

# Klarna.

# Merchant Advertising Guide.\*

## Regulated and exempt Klarna products

### \*Disclaimer

This guide is intended for Klarna merchants only and covers the advertising of **both regulated and non-regulated finance options for consumers**.

In relation to regulated credit agreements, the Financial Conduct Authority (FCA) is responsible for the regulation of consumer credit advertising. The FCA's Principles for Business (the Principles) and Chapter 3 of the Consumer Credit sourcebook (CONC) set out the requirements for financial promotions and communications with consumers in relation to consumer credit. The Advertising Standards Authority (ASA) is the UK's independent regulator of advertising. It applies the Advertising Codes (the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing and the UK Code of Broadcast Advertising) which are written by the Committee of Advertising Practice (CAP). The ASA is responsible for upholding UK advertising codes across all media. Please note that this document is not legal advice, it is for reference and guidance only and is based on our generic interpretation of the requirements contained in the Principles and Chapter 3 of CONC. It is designed to help you make sense of the regulatory requirements for financial promotions featuring credit finance.

If you advertise retail credit options which are regulated by the FCA, we recommend that you seek independent legal advice when undertaking any advertising, as using a non-compliant advert can result in enforcement action including fines and the withdrawal of your authorised status from the FCA. Klarna does not accept any liability to Klarna merchants or other third parties for the information contained in this guide. Please keep up to date on the latest updates and changes to the regulations from the relevant authorities, as the information provided in this guide may change.



# Contents.

Regulatory and oversight regime	3
Klarna payment options	6
What is a financial promotion?	7
General requirements	8
Treating customers fairly	9
Restricted expressions	10
Overview of 0% finance	10
Representative annual percentage rate (APR)	11
Representative example	12
Representative example (layout examples)	14
Risk warnings	15
Disclosure requirements for credit brokers	17
Disclosure examples	18
Advertising Standards Authority – TV, radio, mobile and internet advertisements	20
The specific advertising rules	24
The ASA's other considerations	25
Decision tree	27
Examples of financial promotions	28

## Regulatory and oversight regime.

This guide has been designed to help you understand the legal requirements when promoting or communicating finance options for consumers.

This guide contains information relevant for both regulated and exempt credit products.

**Do you need FCA Authorisation as a credit broker?** If you advertise regulated credit agreements by a way of business in the UK, you may be conducting a regulated activity for which authorisation as a credit broker is required from the Financial Conduct Authority (FCA). Under Article 36A of the Financial Services and Markets Act 2000 (FSMA) (Regulated Activities) Order 2001 (the RAO), a credit broker is a person who carries on certain activities by way of business in the UK, the most relevant of which are:

- Effecting introductions relating to credit agreements
- Presenting or offering an agreement that would, if entered into, be a regulated agreement
- Assisting with preparatory work relating to entering into a regulated credit agreement
- Entering into a regulated credit agreement on behalf of a lender

If you carry out any of the above activities without first being authorised by the FCA then you may be committing a criminal offence.

**If you do not advertise or promote regulated consumer credit options (see Klarna Payment Options on page 6) then you will not be a credit broker and will not require authorisation from the FCA. Any advertisements would, however, still need to be compliant with general advertising standards.**



In addition, under section 21 of FSMA, no person may, in the course of business, communicate a financial promotion (see 'What is a financial promotion?' on page 7) unless:

- The person is authorised by the Prudential Regulation Authority (PRA) or the FCA; or
- The content of the communication is approved by a person who is authorised by the PRA or the FCA; or
- The financial promotion falls within an exemption set out in the Financial Services and Markets Act 2000 (Financial Promotions)

The rules applicable to advertising in the UK are found in both legislation and in self-regulatory industry codes of practice. The following authorities are responsible for regulating the advertising/financial promotion and communication with a consumer.

### **The Financial Conduct Authority (FCA)**

– its main aim is to ensure that financial markets function well. In order to achieve this, it has three operational objectives which are to:

- Secure an appropriate degree of protection for consumers
- Protect and enhance the integrity of the UK financial system; and
- Promote effective competition in the interests of consumers

It is committed to ensuring the consumer credit market works well and that customers are treated fairly.

The FCA's Principles for Business (the Principles) and Consumer Credit Sourcebook (CONC) govern financial promotions issued, distributed or communicated by authorised credit broking firms to consumers.

### **The Advertising Standards Authority (ASA)**

– the UK's advertising regulator and responsible for applying the Advertising Codes (the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing and the UK Code of Broadcast Advertising) written by the Committee of Advertising Practice (CAP) and Broadcast Committee of Advertising Practice (BCAP). These apply to all UK firms.



## ASA powers.

The ASA considers all complaints about non-technical aspects of advertisements in non-broadcast media. For example, offence, social responsibility, fear and distress and competitor denigration. The ASA also assesses complaints about broadcast advertisements and liaises with the FCA on technical matters as appropriate. The ASA investigates general advertising complaints and can:

- Require changes to advertising or ban advertising
- Publish findings and decisions on the ASA website
- Refer financial advertising to the FCA
- Refer a complaint to Trading Standards, who have a broader range of enforcement powers available to them. Trading Standards can, for example, take legal action resulting in possible (unlimited) fines and/or imprisonment
- Liaise with the Competition & Markets Authority in respect of an issue

## FSA powers.

The FCA monitors and investigates compliance with the Principles, CONC and its other rules generally and has a variety of powers, including swift direct intervention with firms to force the immediate amendment or withdrawal of financial promotions

As the FCA does not pre-approve promotions, it is incumbent on senior management of those firms making such promotions to make sure they remain compliant.

which contravene its financial promotion rules under section 137S of FSMA. The FCA also has the power to, amongst other things:

- Ban financial promotions
- Issue fines and public censure
- Take legal action which may result in fines or imprisonment and
- Vary or remove FCA permissions

## Other guidelines that apply to financial promotions.

Financial promotions are subject to a variety of laws and rules, some of which we consider in this guide alongside the detailed CONC requirements, which may include:

- **Consumer Protection from Unfair Trading Regulations 2008** – set out the commercial practices, of which advertising is one
- **Business Protection from Misleading Marketing Regulations 2008**
- **Consumer Rights Act 2015**



## Klarna payment options.

Klarna offers three different payment options in the UK. Pay in 30 days and Pay in 3 instalments are exempt (unregulated) credit products. Klarna also offers Financing, which is a regulated credit product.

**Pay in 30 days** allows a consumer to get up to 30 days to pay for their goods with no late fees or interest. This product is completely interest free and there are no late fees or interest applied.

***Pay in 30 days is an unregulated (exempt) product.***

**Pay in 3 Instalments** allows a consumer to spread the cost over 3 equal payments and paid monthly. This product is completely interest free and there are no late fees or interest applied.

***Pay in 3 instalments is an unregulated (exempt) product.***

**Financing** falls into two categories, **fixed sum credit** and **revolving credit** (also known as running account credit).

