

The complaint

Mr T is unhappy because Klarna Bank AB (publ) hasn't taken his direct debit on the date it said it would. He says that Klarna hasn't adhered to the Direct Debit guarantee scheme rules and has taken payments on different dates. Mr T is also unhappy that he can't make manual payments.

What happened

In September 2022 Mr T purchased an item and entered into a term loan with Klarna.

Mr T raised a complaint with Klarna regarding the date that his direct debit was taken. He said the direct debit should be taken on 24th of each month and that if 24th fell on a weekend, the direct debit should come out the following day. Mr T complained that Klarna had taken direct debits on different dates and that it took too long to process payments and that this was causing him concern that the payment would be late and the possible impact on his credit file. Mr T was also complained that he hadn't been able to make manual payments to his account.

In its final response, Klarna said it was partially upholding the complaint because it had incorrectly stated in its email dated 21 April 2023 that payment would be taken on 24 April 2023. Klarna also acknowledged that it hadn't provide the level of customer service expected and offered compensation of £30. In relation to Mr T's complaint about the date when direct debits were taken, Klarna said the payments had been taken correctly. It also said it was possible for Mr T to make a manual payment and explained the process for doing this.

Mr T remained unhappy and brought his complaint to this service. He said that Klarna had changed the date when it presented payment requests to his bank from month to month which caused him uncertainty as to when payments would be taken from his account.

Our investigator didn't uphold the complaint. They said that the Direct Debit guarantee was provided by Mr T's bank and not by Klarna, and that any complaint about the Direct Debit guarantee or the dates on which payments were taken should be directed to the bank.

Mr T didn't agree. He said Klarna was supposed to take payments on 24th of each month and that his bank had no control over when Klarna presented the direct debit.

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 essence of Mr T's complaint is that payments aren't debited from his account on 24th of each month. Mr T believes that this is because Klarna changes the date on which they present the direct debit to his bank. Mr T says that this leaves him uncertain as to when payments will be taken from his account.

It may be helpful if I explain the direct debit process. A direct debit transfer takes a few days

to process. What happens is that Klarna triggers a payment request, which usually takes three days to reach a customer's bank. Once the request is received, the bank needs to approve it. Once approved by the bank the payment becomes pending in the customers bank account. The payment then takes another two days to reach Klarna.

Because Mr T's payment is supposed to be debited on the same date as the order was placed (24th), Klarna sends a payment request on 21st to make sure that the payment is debited from Mr T's account on 24th. The exception to this is if the transaction period is affected by a weekend, when the process takes longer. Klarna has said that so long as the payment is triggered and confirmed by the customers bank, the payment is noted in its systems and customers won't be affected negatively in terms of credit rating.

Based on the information I've seen here, I don't think Klarna has made an error. Having regard to how the direct debit process works (as I've explained above), I don't think that Klarna has requested any payments on the wrong date. A payment must be requested a few days in advance of when its due. The bank will normally approve the payment on the stated date.

If Mr T's bank is approving the payment on a date other than the date on which the payment is due, then Mr T would need to direct his complaint to his bank. This is because the Direct Debit guarantee is provided by the bank, and not by Klarna.

I've also considered the aspect of Mr T's complaint which relates to customer service. Klarna has already acknowledged that it failed to provide Mr T with the level of customer service expected and has paid compensation for this. I appreciate that Mr T was caused frustration when the Klarna agent couldn't provide an email address for complaints, and that it took a long time for the complaint to be dealt with. But on balance, I think the compensation already paid by Klarna is fair and reasonable.

Mr T has also expressed dissatisfaction that he's unable to make manual or additional payments. I've reviewed the agreement. This states that in order to make additional payments, Mr T will need to contact the customer service department in order to obtain bank transfer details. I can also see that Klarna has provided Mr T with information on how to make a manual payment.

I understand that Mr T is unhappy about the process for making manual payments and the fact that he had to connect his bank account in order to do this. This isn't something I'm able to comment on, because the way in which a business operates (which would include its processes for manual and /or additional payments) is a matter which only the FCA as regulator can look at.

Taking everything into consideration and for the reasons I've explained, there's no evidence to suggest that Klarna has made an error in the way that it has processed the direct debit payments. Therefore, I won't be asking Klarna to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 30 January 2024.

Emma Davy
Ombudsman