

1 **EDELSBERG LAW, P.A.**  
 2 Scott Edelsberg, Esq. (CA 330090)  
 3 Chris Gold (*pro hac vice* forthcoming)  
 4 scott@edelsberglaw.com  
 5 chris@edelsberglaw.com  
 6 20900 NE 30th Ave, Ste. 417  
 7 Aventura, FL 33180  
 8 Tel: 305-975-3320  
 9 Fax: 786-623-0915

*Attorneys for Plaintiff and the Putative Class*

9 **IN THE UNITED STATES DISTRICT COURT**  
 10 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

11 **NATHAN HALE**, individually, and on  
 12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 **KLARNA, INC.**,

16 Defendant.  
 17

Case No.: '22CV0598 DMS AHG

**CLASS ACTION COMPLAINT**

**JURY TRIAL DEMANDED**

18  
 19 Plaintiff Nathan Hale, individually and on behalf of all others similarly  
 20 situated, hereby brings this Class Action Complaint against Defendant Klarna, Inc.  
 21 (“Klarna”) and alleges as follows:

22 **INTRODUCTION**

23 1. This lawsuit is brought as a class action on behalf of Plaintiff and  
 24 thousands of similarly situated Klarna customers who have been deceived into  
 25 using Klarna’s buy now, pay later service by the company’s misrepresentations and  
 26 omissions, in marketing materials, regarding the true operation and risks of the  
 27 service. These risks include the real and repeated risk of multiple insufficient funds  
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1 fees (“NSF fees”) or overdraft fees imposed by users’ banks as a result of automated  
2 Klarna transfers from consumers’ checking accounts.

3 2. Klarna specifically targets poor consumers and those struggling to  
4 make ends meet on a week-to-week basis. This group is its core constituency.

5 3. To that group, Klarna purports to offer a solution to cash-strapped  
6 consumers: Klarna prominently markets itself as a service that allows users to pay  
7 for purchases at a later date, with no interest, no fees and no hassle. These  
8 representations are false. In fact, there are huge, undisclosed fees and interest  
9 associated with using the service.

10 4. Klarna’s services thus cause unsuspecting consumers like Plaintiff to  
11 incur significant overdraft and NSF fees on their linked bank accounts.

12 5. Unfortunately, Klarna’s operation, along with its deceptive and  
13 incomplete marketing materials, means that users like Plaintiff end up paying huge  
14 amounts of fees and interest, which Klarna falsely assures users they will not  
15 receive.

16 6. In its rush to tout itself as convenient, simple, automatic, and free,  
17 Klarna does not disclose that overdraft and NSF fees are a likely and devastating  
18 consequence of the use of its service. No reasonable consumer would run this risk.

19 7. This massive risk is known to Klarna but is omitted from all of its  
20 marketing.

21 8. Worse, Klarna exacerbates the overdraft and NSF fee risk associated  
22 with service by using undisclosed processing choices that result in even more bank  
23 fees than users would otherwise occur, including reprocessing debits on the same  
24 or next day—when it knows users’ checking accounts are already negative.

25 9. Had Plaintiff and the Class members known of the true operation and  
26 risks of the Klarna service, they would not used the Klarna service.



1 **FACTUAL ALLEGATIONS**

2 **A. Overview**

3 16. Founded in Sweden in 2005, Klarna has expanded to 17 countries and  
4 serves 90 million shoppers. Klarna has become one of the largest buy now, pay  
5 later services in the U.S.

6 17. The concept of "buy now, pay later" has existed since the birth of credit  
7 cards. Klarna has expanded this concept to offers point-of-sale loans for online and  
8 in-store purchases through its mobile app., allowing users to avoid paying in full  
9 for products at hundreds of online and in-person stores by breaking up payments  
10 into four installments—allowing users to pay off a purchase over the next few  
11 months.

12 18. According to the Klarna website, the service is completely free, with  
13 no interest or hidden fees.