***Klarna's financing products are regulated credit agreements.***

- **Fixed sum credit** is a regulated credit agreement with a fixed duration (term). Klarna offers fixed sum credit agreements from 6 months to 4 years. Fixed sum credit can be offered on interest-free or interest-bearing amounts and may incur a default fee if a repayment is missed
- **Revolving credit** is a regulated credit agreement with no fixed duration. This allows consumers to use their account on a rolling basis up to an agreed limit. Revolving credit can be offered with different interest rates (possibly at 0%) and may include a promotional period for a set period of time. Once this time has passed, if the consumer has not made sufficient repayments over the set period of time the promotion period is offered, any promotional interest rate will revert to Klarna's standard rate of interest



# What is a financial promotion?

The FCA's definition of a financial promotion is:

***"An invitation or inducement to engage in investment activity that is communicated in the course of business".***

To engage in investment activity (as defined in section 21(8) of FSMA) means to: "enter or offer to enter into an agreement the making or performance of which by either party constitutes a controlled activity".

A "controlled activity" includes entering into regulated credit agreements as a lender and therefore advertisements relating to **Klarna's regulated consumer credit agreements** would likely constitute a financial promotion.

Whilst the definition of a financial promotion is broad, this guide is mainly focused on any financial promotions of regulated consumer credit. This may include (but not limited to) financial promotions:

- At point of sale advertising
- Leaflets, newspaper or magazines
- Posters
- Radio & TV

The same guidance will also apply to digital promotions, which may include (but not limited to):

- Websites
- Social media marketing (such as Facebook and Instagram)
- Banner adverts
- Mobile media (SMS and emails)

## **Important!**

A third party firm (e.g. a merchant) that distributes promotions on behalf of a consumer credit provider (e.g. Klarna) may be making a financial promotion even though the firm distributing the promotions is not providing credit itself.



# General requirements.

## Requirement to be clear, fair and not misleading.

The FCA has 11 Principles of Business which are general statements of the main regulatory obligations that apply to all FCA regulated firms. Principle 7 states that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

### All advertising of Klarna's products (whether regulated or exempt) should be clear, fair and not misleading.

CONC is the FCA's specialist sourcebook and part of the FCA Handbook of rules and guidance containing rules for firms undertaking credit-related regulated activities, including lenders and brokers. CONC 3 specifically applies to communications with customers in relation to regulated credit agreements, including communications of a financial promotion in relation to a credit agreement, and states that such communications or financial promotions must be clear, fair and not misleading. This means that you must ensure that each communication and financial promotion:

- Is clearly identifiable as such
- Is accurate
- Is balanced and does not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks (see Risk Warnings on pages 15-16)
- Is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received
- Does not disguise, omit, diminish or obscure important information, statements or warnings and does not 'cherry pick' data about a product or offer of credit. Consider whether omission of any relevant fact will result in information given to the consumer being insufficient, unfair or misleading; and

- Where the financial promotion contains a comparison or contrast, the comparison or contrast is presented in a fair and balanced way and is meaningful

A financial promotion should:

- Be easy to understand using plain language
- Be easily legible (or, in the case of any information given orally, clearly audible)
- Clearly articulate who is making the financial promotion
- If the financial promotion relates to credit broking, it should also identify the lender; and
- Not state or imply that credit is available regardless of the customer's financial circumstances or status

In general, the purpose of the FCA's 'clear, fair and not misleading' rules is to ensure that consumers have all of the information they need to enable them to make informed choices in deciding whether to enter into regulated credit agreements.

### Important!

Part of complying with the FCA's 'clear, fair and not misleading' rules includes ensuring (where relevant) that consumers understand the extent of your business that is regulated. Therefore, if you refer to both regulated and unregulated finance options (see 'Klarna payment options' on page 6) in your communications with consumers or financial promotions, the communication or promotion should make clear which options are regulated and which are not regulated (See disclosures on page 18).

**Remember** that advertising must not mislead consumers and will also need to comply with the Advertising Codes and the ASA's guidance. Please see page 25 for more.

## Treating customers fairly.

All FCA authorised firms communicating financial promotions, including those which advertise consumer credit, must follow the FCA's treating customers fairly principle.

Treating customers fairly is one of the fundamental principles underlying the FCA's regulatory regime, in its Principles for Business. In particular, Principle 6 states:

***"A firm must pay due regard to the interests of its customers and treat them fairly."***

The FCA has outlined three key consumer outcomes that firms should strive to achieve to ensure the fair treatment of customers (the Outcomes). The Outcomes which are directly relevant to financial promotions in the consumer credit sphere are:

- Outcome 1 – products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted to those groups accordingly
- Outcome 2 – consumers are provided with clear information and are kept appropriately informed, before, during and after the point of sale of the product
- Outcome 3 – consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect

### Important!

**Klarna would expect merchants advertising any Klarna products to have due regard to treating customers fairly, ensuring all promotions are clear, fair and not misleading to the consumer.**



## Restricted expressions.

- **"Overdraft"**, must not be used, **unless** you are offering a running-account credit agreement which enables a consumer to overdraw on a current account
- **"Interest free", or any similar expression**, must not be stated unless the total amount payable does not exceed the cash price
- **"No deposit"**, can only be used where there are no advance payments to be made
- **"Gift", "present"**, or any similar expression can only be used where there are no conditions which would require a consumer to repay the credit or return the item that is the subject of the claim
- **"Weekly equivalent"** or any similar expression or other periodical equivalent, unless weekly repayment or the other periodical payments are provided for under the agreement

## Overview of 0% finance.

Where a financial promotion is solely in relation to a consumer credit option in respect of which the annual percentage rate of interest (APR) is 0% and **completely free from interest or charges for the duration of the agreement** (i.e. 0% is not merely an introductory offer/period), there is no requirement to include a Representative Example or a Representative APR.

Promotions which are for credit with a 0% APR and do not fall into the above categories will still have to follow other requirements, in particular the FCA's clear, fair and not misleading rules.



# Representative annual percentage rate (APR).

## When a financial promotion must include a representative APR.

Unless the representative APR is 0%, the representative APR will need to be clearly displayed within the example. The representative APR must also be shown when a financial promotion:

- States or implies that credit is available to persons who might consider their access to credit restricted
- Includes a favourable comparison relating to the credit, whether express or implied, with another person, product or service; or
- Includes an incentive to apply for credit or to enter into an agreement under which credit is provided (e.g. the speed or ease of processing the application, considering or granting an application, or making funds available to apply for credit or enter into a credit agreement, etc.)

The content of your promotion will determine whether the representative APR can be shown in isolation or whether it must be shown as part of the 'representative example'.

The representative APR is the APR at or below which you reasonably expect, at the date on which the promotion is communicated, that credit would be provided under at least 51% of the credit agreements which will be entered into as a result of the promotion. In other words, the % APR that consumers are most likely to be approved for, should be used as your representative APR.

A representative APR must be shown as a % APR' and used with the word 'Representative'. Where a representative APR is subject to change it must be accompanied by the word "variable".

It should be noted that the representative APR must be given no less prominence than any of the other matters referred to in this guide (e.g. an inducement or an incentive to apply for credit etc.).

## Calculation of the annual percentage rate of charge.

The annual percentage rate of charge shall be calculated in accordance with the mathematical formula set out in **CONC**.

