

The complaint

Mr D complains about credit provided to him by Klarna Bank AB (publ) ('Klarna') for a purchase he made in June 2020.

What happened

Mr D entered into a running-account credit agreement with Klarna in June 2020. He complained in March 2025, saying Klarna acted irresponsibly by allowing him to place orders between June 2020 and April 2023. He said he had ongoing financial difficulties and health issues at the time. And that Klarna's automated decision-making meant that they failed to consider his financial situation, including credit commitments and other risk factors such as gambling.

Klarna investigated but didn't think they'd done anything wrong. They explained that they had carried out credit checks before each order was attempted to determine if Mr D met their criteria. Klarna said an order in May 2022 was declined, but all other orders were approved. Furthermore, Mr D returned all but one order, resulting in a full refund of payments. This left one order, which was placed in June 2020 using the 'Pay Over 6 Months' option. Klarna said they carried out a hard credit check before they accepted Mr D's order. They found Mr D met their criteria and they proceeded on that basis.

In respect of the June 2020 order, Klarna said the product was regulated by the Financial Conduct Authority (FCA) and so Mr D could refer his complaint to our service – and Mr D contacted us in April 2025. One of our investigators looked into what had happened. He concluded that Klarna had undertaken proportionate checks before agreeing to lend in June 2020, and that they'd reached a fair lending decision.

Mr D disagreed. He said the investigator hadn't taken into account the broader pattern of financial harm across multiple credit facilities. Mr D didn't think it was fair or proportionate to rely on stated disposable income without verifying other living expenses, gambling patterns or existing credit commitments. He asked for an ombudsman's decision, and so the case has come to me.

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.

Having done so, I don't uphold Mr D's complaint. I'll explain why below.

Before I do, I want to acknowledge that Mr D feels strongly about what has happened. He has submitted detailed arguments in support of his complaint. I'd like to assure him that I've read everything carefully. But I've summarised events in less detail than has been presented, using my own language. No discourtesy is intended by that. It's simply a reflection of the informal service we provide, and if I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr D essentially complains about irresponsible lending, saying Klarna failed to carry out sufficient checks before agreeing to lend to him. The FCA sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What's proportionate depends on the specific circumstances of each application. We'd expect lenders to think about the nature of the credit (the amount repayable and the term, for example) and about the applicant's individual circumstances. And we'd expect a lender to require more assurance the greater the potential risk to the borrower of not being able to repay the credit in a sustainable way.

Here, Klarna provided Mr D with a revolving credit facility. He used this to finance an item costing £439.99. The terms of the agreement required Mr D to make six monthly repayments of £73.34. So, Klarna needed to understand whether Mr D could sustainably make the required repayments.

The information I've been provided with shows that Klarna asked Mr D for information about his personal situation and his income. Mr D told Klarna he had monthly housing costs of £500. And he declared that he had a gross annual income of £60,000. From that, Klarna calculated Mr D's net monthly income to be around £3,611. I can see from Klarna's records they checked Mr D's income with a credit reference agency (CRA). This check returned a high confidence score. Overall, and keeping in mind the overall circumstances, I'm satisfied Klarna undertook reasonable checks to verify Mr D's income.

Klarna also carried out a credit search to get a better understanding of Mr D's credit commitments. They provided me with a copy of the results of that check. From that I can see that Mr D had existing unsecured debt with monthly repayments of around £124 per month. The credit search showed Mr D had been managing his existing credit well, with no County Court Judgments, defaults or recent arrears noted. So, there was nothing within the information Klarna obtained that ought to have raised concerns about Mr D's ability to sustainably make the required payments.

Taking all this into consideration, I'm persuaded that the checks Klarna carried out were proportionate. I don't think it was unreasonable for Klarna to rely on the information they had found out, which suggested that Mr D would likely be able to sustainably afford the monthly repayments of £73.34 for six months.

Mr D suggested that his actual situation at the time was worse than the information Klarna obtained showed. He said he was struggling financially and mentioned gambling transactions which Klarna failed to take into consideration. I asked Mr D to provide me with further information, including his credit file, so I could compare it to the results of Klarna's credit check. But Mr D didn't respond.

I've thought about this carefully. The information Klarna was able to obtain didn't show any signs of financial distress. I'm not persuaded that Klarna needed to ask Mr D for copies of his bank statements before agreeing to lend, particularly in light of the information they obtained from the CRA. So, Klarna couldn't reasonably have been expected to find out if Mr D was gambling unless Mr D told them during the application process. I haven't seen anything to suggest that this happened. And so, Klarna couldn't factor this in when considering Mr D's application.

Overall, while I don't seek to trivialise what Mr D has said, I don't think that Klarna treated Mr D unfairly or unreasonably when agreeing to lend to him in June 2020. It follows that I don't uphold his complaint.

Did Klarna act unfairly in any other way?

I've also considered whether Klarna acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether their relationship with Mr D might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Klarna lent irresponsibly to Mr D or otherwise treated him 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

I don't uphold Mr D's complaint about Klarna Bank AB (publ).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 December 2025.

Anja Gill
Ombudsman