

Complaint

Mr L has complained about a loan Snap Finance Limited (trading as “Snap Finance”) provided to him. He says that affordability checks would have shown that the loan was unaffordable for him and therefore it shouldn’t have been provided.

Background

In February 2023, Mr L decided to purchase a number of household items. The purchase price of these items was £2,521.94. Mr L paid a deposit of £15 and Snap Finance provided Mr L with a fixed-sum loan for the remaining £2,506.94 required in order to complete his purchase.

The total amount to be repaid of £4,382.20 (not including Mr L’s deposit), which included interest, fees and charges of £1,875.26, was due to be repaid in 36 monthly instalments of £121.72.

One of our investigators reviewed what Mr L and Snap Finance had told us. And he thought that Snap Finance hadn’t done anything wrong or treated Mr L unfairly. So he didn’t recommend that Mr L’s complaint be upheld.

Mr L disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr L’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr L’s complaint. I’ll explain why in a little more detail.

Snap Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Snap Finance needed to carry out proportionate checks to be able to understand whether Mr L could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Snap Finance says it agreed to Mr L's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr L could afford to make the repayments he was committing to.

On the other hand, Mr L has said he should not have been provided with this loan.

I've carefully thought about what Mr L and Snap Finance have said.

The first thing for me to say is that the information provided does suggest Mr L was asked to provide some details regarding his income and Snap Finance didn't just rely on what it was told as it cross checked this against information from credit reference agencies on the amount of funds Mr L was receiving into his main bank account each month. This suggested that Snap Finance could be confident in Mr L's declaration.

Snap Finance also carried out a credit search too. And although Mr L did have some existing defaulted accounts, I don't think that meant that he shouldn't have been lent to. I say this because these defaults were historic as the most recent appears to have been from a year prior to the application. Furthermore, notwithstanding what Mr L has said about his existing position, it's difficult for me to overlook the fact that he considered it an appropriate time to purchase the goods that he did and determined the monthly payments to be affordable.

I accept that Mr L's says his actual circumstances may not have been fully reflected either in the information he provided or the information Snap Finance obtained. And I've seen that he is concerned that estimates were used in relation to his housing costs and living expenses, rather than him having been asked about this. But even if I accept that Snap Finance's checks ought to have gone further and extended into finding out more about Mr L's actual living expenses, which there is a reasonable argument for, I don't think this would have made a difference to its decision.

I say this because looking at the information Mr L has provided there isn't anything in it which shows that including his actual living expenses, instead of Snap Finance's estimates, would have shown the monthly repayments for this loan to be demonstrably unaffordable.

As this is the case and bearing in mind everything, I don't think that Snap Finance did anything wrong when deciding to lend to Mr L – it arguably carried out reasonable and proportionate checks at the time and these suggested the repayments were affordable for Mr L. And even if it had done more, I think it's more likely than not that it still would have lent to Mr L.

So overall I don't think that Snap Finance treated Mr L unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr L's complaint. I appreciate this will be very disappointing for Mr L. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 27 May 2024.

Jeshen Narayanan
Ombudsman