## Triggers for showing representative APR.

Promotional wording (non-exhaustive list)	Triggers the need to show a representative APR	
Our lowest rates ever	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Been refused for credit?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We act as a credit broker and not a lender	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Apply for credit today and get a free pen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Simple, quick and easy credit – why wait? Apply now!	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We offer efficient and friendly consumer service	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Get 10% discount on any credit purchase if you apply before 31st March	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## Representative example.

### When a financial promotion must include a representative example.

Where a financial promotion includes a **rate of interest** (excluding the Representative APR) or an **amount relating to the cost of credit** it must include a '**representative example**', and **specify a postal address of the firm making the financial promotion** (i.e. the postal address of the merchant). A rate of interest for this purpose is not limited to an annual rate of interest and would include a monthly or daily rate or an APR. An amount relating to the cost of credit would include the amount of any fee or charge, or any repayment of credit (where it includes interest or other charges).

It should be noted that a firm making the financial promotion does not need to specify a postal address when the promotion is being communicated by television or radio broadcast, or is on the firm's premises, unless the promotion is made in writing which the consumer can take away.

The representative example must comprise the information listed in the standard information as shown on the following page and must be accompanied by the words "representative example". It must be representative of agreements to which the representative APR applies and which are expected to result from the advertisement.

The representative example is unlikely to be representative if, for example, most consumers entering into agreements as a result of the financial promotion are likely to do so for a lower amount of credit than that indicated in the example, or with higher rates of interest or other charges than those indicated in the example.





**A representative example MUST** also include all of the following for a **fixed sum regulated credit agreement (fixed duration)**:

- 1** The rate of interest and whether it is fixed or variable or both, expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down
- 2** The nature and amount of any other charge included in the total charge for credit
- 3** The total amount of credit
- 4** The representative APR
- 5** In the case of credit in the form of a deferred payment for specific goods, services or other things, the cash price and the amount of any advance payment
- 6** The duration of the agreement
- 7** Total amount payable; and
- 8** The amount of each repayment of credit

The items of information required by 1,2,3,5,6 and 7 must be those which the firm communicating the financial promotion reasonably expects at the date on which the financial promotion is made to be representative of credit agreements to which the representative APR applies and which are expected to be entered into as a result of the promotion.



**A representative example for a revolving credit regulated agreement (no fixed duration), and this may also include promotional introductory offers, e.g. 0% for # months:**

The representative example in this case should include all the information required for fixed sum credit agreements (shown on the box) except for:

- (6) the duration of the agreement
- (7) total amount payable; and
- (8) the amount of each repayment of credit

**The information contained in a representative example must be:**

- Specified in a clear, concise and prominent way
- Accompanied by the words “representative example”
- Presented together, with each item of information being given equal prominence
- Given no less prominence than:
  - Any other information relating to the cost of credit in the financial promotion; and
  - Any indication or incentive encouraging the consumer to apply for credit

## **Guidance on total charge for credit.**

The total cost of credit represents the true cost to the borrower of the credit provided, or to be provided, under a regulated credit agreement and includes fees and/or charges payable by the consumer to a credit broker.

## **Guidance on the total amount of credit.**

The total amount of credit equates to the sum available to the consumer to use under the credit agreement (i.e. the credit limit) and does not include charges which are financed by the credit agreement; those are part of the total charge for credit.

# Representative example (layout examples).

## Representative example for regulated agreement with fixed term.

Please note, that these examples are provided as guidance only and will need to accurately reflect the product type and associated terms to that product.

Cash/purchase price	£1,000.00
Deposit	£100
The total amount of credit	£900.00
Rate of interest	5.9% p.a (fixed)
Interest [remember that where there are additional charges within the total charge for credit, these should be detailed separately and the total charge for credit should be included under the Representative APR].	£53.10
Duration of the agreement	24 months
Monthly repayments	£39.71
Total amount payable	£1,053.10
The Representative APR	5.9% APR Representative

**\*Missing payments can have serious consequences for you. Your credit rating may be affected which will make it more difficult or more expensive for you to obtain credit in the future.**

## Representative example for regulated agreement with no fixed duration.

Cash / purchase price	£1,200
Deposit	£0
# months promotional rate of interest	0% p.a (variable)*
Nature and amount of any other charge	£0.00
The total amount of credit	£1200.00
Representative APR	18.9% APR Representative [insert '(variable)' if applicable]

**\*If you do not make your full monthly payment, the interest free arrangement will cease and you'll be required to pay interest on all future payments at 18.9% APR Representative.**

**Missing payments can have serious consequences for you. Your credit rating may be affected which will make it more difficult or more expensive for you to obtain credit in the future.**

# Risk warnings.

## For regulated credit products.

Financial promotions may contravene the FCA's 'clear, fair and not misleading' rules if they omit relevant risk warnings. Examples of relevant risk warnings for regulated products include:

'Late or missing repayments may have serious consequences for you and cause you serious money problems'

'Your credit rating may be affected which will make it more difficult or more expensive for you to obtain credit in the future'

'If you do not make your full monthly payment, the interest free arrangement will cease and you'll be required to pay interest on all future payments at X% APR Representative'

**Such risk warnings appear under the Representative examples on page 14. The risk warnings will not be treated as prominent unless it is presented, in relation to the other content of the financial promotion or communication, in such a way that it is likely that the attention of the average customer to whom the financial promotion or communication is directed would be drawn to it.**

## Specific FCA rules for Buy Now Pay Later products.

The FCA has more detailed rules concerning Buy now, pay later credit products (BNPL).

Your BNPL financial promotion is likely to be misleading by omission if it:

- Refers to a zero percent or low interest, introductory or other promotional offer available under a BNPL agreement
- Does so in a way that is likely to influence a consumer's decision about whether to enter into a BNPL agreement or whether and how to make use of credit available under an existing BNPL agreement; and
- Does not include in a fair and prominent manner material information about relevant risks

Relevant risks relating to BNPL credit include the limitations that apply to any zero percentage or low interest, introductory or other promotional offer, including the circumstances in which interest or charges could become payable and how these would be calculated if those circumstances arose, including the date from which interest or charges would accrue, the rate of that interest or those charges and the amount of principal on which the interest would be charged. The average consumer is likely to need information about these matters to make an informed decision about whether to enter into a BNPL agreement.

The information that a financial promotion about a BNPL agreement is required to include to avoid a misleading effect and how that information should be presented, will depend on the context of the communication or financial promotion, including its medium and any other information that you have provided to the recipient.

