

Klarna Bank AB (publ)
Request for opinion on the report
of the Consumer Credit and
Financial Services Distance Selling
Working Group VN/26445/2023

March 2025

About Klarna

Klarna is on a mission to be available everywhere for everything. With over 85 million active global Klarna users and 2.5 million transactions per day, Klarna's AI-powered payments and commerce network empowers people to pay smarter—online, in-store, and through Apple Pay in the U.S., UK, and Canada. More than 600,000 retailers trust Klarna's innovative solutions to drive growth and loyalty, including Uber, H&M, Saks, Sephora, Macy's, Ikea, Expedia Group, Nike, and Airbnb.

Klarna has been in Finland since 2008, and we're proud that today over 2 million Finnish consumers choose us to save time, money, and stay in control of their finances.

Our Response

Klarna Bank AB (publ) hereby submits its comments on the proposal for a new Consumer Credit Act in Finland. We share Parliament's ambition to strengthen consumer protection and promote responsible lending. We believe such a regime can be achieved through proportionate rule-making with requirements that strike a balance between consumer protection, competition, and innovation.

In brief:

- We support the inclusion of Buy Now, Pay Later (BNPL) under the Consumer Credit Directive (CCD2) and the extension of consumer protection. However, we see a risk where full consumer protection could be compromised. Equivalent credits to BNPL, when provided directly by sellers, are exempt. Our position is that equal credit should have equal consumer protection and hence be regulated in the same way.
- It would not be proportionate or fair to require merchants offering BNPL as a form of flexible payment to their consumers to obtain a credit broker license. This would place an undue regulatory burden on retailers who offer their consumers the option to pay via an interest-free, installment-based credit product, which is inherently lower risk than traditional credit.
- Given the low-risk nature of BNPL compared to other types of credit, such as credit cards, the proposed information requirements are impractical and could distort competition. The rules should be adjusted to ensure they are fair and proportionate.
- We urge the government to implement proportional and technology-neutral requirements for credit assessments.

The Finnish transposition of CCD2 aims to enhance consumer protection while ensuring that credit markets remain competitive and accessible.

We welcome the opportunity to respond to this consultation as a long-term participant in the Finnish market. The broadening of CCD2's scope to cover new forms of credit, including BNPL products, requires a proportionate and risk-based approach. BNPL has proven to be a low-risk and consumer-friendly alternative to traditional credit, often offered without interest or fees.

We remain broadly supportive of the initiative but would like to highlight a few points for further consideration ahead of the next steps. It is crucial to address the proportionality of certain requirements to balance consumer rights with the operational realities of BNPL providers, such as Klarna. We, therefore, bring your attention to the following:

Pre-Contractual Information

The provision of pre-contractual information should be proportionate to the complexity and risk associated with the credit product. Simplified disclosures for straightforward credit products can prevent information overload and enhance consumer understanding. This approach aligns with the directive's goal of informed consumer decision-making without imposing undue burdens on credit providers.

Klarna's view:

- Compared to other types of credit, BNPL is a small, interest-free, and fee-free type of credit. The average order value for a Klarna purchase in Europe is €100. Furthermore, consumers can easily withdraw from them by returning the goods. To help our consumers make informed decisions, we provide useful and appropriate information in an intuitive way, without adding unnecessary friction.
- Adding excessive information can confuse consumers rather than support better outcomes. Compared to credit cards—where consumers only receive pre-contractual information once at sign-up—BNPL consumers receiving the same information at every purchase risks overloading them with unnecessary details, ultimately affecting their ability to make the best decisions.
- A comparison can be made with cookie notices introduced through GDPR. In practice, these have resulted in a "tick-the-box" exercise rather than truly informing consumers. A study showed that cookie notices have not changed consumers' attitudes toward privacy; instead, they have become accustomed to the use of cookies.

Creditworthiness Assessments

The creditworthiness assessment process should be proportionate to the size and nature of the credit. For smaller credit amounts, a streamlined assessment process can be adopted, reducing administrative burdens while still ensuring responsible lending practices. This proportionality ensures that consumers have access to credit without unnecessary delays or costs.

Klarna's view:

- Affordability assessments should be proportionate to the value, term length, and cost of the credit. Hard credit checks and/or full income assessments should not be required for BNPL, as they are disproportionate and disadvantage consumers looking to transact in an online environment.

- The transposition should encourage better access to consumer credit data—including BNPL loans—in Finland so that it can be shared between all credit providers and the central register. This would ensure that lenders can conduct robust creditworthiness assessments on citizens.
- It should also allow BNPL customers who pay on time to benefit from their positive payment behavior, contributing to their credit rating.
- However, consumers owing small amounts of money should not be disproportionately penalized by having negative marks on their credit file. Policymakers should consider setting a threshold value for when debt must be reported to a credit bureau and/or public database.

Credit Broker Licenses

Mandating credit broker licenses would be a disproportionate regulatory burden, particularly for small and medium-sized retailers.

Klarna's view:

- Unlike traditional credit brokering, where a financial intermediary actively promotes and arranges credit agreements, BNPL is a payment option integrated at checkout, similar to card payments.
- Requiring credit broker licenses would impose unnecessary compliance costs and administrative hurdles on businesses, discouraging them from offering BNPL and thereby limiting consumer choice.
- BNPL providers, not retailers, control credit underwriting and bear the financial risk, ensuring that lending decisions remain responsible and compliant with regulatory standards.
- Instead of placing regulatory obligations on merchants, oversight should focus on BNPL providers, ensuring they maintain high standards in creditworthiness assessments, transparency, and consumer protections. This approach aligns with the principle of proportionality and avoids stifling competition and innovation in the Finnish retail and payments sector.

Impact Assessments

At Klarna, we believe that a thorough impact assessment is essential to evaluate the practical implications of CCD2 on consumers and businesses. Key considerations should include:

- The potential restriction of consumer choice if low-risk products such as BNPL are over-regulated.
- The regulatory burden on credit providers, particularly fintech companies and digital lenders, and the impact this has on competition.
- The risk of credit exclusion for consumers who rely on flexible, short-term credit solutions.

Conclusion

The Finnish transposition of CCD2 should strive for a balanced approach that protects consumers while fostering a dynamic and competitive credit market. Klarna supports the goals of the legislative proposal to strengthen consumer protection and promote responsible lending. However, several provisions need to be adjusted to ensure proportionality and effectiveness.

Proportionality in pre-contractual information, creditworthiness assessments, and regulatory requirements for merchants is key to achieving these objectives.

We look forward to continued dialogue with legislators to achieve a well-balanced regulation that protects consumers without stifling innovation and competition.