

The complaint

Mr B says Klarna Bank AB (publ) (“Klarna”) calculated the balance due incorrectly when he settled his loan early. He also says they failed to respond promptly.

What happened

I issued my provisional decision on this complaint earlier this month. An extract from that provisional decision is set out below.

Mr B took out a fixed sum loan with Klarna in March 2023 to pay for a new bike. When he consolidated his debts in October 2023 he settled this loan.

Mr B was disappointed with the settlement figure, and he tried to complain. On two occasions Klarna told him his complaint had been logged with them, but they didn't provide a claim reference number, and after eight weeks had elapsed Mr B escalated his complaint to this Service.

Our investigator discussed the matter further with Klarna. They eventually agreed that they had charged £24.32 more interest than they should have. They offered to round that up to £25 and repay Mr B, and they also offered to pay him £50 to compensate him for the distress and inconvenience caused by their late response to his complaint and errors they had made in their final response to him. Our investigator thought that was reasonable, but Mr B didn't. He wasn't sure that the interest had been properly calculated and he thought the compensation was insufficient given that it had taken him five attempts to eventually uncover that he had been overcharged.

Mr B asked for a decision by an ombudsman.

What I've provisionally 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.

Klarna have made mistakes here and I'm not currently persuaded that their offer of compensation is sufficient to reflect the distress and inconvenience caused to Mr B.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've looked at the finance agreement. This states at the top that it is regulated by The Consumer Credit Act (1974).

The Consumer Credit Act covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to default, termination, and early settlement. In relation to early settlement the Consumer Credit Act says that settlement figures should be calculated using the rules set out in the Consumer Credit (Early Settlement) Regulations 2004.

Those calculations are complex and this Service wouldn't usually calculate them. Klarna have checked the calculation internally and have accepted they have made a mistake. I think it's fair to suggest that their systems are audited and I see no reason to dispute the calculation. Klarna have accepted that they overcharged Mr B by £24.32. They are prepared to refund it but I don't think that takes account of the distress and inconvenience caused by that mistake. Their failure to adequately explain the calculation meant that Mr B had to escalate his complaint to this Service. They made mistakes in the figures they referred to in their final response to Mr B. For instance, they got the interest paid wrong. They also failed to give Mr B a complaint reference when he asked for one, don't appear to have set up a complaint for him before he contacted this Service, and, regardless, they failed to respond within the eight weeks they are required to.

Taking all of that into account I don't think £50 in compensation and a £25 refund is reasonable. I'm persuaded that £200 is a fairer reflection of the distress and inconvenience caused.

My provisional decision

For the reasons I've given above, I'm expecting to uphold this complaint and to tell Klarna Bank AB (publ) to pay Mr B £200 to compensate him for the distress and inconvenience they have caused him.

Further comments and/or evidence

Mr B and Klarna accepted my provisional decision without further comment.

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.

As Mr B and Klarna accepted my provisional decision that now becomes my final decision on this complaint.

My final decision

For the reasons I've given above, I uphold this complaint and tell Klarna Bank AB (publ) to pay Mr B £200 to compensate him for the distress and inconvenience they have caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 September 2024.

Phillip McMahon
Ombudsman