## For exempt credit products.

It is good practice to add risk warnings on advertisements for exempt products. Examples of relevant risk warnings for exempt products include:

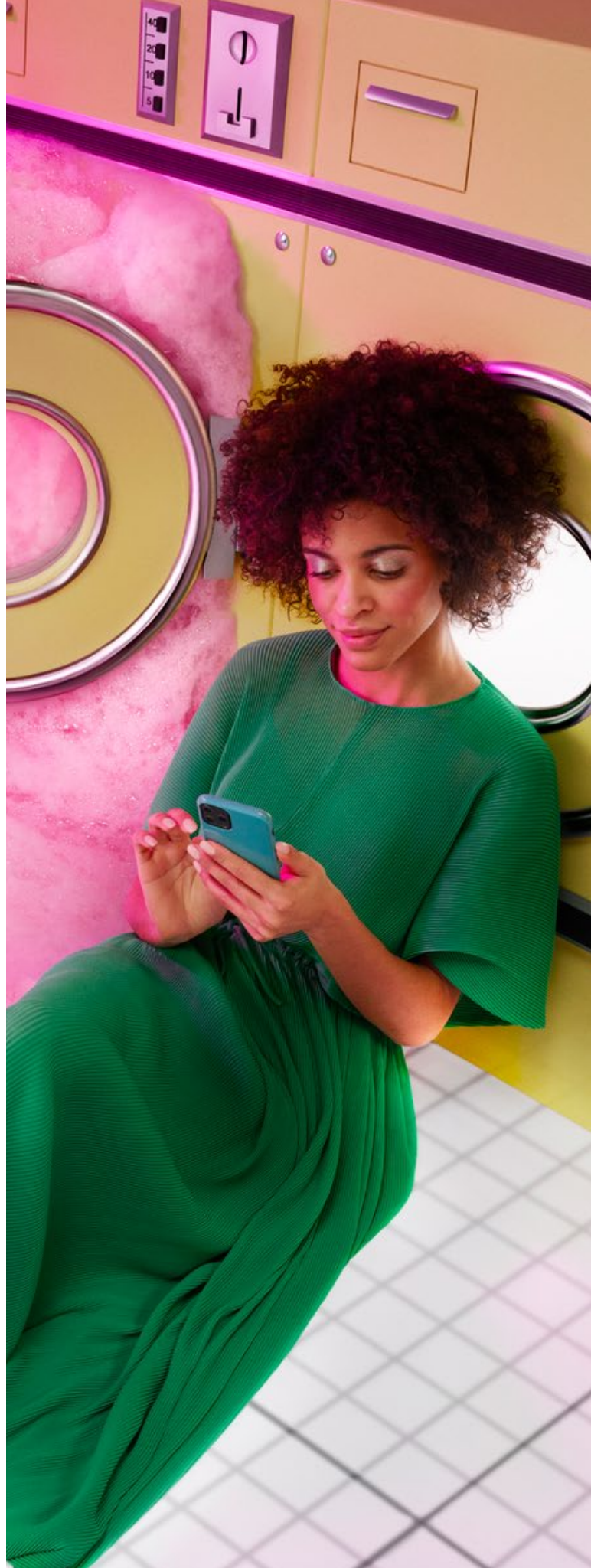
Please spend responsibly – Borrowing beyond your means could seriously affect your financial status, ensure you can afford to make your repayments on time by the due date.

Failure to make payment on time could result in your debt being passed to a debt collection agency and affect future lending decisions made by Klarna.

### Important!

**Risk warnings should not be given less prominence than the potential benefits of the product/service.**

For full details on advertising exempt credit products, please download and read our merchant advertising guide on Pay in 30 days and Pay in 3 instalments.



# Disclosure requirements for credit brokers.

If you act as a credit broker (by offering regulated credit products provided by Klarna), there are specific disclosure requirements that apply to financial promotions or communications between you and consumers, in relation to a regulated credit agreement. In particular, you should, within such financial promotions or communications:

- Indicate the extent of your powers and in particular whether you work exclusively for one or more lenders or work independently (i.e. whether you offer credit products by other providers in addition to Klarna)
- Make clear, to the extent an average consumer would understand, the nature of the service provided by you (i.e. that you are a credit broker and not a lender)
- Indicate to consumers in a prominent way the existence of any financial arrangements with a lender that might impact upon your impartiality in promoting a credit product to a consumer
- Only describe yourself as independent if you are able to provide access to a representative range of credit products from the relevant product market on competitive terms and are not constrained in providing such access, for example, because of one or more agreements with lenders (including Klarna); and

- Ensure that any disclosure about the extent of your independence is prominent and in accordance with the FCA's clear, fair and not misleading rules

In addition:

- The financial promotion must specify your legal name as it appears in the Financial Services Register and not merely a trading name
- However, a trading name can be stated in addition to the legal entity name
- Any required disclosures must feature prominently within the communication or financial promotion

It should be noted that CONC states that such a disclosure will not be treated as prominent unless it is presented, in relation to other content of the financial promotion, in such a way that it is likely that the attention of the average person to whom the financial promotion is directed would be drawn to it.



## Disclosures (wording examples).

Outlined below are our recommended disclosures for your advertising of Klarna products. Please ensure you apply the correct disclosure for your situation.

**Please always review the decision tree on page 27 so that you include all relevant information in your advertisement. REMEMBER that you must always add a risk warning.**



### **Disclosure 1 – Example of credit broker disclosure wording for regulated credit products – use if you offer products provided exclusively by Klarna.**

**[Merchant's legal entity name (as it appears on the FCA Register)]** is authorised and regulated by the Financial Conduct Authority (FCA FRN XXXXX) and acts as a credit intermediary and not a lender, offering credit products provided exclusively by Klarna Bank AB (publ). Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.

**[Insert postal address of the firm making the financial promotion if required\*]**

**[Optional disclosure below for added transparency about Klarna, to be added if sufficient space:]**

Klarna Bank AB (publ) is authorised and regulated by the Swedish Financial Supervisory Authority. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

**Remember to always add an appropriate risk warning to the promotion which needs to be prominently displayed above disclosure and near to benefits being promoted.**



### **Disclosure 2 – Example of credit broker disclosure wording for regulated credit products – use if you offer products provided by a limited number of finance providers.**

**[Merchant's legal entity name (as it appears on the FCA Register)]** is authorised and regulated by the Financial Conduct Authority (FCA FRN XXXXX) and acts as a credit intermediary and not a lender, offering credit products provided by a limited number of finance providers, including Klarna Bank AB (publ). Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.

**[Insert postal address of the firm making the financial promotion if required\*]**

**[Optional disclosure below for added transparency about Klarna, to be added if sufficient space:]**

Klarna Bank AB (publ) is authorised and regulated by the Swedish Financial Supervisory Authority. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

**Remember to always add an appropriate risk warning to the promotion which needs to be prominently displayed above disclosure and near to benefits being promoted.**

**\*NOTE:** [If the content of financial promotion indicates a rate of interest or an amount relating to the cost of credit and is not communicated by way of TV or radio broadcast or at the point of sale on the merchant's premises – then, Merchant's name, registered company number at Companies House and postal address must also be included.\* Please note that if it is not the merchant making the financial promotion, but another company (e.g. distributor), then the details of the entity making the financial promotion must be specified.



**Disclosure 3 – Example of credit broker disclosure wording for regulated and unregulated finance options – use if your financial promotion includes both regulated and unregulated finance options.**

**[Merchant's legal entity name (as it appears on the FCA Register)]** is authorised and regulated by the Financial Conduct Authority (FCA FRN XXXXX) and acts as a credit intermediary and not a lender, offering credit products provided [exclusively by Klarna Bank AB (publ)] [by a limited number of finance providers, including Klarna Bank AB (publ)]. **Please note that the following products are not regulated by the FCA: [Pay in 30 days and Pay in 3 instalments].** Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.