14 19. Here's how it works. At checkout at an in-person store, or online, a  
15 user is offered a Klarna loan as an alternative to other, traditional methods of  
16 payment. During that checkout experience, Klarna offers short marketing  
17 messages regarding its supposedly fee-free service.

18 20. If a user chooses to use Klarna, she provides basic personal details like  
19 name, date of birth and address, debit card. She then is provided specific payment  
20 plan details.

21 21. For example, if the total purchase is \$50, Klarna breaks that total into  
22 four payments of \$12.50, with the first installment due at checkout and the  
23 remaining three deducted every two weeks. The user's debit card will be charged  
24 for the first payment and automatically charged every two weeks until the balance  
25 is paid in full.

26 22. The whole process takes a few seconds—and at no time during that  
27 process does Klarna warn potential users of the true risks of using its service. To  
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1 the contrary, during the checkout and sign up processes, Klarna repeatedly touts  
2 itself as a free service—without “catches.”

3 23. Klarna’s marketing and public communications stress that it is a service  
4 that allows users to avoid overdraft fees, interest and other predatory charges. For  
5 example, speaking of banks and credit card companies, Klarna CEO Sebastian  
6 Siemiatkowski recently stated in a CNBC interview that “We are, with this product,  
7 challenging a massive industry that has overcharged consumers with overdraft fees,  
8 with interest bearing terms of use,” he added.

9 24. Similarly, the Klarna interface promises “Klarna is the smoothest  
10 [SIC] & safest way to get what you want today, and pay over time. No catch. Just  
11 Klarna.”

12 25. Klarna also touts itself as offering “**4 interest-free payments....**Pay in  
13 4 with Klarna through our app, with integrated brands, or anywhere Visa is  
14 accepted.”

15 26. It also states:

16 **No interest. No catch.**

17 Buy now, pay later is an alternative to credit and gives you the flexibility to  
18 shop what you want, when you want, without breaking the bank. When you  
19 split the cost of your purchase into 4 smaller payments with Klarna, **you’ll**  
20 **never pay any interest. Ever.**

21 27. But there is a “catch.” A big one. There can also be huge amounts of  
22 “interest,” albeit not assessed by Klarna, in the form of overdraft fees assessed by  
23 banks.

24 28. Overdraft fees, which banks charge when they pay small-dollar  
25 purchases into an insufficient account balance, are a highly profitable part of the  
26 banking sector that exclusively targets the very poor. According to a 2017 study by  
27 the Consumer Financial Protection Bureau, 5 percent of all bank accounts have  
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1 over 20 overdrafts a year, which produce 63.3 percent of all overdraft fees paid by  
2 consumers. Another 4.2 percent of bank accounts have over ten overdrafts a year  
3 and make up more than 15 percent of fees paid by consumers.

4 29. This is the same group of consumers that Klarna targets with its  
5 marketing: consumers living paycheck to paycheck. As a result, Klarna knew or  
6 should have know that such users were at extreme risk of overdraft fees when using  
7 the Klarna service.

8 30. When a bank pays an overdraft, it makes a loan to its accountholder in  
9 the amount of the overdraft. The overdraft fee is a payment the accountholder  
10 makes for the extension of credit for the overdrawn amount.

11 31. A 2008 Federal Deposit Insurance Corporation (FDIC) study showed  
12 that overdraft fees carry an effective APR in excess of 3,500 percent.

13 32. In short, the entire premise of Klarna is to provide immediate access to  
14 goods and services and avoid bank fees and interest charges. That is why consumers  
15 are shocked to discover that Klarna causes significant bank fees and interest  
16 charges.

17 33. Using Klarna's services causes unsuspecting consumers like Plaintiff  
18 to incur massive fees on their linked bank accounts.

