

The complaint

Miss M complains that Klarna Bank AB (publ) irresponsibly provided her with a loan.

What happened

In May 2023, Miss M was accepted for a £5,000 loan, to fund a purchase. She says at the time, she was a student and only working part-time. And in addition to this, she already had another £1,879.11 loan with Klarna for a different purchase. The result of this is that Miss M says the loan was unaffordable.

She says that she asked Klarna to pause the repayments to the loan on a number of occasions, which it did. But this didn't help her in the long-term, and she doesn't feel that Klarna considered the long-term financial impact to her when it made the decision to provide her with the loan, which Miss M says has caused her significant financial strain.

To put things right, Miss M would like Klarna to write off the loan, and pay her compensation for the stress, anxiety and negative impact to her credit score.

Klarna didn't uphold Miss M's complaint. It essentially said it had done a credit check on Miss M before agreeing to lend to her, which checked her financial situation.

An Investigator considered the information provided by both parties, but in doing so they didn't think Miss M's complaint should be upheld. Ultimately, they felt that the checks Klarna completed were sufficient and the checks showed that the loan was likely affordable for her at the time. So they didn't think Klarna needed to do anything more in relation to Miss M's complaint.

Miss M didn't agree; I have summarised her main points below:

- Her actual income was less than that used by Klarna for the affordability check. And, Klarna didn't verify her income as it should have.
- There were visible 'red flags' in her account activity. And only days prior to the granting of this loan, she took out another loan with Klarna.
- She had multiple other credit commitments at the time.
- She was forced to take out additional borrowing as a result of the loan
- She was clearly a student and on low income. She was also receiving bursaries for financial hardship.
- Another Ombudsman made a ruling in her favour in relation to a payday loan account.

Because an agreement couldn't be reached, the complaint has been passed to me to decide 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.

The rules and regulations in place at the time Miss M was provided with the loan, required Klarna to carry out a reasonable and proportionate assessment of whether Miss M could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Klarna had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss M. In other words, it wasn't enough for Klarna to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Miss M.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Klarna did what it needed to before agreeing to lend to Miss M.

From the information I've been provided with, Klarna asked Miss M for information about her personal situation and her income. I can see that she told Klarna she was earning £18,000 a year and she had no housing costs. Klarna worked out that Miss M's monthly income was likely around £1,316.39. It also estimated that her housing costs would be around £125 per month and essential expenditure around £371. It estimated that Miss M's likely disposable income would be £543.40 per month (taking into account other credit commitments), however it used a lower figure of £320.64 when considering the affordability for the loan.

Klarna also considered Miss M's existing credit commitments. Its credit check showed that Miss M's non-mortgage debt was £5,504 which would likely be around £286 in monthly repayments. It also found that Miss M had been managing her credit elsewhere well, with no accounts in delinquency or default.

Taking all this into consideration, I'm persuaded that the checks Klarna carried out were proportionate and I don't think it was unreasonable for it to rely on the information it had found out, which suggested that Miss M would likely be able to sustainably afford the monthly loan repayments of £130.64.

Miss M says that the income she recorded on her application wasn't correct, and she's provided evidence to show that her annual income was around £13,000. I can also see that she has mentioned previously that she sometimes receives overtime. She says that she didn't record it correctly on her application because at the time, she didn't know how affordability would be calculated. And she says that Klarna should have done more to satisfy itself that what she had recorded was correct. While I can see that Miss M's contract did state that she would get less than the £18,000 a year she declared to Klarna, I don't think Klarna acted unreasonably by accepting what Miss M had told it on face value. It was ultimately up to Miss M to ensure that the information she was providing was accurate. And I don't think it unreasonable that Klarna didn't do more to verify her income, given that there wasn't any reason for it to question the legitimacy of what Miss M had told it, and considering everything else the checks revealed. So, I don't think it has acted unreasonably here.

I can see that Miss M has sent this Service various pieces of evidence that she says shows she was struggling financially. She sent information regarding a student hardship loan, evidence of loans taken out after this one and information about the support she requested from Klarna when she was struggling to pay. While I have no doubt that Miss M did get into

financial difficulties, for the reasons I've already explained, I don't think the information Klarna gathered about Miss M shows that providing the loan would have caused Miss M harm or financial difficulties.

I note that Miss M has referred to other credit accounts she had at the time she took out this loan – I can see these on her credit report. Based on what I've seen, I'm persuaded Klarna took these into account when considering Miss M's affordability. I'm also persuaded Klarna took into account the loan it had her provided her with the month before when looking at her current credit commitments. And based on the information it had been provided by the credit reference agency, it didn't show that any of her accounts were being mismanaged, so I don't think there was any cause for concern here.

Whilst I'm sorry to hear of the financial difficulties Miss M says she had in repaying the debt, I'm afraid I won't be upholding this complaint. I'm persuaded that the checks Klarna carried out in the circumstances of this particular case were proportionate and the result of the checks suggested that Miss M would likely be able to afford the credit it arranged for her. It follows that I don't think Klarna treated Miss M unfairly in approving her application for a loan.

I note that Miss M has said that she is still in financial difficulties repaying the loan. I can see that Klarna has taken action to support Miss M here. I would expect Klarna to continue to treat Miss M positively and sympathetically regarding any current or future financial difficulties.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Klarna lent irresponsibly to Miss M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons set out above, I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 22 October 2025.

Sophie Wilkinson
Ombudsman