**[Insert postal address of the firm making the financial promotion if required\*]**

**[Optional disclosure below for added transparency about Klarna, to be added if sufficient space:]**

Klarna Bank AB (publ) is authorised and regulated by the Swedish Financial Supervisory Authority. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

**Remember to always add an appropriate risk warning to the promotion which needs to be prominently displayed above disclosure and near to benefits being promoted.**

**\*NOTE:** [If the content of financial promotion indicates a rate of interest or an amount relating to the cost of credit and is not communicated by way of TV or radio broadcast or at the point of sale on the merchant's premises – then, Merchant's name, registered company number at Companies House and postal address must also be included.\* Please note that if it is not the merchant making the financial promotion, but another company (e.g. distributor), then the details of the entity making the financial promotion must be specified.



**Disclosure 4 – Example of merchant's website/promotions disclosure wording for unregulated credit products only. This needs to be in addition to or part of your standard disclosure.**

**[Merchant's legal entity name]** is not a lender and acts only as an introducer. The credit product is provided by Klarna Bank AB (publ). Credit is only available to permanent UK residents aged 18 and over, subject to status. Terms and conditions apply. **Please note that the following products are not regulated by the FCA: [Pay in 30 days and Pay in 3 instalments].**

**Remember to always add an appropriate risk warning to the promotion which needs to be prominently displayed above disclosure and near to benefits being promoted.**

For full details on advertising exempt credit products, please download and read our merchant advertising guide on Pay in 30 days and pay in 3 instalments.

# Advertising Standards Authority – TV, radio, mobile and internet advertisements.

**This section is relevant for the advertisement of both regulated and exempt credit products.**

The Advertising Standards Authority (ASA) governs many forms of advertising and has oversight of the advertising of **both** regulated and unregulated consumer credit products.

The ASA examines non-technical issues such as serious or widespread offence, social responsibility, superiority claims, fear and distress, competitor denigration and the truthfulness of claims that do not relate to the specific characteristics of a financial product.

When it comes to issues related to advertising of consumer credit or other finance products, the ASA will:

- Forward complaints about technical aspects of non-broadcast advertising to the FCA; and
- Assess complaints about broadcast advertisements and liaise with the FCA on technical matters matters, to an extent

In addition to the requirements set out in the rest of this guide, you should make sure that you comply with the ASA's requirements as set out in the Advertising Codes. Non-broadcast advertisements are subject to the CAP Code, and broadcast advertisements will be subject to the BCAP Code.

Generally speaking, advertising must be decent, honest, truthful and clear and should not mislead consumers (e.g. through inaccuracy, ambiguity, exaggeration, omission or otherwise).

You should take care to ensure that any copy used describes what is being offered in a full and clear

way, so that consumers are not misled and can make an informed decision. You must also ensure that you can substantiate any claims you choose to use with robust, objective evidence.

## How do we display the small print?

Any explanatory copy or small print must be clear and concise and presented in a way that captures a reader's attention and counterbalances any potentially misleading claims. It must also be easily legible or clearly audible.

Small print must be positioned underneath the relevant claim, or otherwise positioned **clearly** and **prominently**. You may want to link the small print to the relevant claim by way of an asterisk.

Qualifying small print can be used to clarify, but **must not** contradict the primary claim.

Whether the proposed small print or qualifying information is acceptable will depend on:

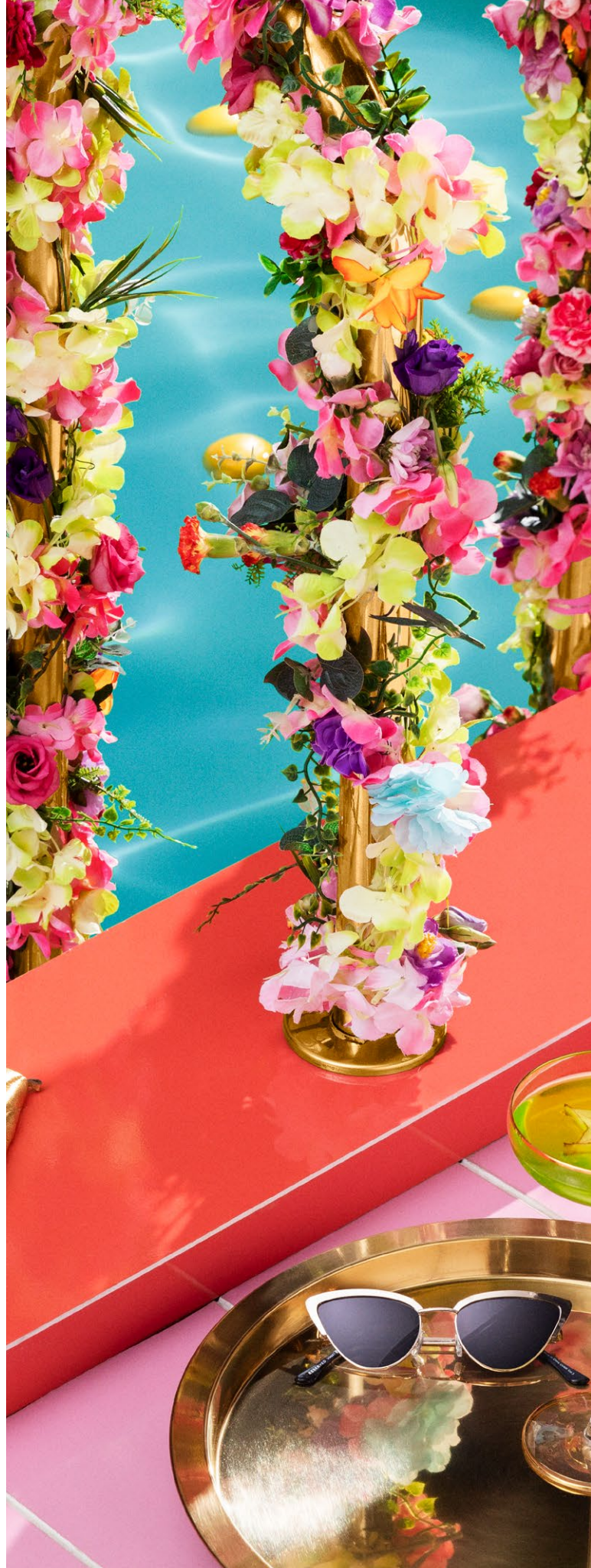
- Size
- Clarity
- Positioning (e.g. vertical footnotes are more likely to be overlooked than those that run along the bottom of an ad)
- Significance of the qualification
- Content and layout of the rest of the ad (e.g. do not use colour schemes that make the small print hard to read)
- Nature of the medium (e.g. posters will usually contain little text)
- Prominence of the primary claim

Information that is read out in a way that makes it more difficult for the consumer to understand what is being offered, for example, because of the speed in which it was read out, or because it was a lower volume than the rest of the advertisement, would likely breach ASA requirements. In this respect, short form television and radio ads may not be well-suited for communicating a particular promotion if a large amount of detail is required.

There may be occasions when qualifying information, however prominent, does not go far enough to remove the misleading impression given by the primary claim. In this case, the headline claim should be amended to more accurately reflect the offering.

