm any fraud he’d experienced.*
- *He’d queried the matter with his bank and then Klarna before ultimately stopping payments to the agreement, which accounts for the delay.*
- *The address used on the agreement was one where his former partner lives, although he had some services registered there, such as banking facilities.*
- *That Klarna or the merchant had not been consistent about whether the goods had been supplied by post or by email, as well as which telephone number had been provided.*

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.

When the evidence is incomplete, inconclusive or contradictory – as is the case here – I've made my decision on the balance of probabilities – that is, what I think is most likely to have happened given the available evidence and the wider circumstances

Overall, what Mr G has said in response to the additional points I made above hasn't caused me to change my mind on this complaint. I'll explain why whilst responding to what Mr G has said.

It's fair to say that there have been a number of inconsistencies in Mr G's account of the events which led to this complaint. For example, Mr G initially told our investigator his email and physical addresses were the same as those provided to Klarna. More recently he said that he'd not been living at that address and that his email account had been hacked – it seems from the notes I've been provided that he also told Klarna that he'd therefore stopped using that email address, prior to this agreement being taken out. That's problematic, because I've seen evidence to show that's the email address which Mr G used to correspond with Klarna about the complaint, in excess of 15 months after he said he'd stopped using it as a result of it being hacked into.

I also think it's fair to say that if Mr G had been the victim of fraud prior to this agreement being taken out, I'd have expected him to be able to demonstrate it. That's not to say that if he had done so, it would've conclusively shown that he hadn't given authority for this agreement. But it might have cast some doubt. In any case, I've seen that our investigator explicitly asked Mr G for evidence of fraud on his other accounts and even specified the form that evidence might take – emails or other correspondence to show him having raised issue, for example. To date Mr G has not provided what I consider to be persuasive evidence to demonstrate he'd been the victim of fraud.

It seems to me that Mr G maintains that he raised concerns about the agreement with Klarna after eight months rather than 15. But in his submission to this service he reported that he only noticed the payments he'd been making after 15 months. Additionally, if that had been the case I'd still question why Mr G continued to make payments. I haven't seen any evidence – whether from Klarna or Mr G – that he raised the issue before 15 months into the agreement.

Lastly, Mr G has raised questions over the consistency in the merchant's and/ or Klarna's account about whether the goods had been supplied by post or email. For clarity, the merchant told this service it was posted to Mr G. Significantly, and in any case, email and postal addresses held by both the merchant and Klarna were correct for Mr G, by his own account.

This complaint is about whether or not Klarna has treated Mr G fairly by holding him responsible for a fixed sum loan agreement, taking into account his assertion that it was entered into without his authority. All things considered, based on the evidence I've been presented and on the balance of probability, I'm not persuaded that's what's happened here. As a result, I cannot find that Klarna has done anything wrong by holding Mr G responsible for the fixed sum loan it provided.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 October 2023.

Stephen Trapp
Ombudsman