

The complaint

Miss C complains about the way Klarna Bank AB (publ) has administered her payment card account.

What happened

Miss C applied for a Klarna card which was linked to her Klarna account. Klarna provided Miss C with an indicative 'purchase power' which it says showed how much she could hypothetically borrow using the card. Each transaction made using the card was to be repaid in interest free instalments.

Miss C contacted Klarna to ask it to reduce her purchase power. Klarna responded to say that it couldn't reduce the purchase power assigned to her account. Miss C then said that she was concerned that having a large purchase power might cause her to fall into debt. She said that if Klarna couldn't reduce the purchase power she would like to close the account. She asked to raise a complaint.

Klarna didn't uphold her complaint. It said this was because the 'purchase power' wasn't a credit limit like on a credit card, it was just an indication of how much she might be able to spend. It said there was no guarantee she could borrow up to that amount. It said every time she attempted a purchase using the card, Klarna would assess each transaction separately for affordability irrespective of the indicative 'purchase power'. However, it said that if Miss C was concerned about her spending, she could cancel the card altogether and it explained to her how she could do that.

Miss C didn't cancel the card and continued to make purchases on her account. Klarna has said it has since suspended Miss C's ability to make further purchases due to repayment difficulties on the outstanding debts.

Our investigator didn't recommend the complaint be upheld. However, Miss C didn't agree with that outcome, so the complaint has been passed to me for a final decision.

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 crux of Miss C's complaint is that Klarna didn't do enough to support her when she was struggling financially. She says that it allowed her to accrue more debt despite her asking it to limit her ability to spend.

I've reviewed the copies of the communications Miss C had with Klarna. Having done so, I don't think Klarna acted unfairly or unreasonably towards Miss C.

I say this because in Miss C's initial messages to Klarna I don't think it was clear she was in financial difficulty. Her request was simply to reduce her credit limit (purchase power) with no context for why this was. When Klarna said it couldn't reduce the purchase power Miss C

then said:

“So how do I close my account? Or raise a complaint as I feel like having a large amount of credit available I could fall into debt so to prevent that I would like to either decrease it or close the account and just pay off what is remaining when needed.”

While Miss C did then provide clarity about why she was making the request, I don't think there was anything within this message or Miss C's account activity that suggested she was currently in financial difficulty. It seems Miss C was looking at ways to prevent any potential spending in the future and she suggested she had the means to pay off what she currently owed. Klarna logged this as a complaint and responded to it 11 days later and told her how she could close her account as it was unable to reduce the purchase power.

So, Klarna had given her a way to close the account as she had requested. In those intervening 11 days, Miss C had made only two purchases using her Klarna card totalling just under £150. Miss C made no further purchases until around two weeks after Klarna sent its complaint response to her. As Miss C had requested details on how to close her account and Klarna had supplied that, and there didn't appear to be any other signs of financial difficulty, I don't think Klarna needed to do more than it did.

As Miss C didn't close her account, I don't think Klarna can reasonably be held responsible for the further spending Miss C carried out. I note that when Miss C did fall into financial difficulty much later, Klarna did step in and suspended her ability to make further purchases, it also offered her a payment break to assist her. I think that was a reasonable response at that stage. I therefore don't think it needs to do anything more to put things right.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 29 August 2023.

Tero Hiltunen
Ombudsman