If a marketing communication is short or general in its content, and the nature of the content and applicable terms cannot be provided, then free material explaining the offer must be made available to consumers before they enter into a binding contract.

Relatedly, if a marketing communication is significantly limited by space or time, then as many of the significant conditions (other than those that must be provided in order to achieve FCA compliance) as practicable need to be included. A clear signpost to the full promotional conditions must also be provided. Consumers should be able to retain those conditions or access them easily throughout a promotional period.



## Examples.

Advertisements for regulated consumer credit products must be stand-alone compliant, irrespective of which medium is used. Therefore financial promotions via website, email, Twitter website banners and text message, all need to be stand-alone compliant and meet the regulatory requirements indicated in this guide.

You must otherwise ensure that your advertising complies with the ASA's requirements, which may change depending on the medium used.

## Text messages.

A financial promotion sent by text message that includes an interest rate or any amount relating to the cost of credit would need to display a Representative Example, shown together and of equal prominence. One way to achieve this is through image advertising where a text message is an image of a fully compliant financial promotion.

If there are any other significant conditions associated with the advertisement, then (provided that the text message is standalone compliant and would meet the FCA's requirements if it is a financial promotion) you should ensure that you set out as many of these conditions in the text message itself and provide a link to redirect the consumer to another source, for example a website for the remainder of the information.

## Radio, TV and POS.

The same rules apply to radio promotions as to other financial promotions except there is no requirement from the FCA to include a postal address. This is also the case for TV advertising and affixed point-of-sale advertising (e.g. this would not apply to leaflets that consumers could take with them).

There is no dispensation in relation to prominence, so for example, the Representative APR should be spoken before any incentive/favourable comparison in order to give it the required prominence. Any communication should use intelligible language and be clearly audible.

However, if an advertisement only contains one or more of the following then CONC requirements do not apply:

- Your legal or trading name
- Any logos
- Contact points (including addresses, telephone numbers and website addresses); and
- A brief, factual description of the types of products provided by you

From the ASA's perspective, short-form television and radio ads may not be best suited for advertising financial products or services if there is a large amount of detail to be communicated. They also may not be suitable formats for advertising financial products or services that are not regulated or permitted in the UK under the Financial Services and Markets Act 2000 (FSMA).

## Digital media.

Take care in digital media – the ASA is unlikely to be impressed by arguments of space constraints where you own the space. You need to make room for the necessary information and small print.

You should seek to ensure that any significant qualifications appear on the same page and are easily located by the consumer (i.e. they should be clearly directed).

### Important!

**The requirements contained within this guide apply equally to websites and email marketing media.**

Consideration should be made to the following issues when advertising financial products on social media, given it may be seen by a wide audience base:

- Stand-alone compliance – each communication (e.g. a tweet or an Instagram post) needs to be considered individually and comply with relevant rules, including the FCA's clear, fair and not misleading rules

- Any character, space or time limitations imposed by the platform (e.g. 280 characters on Twitter). Consider image advertising, including the use of infographics, which allows relatively unrestricted information to be conveyed
- Providing a balanced view of the risks and benefits of the product/service being advertised – the FCA's financial promotion rules are media-neutral and therefore apply to social media as they would to any other medium
- Promoting complex features of a product or service – please consider whether social media is an appropriate medium
- As with other types of financial promotions, when using digital promotions you need to:
  - Include all finance figures together on the same page – e.g. you can't show a monthly payment that directs you to another page showing a representative example, or split the figures across different frames
  - Show the representative APR with no less prominence than the incentive given within the promotion
- Ensure the representative APR given is accurate and representative of at least over half of what consumers responding to the promotion would receive
- Include the phrase "terms and conditions apply" on any banner advert – full terms and conditions must also be no more than one click away and the banner should have a clear call to action. Where risk warnings or representative examples are required, these should feature prominently in the banner advert itself and not be hidden away in the terms and conditions or be accessible via a link in the banner ad
- Provided the banner advert is stand-alone compliant from the FCA's perspective, include as many of the other significant promotional conditions as possible in the banner advert, with all other conditions clearly signposted and available no more than "one click away"
- State that you are a credit broker and not a lender



# The specific advertising rules.

### Non-broadcast advertisements.

Section 14 of the CAP Code sets out the rules that apply to financial marketing communications. Advertisements for **all financial** products must:

- Be presented in a way that can be **easily understood** by the audience and must not take advantage of consumers' inexperience
- **Clearly set out the nature of the contract** being offered, any limitation, expense, penalty or charge and the withdrawal terms
- Ensure the basis used to calculate any rate of interest, forecast or projection is immediately apparent

## Broadcast advertisements.

Section 14 of the BCAP Code draws attention to the statutory regulation with which all broadcast advertisements must comply. Relevantly:

- Financial promotions or advertisements for regulated activities may be broadcast if (i) communicated by an authorised person; (ii) approved or issued by an authorised person (or an appointed representative) who has confirmed the final recorded version complies with the FCA's financial promotion rules; (iii) exempt under the Financial Services and Markets Act (Financial Promotion) Order 2005
- Advertisements must be considered to be addressed to a non-specialist audience (unless obviously addressed to a specialist audience and shown either on specialised financial channels/stations or in breaks of relevant financial programmes) and no specialist knowledge should normally be required
- Advertising unsecured consumer credit services is only acceptable if you comply with the requirements of the FSMA and FCA



## The ASA's other considerations.

**All marketing communications (whether or not they are for products or services that are regulated by the FCA) must also comply with the general, non-technical guidance set out in the CAP Code and BCAP Code.**

Note that while the terminology used in the Advertising Codes and the ASA's guidance may be to specific financial products and we have referred to "loans" below, in practice, the ASA is likely to extend its thinking across all forms of credit.

### Social responsibility.

- Advertisements must be **prepared with a sense of responsibility to consumers and to society**
- The ASA will consider issues such as undue emphasis on speed and ease of access, the targeting of vulnerable groups and whether the advertisement could be seen to trivialise taking out a loan
- Disproportionate emphasis on speed and ease of access compared to the interest rate will likely be problematic from the ASA's perspective. There may also be an issue if you imply that forethought or detailed consideration is not needed
- "Interest free" claims should not encourage consumers already struggling to pay off debt to take out further credit
- Avoid implying that loans are appropriate for frivolous purchases – the ASA has previously upheld complaints against advertisements that implied that short term loans could be used to fund a social life, buy alcohol or a weekend away
- Take care when deciding upon the creative treatment of the ad – the ASA will consider the use of animation, puppets and humour when assessing complaints. Flippant imagery may be seen to promote a casual attitude to loans
- The ASA has previously found images of a women with shopping bags to suggest she had spent borrowed money on a shopping trip, which was likely to be seen as encouraging frivolous spending of that borrowed money.
- Do not aim advertisements of financial products at children (e.g. by advertising free photos with Santa and a Christmas treat for children while offering payday loans)
- Advertising should not suggest that a purchase should be made impulsively or without proper consideration of the payment terms
- Avoid implying that the promoted product or service is a solution to financial difficulties or a suitable method of resolving a wider financial concern
- Be careful not to encourage consumers to purchase items they would not otherwise be able to afford. The cost of any goods featured in the advertisement will be relevant – it should not be so high that a consumer would not be able to afford it
- The ASA is more likely to accept references to purchases that are considered reasonable. For example, in the context of a dress advertised as being £89, the ASA found that the claim **"If you want a treat but payday is a couple of weeks away you can now use @klarnauk which gives you 14 days for your new purchase! Winning..."** did not trivialise using a payday loan to make non-essential purchases or encourage irresponsible spending (please see [asa.org.uk/rulings/klarna-uk-ltd-a18-470239.html](https://asa.org.uk/rulings/klarna-uk-ltd-a18-470239.html))
- Seek advice before running any special offers or competitions to ensure the entry mechanic is responsible and compliant

