

# Consumer Duty at Klarna

We're writing to tell you about the new regulatory rules called the Consumer Duty, set by the FCA (our regulator in the UK), which come into effect on **31 July 2023**. As part of this regulatory change, we have assessed our products against these new rules and captured any action required to ensure we are compliant. We've made good progress and are on track to ensure any changes are live by the implementation date.

We have shared below the key information about the new rules, what Klarna is doing to be compliant and our **one key action** for you to complete before the **31 July 2023** deadline.

Klarna, as a provider of regulated credit and payment services and you, as a partner, play a key role in delivering good outcomes to retail consumers, and therefore must comply with the Consumer Duty. At Klarna, we are always working hard to make sure we're doing things the right way for our consumers, and to make things easy for our partners, and this is no exception.



## What does Consumer Duty mean?

Consumer Duty goes beyond our existing obligations to "treat consumers fairly". It sets higher standards across the industry. Our Pay Over Time (Financing) product, as a regulated credit product, is at the centre of the FCA's Consumer Duty focus in the UK but we are making sure we are focused on customer outcomes across all of our products, by taking the following actions:

- **A higher bar - from fair to good:** We now need to support 'good' outcomes for consumers, not just 'fair' outcomes.
- **From actions to outcomes:** The Consumer Duty shifts the focus from the actions we are taking to the outcomes we are delivering. We will be judged against these outcomes, not just against our ability to comply with a list of obligations.
- **From words to evidence:** We need to prove how we are supporting good outcomes with evidence. An absence of complaints, will not pass this test.
- **From understandable to understood:** It remains a requirement that our communications are "clear, fair and not misleading" but now we will need evidence that our communications are understandable and understood by those who receive them.
- **Vulnerable consumers:** Renewed focus on improving outcomes for the millions of people in the UK that carry vulnerabilities, related to health, life events, financial resilience, or personal capability.
- **Fair value:** We must provide fair value for consumers and evidence why our products and services represent value today, and on an ongoing basis.

## What does this mean for Klarna?

We have created a Consumer Duty implementation plan which is now well underway, and we're pleased to say that things are looking good! We have assessed the outcomes for consumers of all regulated products that will be live by the implementation date. After making a number of proactive improvements to our products and services over the past year, the outcome of our recent reviews is that no further fundamental changes to interest rates, fees, or the design of our product and services will be needed before the deadline of 31st July 2023.

Due to our existing customer obsessed culture and our response to the cost of living crisis, we have already been continuously updating and iterating our product and services across the past year which has meant that we will not be asking you to make any changes across our products and consumer journey in order to comply with the Consumer Duty.

We are now focusing internally on ensuring appropriate documentation is in place, as well as tracking, monitoring and reporting on consumer outcomes so that we can show how consumer obsessed we really are through data and metrics and constantly look for improvements to drive even better consumer outcomes.

To learn about what Klarna is doing to provide great outcomes for our consumers click [here](#).

## What you need to do next?

As you are a trusted partner of Klarna, and to the extent that you are undertaking a regulated activity in the UK for Klarna —or for Klarna's consumers— you must review your own obligations under the Consumer Duty.

For example all retailers must have clear, fair and not-misleading advertising which is balanced with prominent risk warnings and disclosures. Please review all consumer-facing communications (eg. social media, email templates, webpages, FAQs, in-store materials) and ensure that Klarna's UK Financial Promotion rules are being followed where required. This will ensure good outcomes for customers' understanding and help you meet the legal requirement to provide customers with the right information at the right time to equip them to make decisions that are effective, timely and properly-informed.

If you need any further guidance, we are here to help. Reach out to Klarna by the end of June, so that we can help you to be compliant by the 31st of July deadline.



### Questions?

We value your partnership and support as we work to continuously improve our product offering and deliver on our commitment to supporting good consumer outcomes. If you have any questions, please feel free to contact your Klarna representative or use [this link](#).

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