19 34. Klarna misrepresents (and omits facts about) the true nature, benefits,  
20 and risks of its service, functioning of which means that users are at extreme and  
21 undisclosed risk of expensive bank fees when using Klarna. Had Plaintiff been  
22 adequately informed of these risks, he would not have used Klarna.

23 35. As alleged herein, Plaintiff had no idea small, automatic Klarna  
24 repayments could cause \$29-each overdraft fees from his bank.

25 **B. Plaintiff's Experience**

1           36. When Plaintiff signed up for Klarna and was induced to provide Klarna  
2 with his highly sensitive banking information, he was not aware that Klarna’s  
3 service had a significant “catch” and that significant “interest” could result.

4           37. For example, in December, 2021, Plaintiff made a purchase using  
5 Klarna.

6           38. On December 16, 2021, Klarna made a deduction from his checking  
7 account at Frontwave Credit Union in the amount of \$42.84, as a partial repayment  
8 of that purchase. That deduction caused a \$29 OD and/or NSF Fee at Frontwave  
9 Credit Union.

10           **C. Klarna’s Deceptive Marketing**

11           39. In marketing and promotions, Klarna describes its service as simple,  
12 convenient, and easy—a no-fee, no-interest way for consumers to receive their  
13 purchases before they have money to pay for them.

14           40. Klarna’s marketing never warns consumers of the extreme and crushing  
15 NSF and overdraft fee risk of using the service.

16           41. Klarna conceals from users the punishing risk of NSF and overdraft  
17 fees on small dollar Klarna repayments.

18           42. Klarna’s marketing materials—including within the app, in app stores,  
19 and on Klarna’s website—never disclose these risks and material facts, instead  
20 luring consumers to sign up for and use the service with promises of ease,  
21 convenience, and fee/interest avoidance.

22           43. Klarna knows that its service is likely to cause its low-income users to  
23 incur large bank fees.

24           44. Klarna’s representations—which all users view during the sign-up  
25 process—are false and contain material omissions.

26           45. Klarna misrepresents the true nature, benefits and risks of the service,  
27 which targets users with an extreme and undisclosed risk of Klarna triggering  
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1 expensive, earnings-depleting bank fees. Plaintiff would not have used Klarna if he  
2 had been adequately informed of the risks of bank fees. As alleged herein, Plaintiff  
3 had no idea small, automatic Klarna repayments could cause \$29 bank fees from  
4 their bank; he had no idea Klarna would process transactions when their accounts  
5 had insufficient funds.

6 46. Klarna’s marketing never discloses the most devastating risk of using  
7 the service—that days of earnings can be wiped out by bank fees associated with  
8 using the service.

9 **CLASS ALLEGATIONS**

10 47. Plaintiff bring this action individually and as representatives of all  
11 those similarly situated, on behalf of the below-defined Class (the “Class”):

12 All persons who used the Klarna Service and incurred an  
13 overdraft or NSF Fee as a result of a Klarna repayment  
14 deduction.

15 48. Excluded from the Class are Defendant and its affiliates, parents,  
16 subsidiaries, employees, officers, agents, and directors. Also excluded are any  
17 judicial officers presiding over this matter and the members of their immediate  
18 families and judicial staffs.

19 49. This case is appropriate for class treatment because Plaintiff can prove  
20 the elements of their claims on a class wide basis using the same evidence as would  
21 be used to prove those elements in individual actions alleging the same claims.

22 50. **Numerosity:** The members of the Class are so numerous that joinder  
23 of all members would be unfeasible and impracticable. The precise membership of  
24 the Class is unknown to Plaintiff at this time; however, it is estimated that the Class  
25 number is greater than one hundred individuals. The identity of such membership  
26 is readily ascertainable via inspection of Defendant’s books and records or other  
27



1 approved methods. Class members may be notified of the pendency of this action  
2 by mail, email, internet postings, and/or publication.