## Offence.

- Advertising should be decent and should not cause serious or widespread offence. Special care must be taken to avoid causing offence on the grounds of race, religion, gender, sexual orientation, disability and age
- When developing advertising, ask yourself if you might be offended. If the answer is "yes", then there is likely to be an issue that needs to be resolved
- Consider whether shocking or distressing images or claims are appropriate when advertising

## Fear and distress.

- Do not cause fear or distress without justifiable reason and, where it is justified, make sure it is not excessive
- Avoid exaggerating the potential risks caused by not buying a particular product or service, especially if you are targeting the elderly or vulnerable

## Superiority claims.

- Take care when using any unqualified superlative claims, such as "best-selling" or "leading" – they will be regarded as a comparative claim against all competitors
- Unless the superiority claims are obvious puffery (i.e. a claim that a consumer is unlikely to take literally), then the advertising must make clear the specific aspects of your product or service that is claimed to be superior and must be supported by robust and objective evidence
- Bear in mind that superiority claims are high risk as they are likely to be scrutinised by competitors

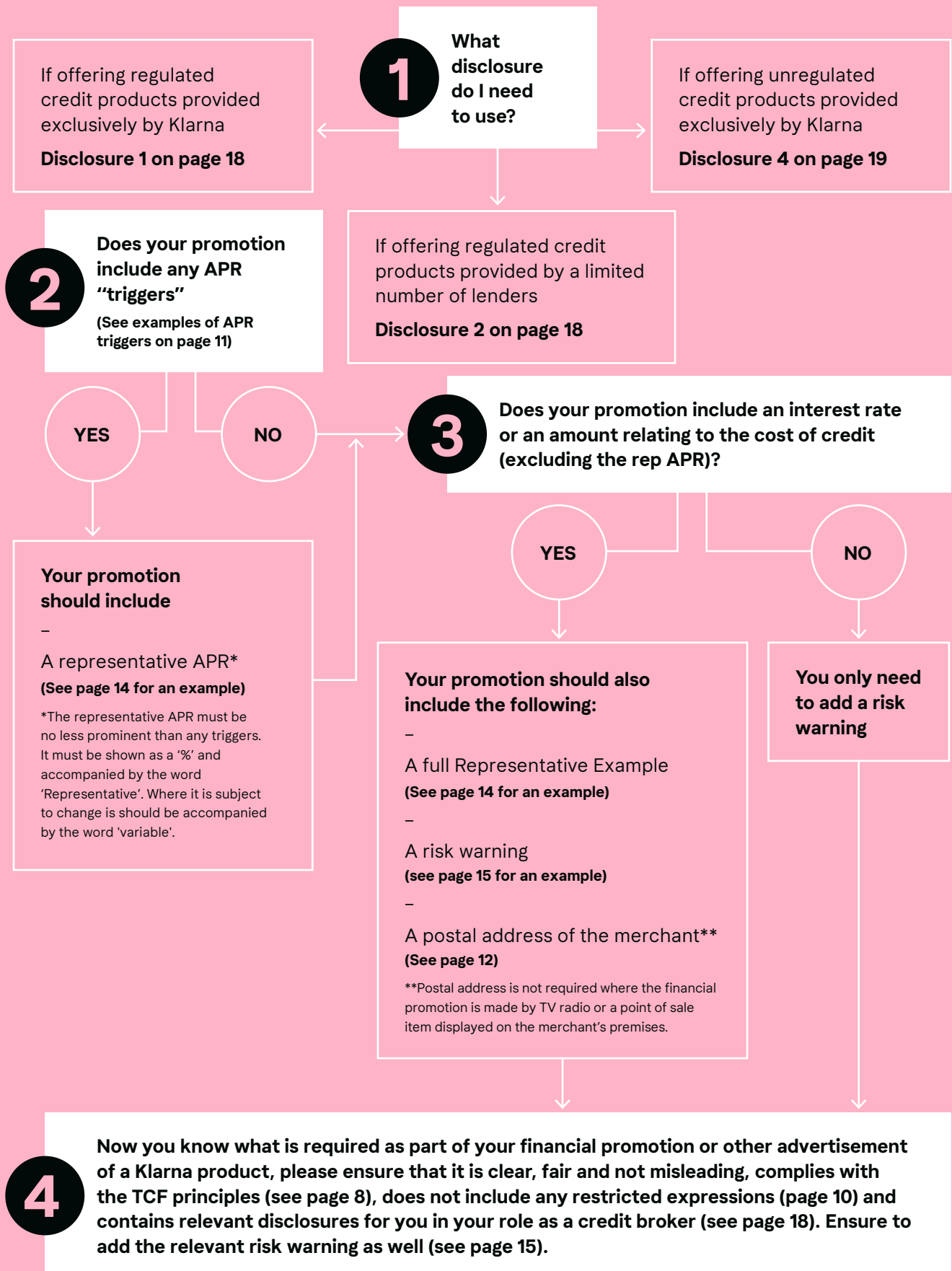
## Competitor denigration.

- While comparative advertising is permitted, make sure you do not discredit or denigrate the products, trade marks, trade names etc of competitors

## Other issues.

- In addition to stand-alone compliance required for advertisements for regulated consumer credit products, if you include any other claims then you must ensure they are truthful and substantiated and set out the significant terms and conditions in the initial marketing communication – it will be unfair to mislead a consumer into making a purchase they wouldn't otherwise have agreed to. For example, you should set out the following when advertising a promotional offer:
  - How to participate, including any costs or factors likely to influence consumers' understanding of the promotion
  - Any free entry route explanation
  - Start date (if applicable)
  - Closing date
  - Any proof of purchase requirements;
  - The nature and number of any prizes or gifts, or a reasonable estimate if the number cannot be determined
  - The existence of any restrictions or limitations, such as age, date or geographical restrictions
  - Any limitations on availability; and
  - Unless obvious (subject to FCA stand-alone compliance requirements), your name and address
- If you use "from" or "up to" claims, ensure that a significant proportion of sales items are discounted at the maximum saving and that these claims represent the true overall picture of the promotion
- Please ensure that any product shown in your advertising is the one described in the advertising
- Ensure that your advertising complies with all other CAP Code or BCAP Code rules

# Decision tree.



## Financial promotions (examples).

In this section we provide some examples of compliant and non-compliant advertising of both regulated and exempt Klarna products.

### Good example.

Regulated fixed sum credit where credit is provided exclusively by Klarna.



Compliant

**NEW**

**VIDEOGAME FINANCE**

**PLAY NOW • PAY MONTHLY**  
**0% APR REPRESENTATIVE**

- SPREAD OVER 12 MONTHLY PAYMENTS
- CHOOSE YOUR BUNDLE
- SELECT KLARNA AT CHECKOUT
- PAY 10% INITIAL DEPOSIT




**Late or missing repayments may have serious consequences for you and cause you serious money problems.**

Videogame Limited is authorised and regulated by the Financial Conduct Authority (FCA FRN 1234567) and acts as a credit intermediary and not a lender, offering credit products provided exclusively by Klarna Bank AB (publ). Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.  
Videogame Limited - The Street - Berkshire - BE12 4XE

Klarna Bank AB (publ) is authorised and regulated by the Swedish Financial Supervisory Authority. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

**0% APR** representative does not trigger a Representative Example as it is a true 0% with no added interest or fees.

## Bad example.

Regulated fixed sum credit – for credit not provided exclusively by Klarna.

**X****Non compliant**

**NEW**

**VIDEOGAME  
FINANCE**

**PLAY NOW • PAY MONTHLY**

**FROM £32 PAYABLE OVER 12 MONTHS**

- Choose your bundle
- Pay 10% initial deposit
- x12 monthly payments

VideoGame Limited, 1 The Street, Anytown, Berkshire BE12 4XX

When a **rate of interest or an amount relating to the cost of credit is shown**, this **acts as a trigger** to display a representative example, **which is missing from this promotion and therefore non-compliant.**

**The advert must contain a disclosure –** in this case because the credit is not provided exclusively by Klarna, disclosure 2 on page 18 would be appropriate. It also needs a risk warning.

## Good example.

Good example. Regulated revolving credit with a 24 promotional rate of 0%. Credit provided exclusively by Klarna.



Compliant

### Bike Shop

## Cycling made easy.

Buy now and spread the cost from £55 a month with our 24 month 0% promotional rate.

Cycling

£1,200

#### Representative example for X8 Speedy Bike

24 months promotional rate of interest	0% p.a (variable)*
Nature and amount of any other charge	£0.00
The total amount of credit	£1200.00
The Representative APR	18.9% APR Representative
Cash/purchase price, and deposit	£1,200.00, no deposit

If you do not make your full monthly payment, the interest free arrangement will cease and you'll be required to pay interest on all future payments at 18.9% APR Representative. Late or missing repayments may have serious consequences for you. Your credit rating may be affected which will make it more difficult or more expensive for you to obtain credit in the future.

The Bike Shop Limited is authorised and regulated by the Financial Conduct Authority (FCA FRN 1234567) and acts as a credit intermediary and not a lender, offering credit products provided exclusively by Klarna Bank AB (publ). Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.

The Bike Shop Limited - 1 The Street - Berkshire - BE12 4XE

When mentioning a rate of interest or an amount relating to the cost of credit, this is the trigger to display a representative example.

Please note that the representative example displayed on this page is showing the set layout for a revolving credit agreement.

Optional part of disclosure not included due to space and legibility of main disclosure

## Bad example.

Regulated revolving credit with a promotional rate.

**X**

Non compliant

**Bike Shop**

# Cycling made easy.

Buy now and spread the cost from £55 a month with our 24 month 0% promotional rate.

**Cycling**

**£1,200**  
Interest free finance available

**Representative example for X8 Speedy Bike**

24 months promotional rate of interest	0% p.a (variable)*
Nature and amount of any other charge	£0.00
The total amount of credit	£1200.00
Cash/purchase price, and deposit	£1,200.00, no deposit

'Interest free' is a restrictive expression and must not be stated unless the total amount payable does not exceed the cash price. As this is a promotional rate and there is a potential of reverting to a higher interest rate (as per risk warning) this should not be used.

The representative APR is missing from the representative example and it is not given equal prominence to other wording in the advert.

No inclusion of a risk warning.

Merchants name and address is missing.

The required disclosure is missing, see disclosure 1 on p18.

# Good example.

Regulated fixed sum credit.



Compliant

## Bike Shop

### Cycling made easy.

Buy now and spread the cost from £40 per month over 24 months.

Cycling

£1,000

#### Representative example for X5 Speedy Bike

Rate of interest	5.9% p.a (fixed)
Interest	£53.10
The total amount of credit	£900.00
Representative APR	5.9% APR Representative
Cash/purchase price, including any deposit	£1000 including £100 deposit
The duration of the agreement	24 months
Total amount payable	£1,053.10
Monthly repayment	£39.71

**Late or missing repayments may have serious consequences for you and cause you serious money problems. Your credit rating may be affected which will make it more difficult or more expensive for you to obtain credit in the future.**

The Bike Shop Limited is authorised and regulated by the Financial Conduct Authority (FCA FRN 1234567) and acts as a credit intermediary and not a lender, offering credit products provided exclusively by Klarna Bank AB (publ). Finance is only available to permanent UK residents aged 18+, subject to status, terms and conditions apply.

The Bike Shop Limited - 1 The Street - Berkshire - BE12 4XE

**When mentioning a rate of interest or an amount relating to the cost of credit, this is the trigger to display a representative example.**

Please note that the representative example displayed below is showing the set layout for a Fixed Sum credit agreement.

**Optional part of disclosure not included due to space and legibility of main disclosure**

# Bad example.

Regulated fix sum credit.

X

Non compliant

**Bike Shop**

## Cycling made easy.

Buy now and spread the cost from £40 per month over 24 months.

**Cycling**

Rate of interest	5.9% p.a (fixed)
Interest	£53.10
The total amount of credit	£900.00
The Representative APR	5.9% APR Representative
Cash/purchase price, including any deposit	£1000 including £100 deposit
The duration of the agreement	24 months
Total amount payable	£1,053.10
Monthly repayment	£39.71

The Bike Shop Ltd, 1 The Street, Anytown, Berkshire BE12 4XE.

**£1,000**  
Buy now and spread the cost from £40 a month over 24 months

When mentioning a rate of interest or an amount relating to the cost of credit, this is the trigger to display a representative example.

A representative example shouldn't be hidden away or diminished and it should be presented together with each item of information and given equal prominence to any other information relating to the cost of credit in the financial promotion or any indication or incentive encouraging the consumer to apply for credit.

The table must include a title of representative example including the product name it is representing.  
E.g. Representative Example x5 Speedy Bike.

Missing risk warning.

## Good example.

Unregulated credit.



Compliant

### Furniture Store

**Pay later in 3  
instalments  
with Klarna.**

Furniture

**Please spend responsibly – borrowing beyond your means could seriously affect your financial status, ensure you can afford to make your repayments on time by the due date.**

Furniture Store Ltd is not a lender and acts only as an introducer. The credit product is provided by Klarna Bank AB (publ). Credit is only available to permanent UK residents aged 18 and over, subject to status. Terms and conditions apply. **Please note that Pay in 3 instalments is not regulated by the FCA.**

*Not a "Financial Promotion" but adding a disclosure and risk warning is still recommended.*

If you would like more examples of advertisements for our exempt credit products, please see our unregulated credit merchant advertising guide.

**Klarna.**