3 51. **Common Questions of Law or Fact:** There are common questions of  
4 law and fact as to Plaintiff and all other similarly situated persons, which  
5 predominate over questions affecting only individual Class members, including,  
6 without limitation:

- 7 a) Whether Klarna's representations and omissions about its service are  
8 false, misleading, deceptive, or likely to deceive;
- 9 b) Whether Klarna failed to disclose the NSF and overdraft fee risks of  
10 using its service;
- 11 c) Whether Plaintiff and the Class members were damaged by Klarna's  
12 conduct;
- 13 d) Whether Klarna's actions or inactions violated the consumer protection  
14 statute invoked herein; and
- 15 e) Whether Plaintiff is entitled to a preliminary and permanent injunction  
16 enjoining Defendant's conduct.

17 52. **Predominance of Common Questions:** Common questions of law  
18 and fact predominate over questions that affect only individual members of the  
19 Class. The common questions of law set forth above are numerous and substantial  
20 and stem from Klarna's uniform practices applicable to each individual Class  
21 member. As such, these common questions predominate over individual questions  
22 concerning each Class member's showing as to his or her eligibility for recovery  
23 or as to the amount of his or her damages.

24 53. **Typicality:** Plaintiff's claims are typical of the claims of the other  
25 members of the Class because, among other things, Plaintiff and all Class members  
26 were similarly injured through Klarna's uniform misconduct as alleged above. As  
27 alleged herein, Plaintiff, like the members of the Class, were deprived of monies  
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1 that rightfully belonged to them. Further, there are no defenses available to Klarna  
2 that are unique to Plaintiff.

3       **54. Adequacy of Representation:** Plaintiff are adequate class  
4 representatives because they are fully prepared to take all necessary steps to  
5 represent fairly and adequately the interests of the members of the Class, and  
6 because their interests do not conflict with the interests of the other Class members  
7 they seek to represent. Moreover, Plaintiff’s attorneys are ready, willing, and able  
8 to fully and adequately represent Plaintiff and the members of the Class. Plaintiff’s  
9 attorneys are experienced in complex class action litigation, and they will prosecute  
10 this action vigorously.

11       **55. Superiority:** The nature of this action and the claims available to  
12 Plaintiff and members of the Class make the class action format a particularly  
13 efficient and appropriate procedure to redress the violations alleged herein. If each  
14 Class member were required to file an individual lawsuit, Klarna would necessarily  
15 gain an unconscionable advantage since it would be able to exploit and overwhelm  
16 the limited resources of each individual Plaintiff with its vastly superior financial  
17 and legal resources. Moreover, the prosecution of separate actions by individual  
18 Class members, even if possible, would create a substantial risk of inconsistent or  
19 varying verdicts or adjudications with respect to the individual Class members  
20 against Klarna, and which would establish potentially incompatible standards of  
21 conduct for Klarna and/or legal determinations with respect to individual Class  
22 members which would, as a practical matter, be dispositive of the interests of the  
23 other Class members not parties to adjudications or which would substantially  
24 impair or impede the ability of the Class members to protect their interests. Further,  
25 the claims of the individual members of the Class are not sufficiently large to  
26 warrant vigorous individual prosecution considering all of the concomitant costs  
27 and expenses attending thereto.

**FIRST CAUSE OF ACTION**  
**Violation of California’s Unfair Competition Law (“UCL”)**  
**Cal. Bus. & Prof. Code § 17200, *et seq.***  
**(On Behalf of Plaintiff and the Class)**

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4       56. Plaintiff repeats, realleges, and incorporates by reference each of the  
5 foregoing paragraphs of this Complaint as if fully set forth herein.

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7       57. California Business & Professions Code § 17200 prohibits acts of  
8 “unfair competition,” including any “unlawful, unfair or fraudulent business act or  
9 practice.”

10  
11       58. Klarna’s deceptive conduct related to material omissions and/or  
12 material misrepresentations that it provides risk-free repayment service through its  
13 website and mobile app violates each of the statute’s “unfair,” “unlawful,” and  
14 “fraudulent” prongs.

15  
16       59. The UCL imposes strict liability. Plaintiff need not prove that Klarna  
17 intentionally or negligently engaged in unlawful, unfair, or fraudulent business  
18 practices—but only that such practices occurred.

19  
20       60. A business act or practice is “unfair” under the UCL if it offends an  
21 established public policy or is immoral, unethical, oppressive, unscrupulous, or  
22 substantially injurious to consumers, and that unfairness is determined by weighing  
23 the reasons, justifications, and motives of the practice against the gravity of the  
24 harm to the alleged victims.  
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1           61. Klarna’s practices as described herein are (a) immoral, unethical,  
2           oppressive, and/or unscrupulous and violate established public policy as recognized  
3           by, *inter alia*, causing injury to consumers which outweigh any purported benefits  
4           or utility.

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6           62. A business act or practice is “fraudulent” under the UCL if it is likely  
7           to deceive members of the public.

8  
9           63. Defendant’s practices, as described herein, constitute “fraudulent”  
10          business practices in violation of the UCL because, among other things, they are  
11          likely to deceive reasonable consumers, who do not expect that they can incur  
12          expensive bank fees—and sometimes, multiple bank fees—for using Klarna’s  
13          service. On the media on which Defendant communicated to consumer as they  
14          were making a purchase decision, Defendant concealed the material fact that the  
15          cost to use the buy now, pay later service can far exceed the “free” price  
16          represented.

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19          64. A business act or practice is “unlawful” under the UCL if it violates  
20          any other law or regulation.

21  
22          65. Among other statutes, laws, and/or regulations, Defendant’s acts and  
23          practices violate the following statutes, laws, and/or regulations:  
24

25               (a) Violating Cal. Civ. Code § 1750, *et seq.*;

26               (b) Engaging in conduct in which the gravity of harm to Plaintiff and  
27               the Class outweighs the utility of the Defendant’s conduct; and/or  
28

1 (c) Engaging in acts and/or practices and/or omissions that are immoral,  
2 unethical, oppressive, and/or unscrupulous and causes injury to  
3 consumers which outweigh its benefits.  
4

5 66. Klarna committed unfair and fraudulent business acts and practices in  
6 violation of Cal. Bus. & Prof. Code § 17200, *et seq.*, by affirmatively and  
7 knowingly misrepresenting on its website and mobile app the true risks and  
8 operation of its service.  
9

10 67. Klarna's acts and practices offend an established public policy of fee  
11 transparency in the marketplace, and constitute immoral, unethical, oppressive, and  
12 unscrupulous activities that are substantially injurious to consumers.  
13

14 68. The harm to Plaintiff and the Class outweighs the utility of Defendant's  
15 practices. There were reasonably available alternatives to further Defendant's  
16 legitimate business interests, other than the misleading and deceptive conduct  
17 described herein.  
18

19 69. Klarna's business practices have misled Plaintiff and the proposed  
20 Class and will continue to mislead them in the future.  
21

22 70. Plaintiff relied on Defendant's misrepresentations.  
23

24 71. Had Plaintiff known the true risks of using the service, he would have  
25 chosen another method to purchase the item with Klarna or purchase the item with  
26 another provider.  
27  
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1           72. As a direct and proximate result of Klarna’s unfair, fraudulent, and/or  
2 unlawful practices, Plaintiff and Class members suffered and will continue to suffer  
3 actual damages. Defendant’s fraudulent conduct is ongoing and present a  
4 continuing threat to Class members that they will be deceived into making  
5 purchases with the buy now, pay later service.  
6

7           73. As a result of its unfair, fraudulent, and unlawful conduct, Klarna has  
8 been unjustly enriched and should be required to disgorge its unjust profits and  
9 make restitution to Plaintiff and Class members pursuant to Cal. Bus. & Prof. Code  
10 § 17203 and 17204.  
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13                                   **SECOND CAUSE OF ACTION**  
14                                   **Violation of California’s False Advertising Law (“FAL”)**  
15                                   **Cal. Bus. & Prof. Code § 17500, *et seq.***  
16                                   **(On Behalf of Plaintiff and the Class)**

17           74. Plaintiff re-alleges and incorporates the preceding allegations by  
18 reference as if fully set forth herein.

19           75. California’s False Advertising Law (“FAL”), Cal. Bus. & Prof. Code §  
20 17500, states that “[i]t is unlawful for any ... corporation ... with intent ... to dispose  
21 of ... personal property ... to induce the public to enter into any obligation relating  
22 thereto, to make or disseminate or cause to be made or disseminated ... from this  
23 state before the public in any state, in any newspaper or other publication, or any  
24 advertising device, or by public outcry or proclamation, or in any other manner or  
25 means whatever, including over the Internet, any statement...which is untrue or  
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1 misleading and which is known, or which by the exercise of reasonable care should  
2 be known, to be untrue or misleading....”

3 76. Defendant’s material misrepresentations and omissions alleged herein  
4 violate Bus. & Prof. Code § 17500.

5 77. Defendant knew or should have known that its misrepresentations and  
6 omissions were false, deceptive, and misleading.  
7

8 78. Pursuant to Business & Professions Code §§ 17203 and 17500,  
9 Plaintiff and the members of the Class, on behalf of the general public, seeks an  
10 order of this Court enjoining Defendant from continuing to engage, use, or employ  
11 their practice of misrepresenting the true risks and operation of its services.  
12

13 79. Further, Plaintiff and the members of the Class seek an order requiring  
14 Defendant to disclose such misrepresentations, and additionally request an order  
15 awarding Plaintiff restitution of the money wrongfully acquired by Defendant by  
16 means of said misrepresentations.  
17

18 80. Additionally, Plaintiff and the Class members seek an order requiring  
19 Defendant to pay attorneys’ fees pursuant to Cal. Civ. Code § 1021.5.  
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21 **PRAYER FOR RELIEF**

22 WHEREFORE, Plaintiff, individually and on behalf of the Class, demands  
23 a jury trial on all claims so triable and judgment as follows:  
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A. Certifying the proposed Class pursuant to Federal Rule of Civil Procedure 23, appointing Plaintiff as representative of the Class, and appointing counsel for Plaintiff as lead counsel for the respective Class;

B. Declaring that Klarna’s policies and practices as described herein constitute a violation of state consumer protection statutes;

C. Enjoining Klarna from the wrongful conduct as described herein;

D. Awarding restitution of all fees at issue paid to Klarna by Plaintiff and the Class as a result of the wrongs alleged herein in an amount to be determined at trial;

E. Compelling disgorgement of the ill-gotten gains derived by Defendant from its misconduct;

F. Awarding actual and/or compensatory damages in an amount according to proof;

G. Punitive and exemplary damages;

H. Awarding pre-judgment interest at the maximum rate permitted by applicable law;

I. Reimbursing all costs, expenses, and disbursements accrued by Plaintiff in connection with this action, including reasonable attorneys’ fees, costs, and expenses, pursuant to applicable law and any other basis; and

J. Awarding such other relief as this Court deems just and proper.

**DEMAND FOR JURY TRIAL**

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Plaintiff and all others similarly situated hereby demand trial by jury on all issues in this Class Action Complaint that are so triable.

Dated: April 28, 2022

Respectfully submitted,

**EDELSBERG LAW, P.A.**

By: /s/ Scott Edelsberg  
Scott Edelsberg (CA 330090)  
scott@edelsberglaw.com  
20900 NE 30th Ave., Ste. 417  
Aventura, FL 33180  
Tel: 305-975-3320  
Fax: 786-623-0915

*Attorneys for Plaintiff and the Putative*

*Class*