

The complaint

Mr D is unhappy that Snap Finance Limited (Snap Finance) took payments from the wrong account, which he believes led to missed payments. He is also unhappy that, despite having a repayment plan in place, his account was defaulted.

What happened

The parties are familiar with the background of this complaint, so I will summarise it briefly here, which reflects my informal remit.

In April 2023, Mr D took out a fixed sum loan agreement with Snap Finance through a retailer for around £656. He made a £1 advance payment, and including interest, the total repayable amount was around £880 to be paid over 24 months.

Snap Finance said payments were maintained until December 2023, when a payment of £36.37 was missed. This was later made in January 2024, along with that month's instalment. No payment was received in February 2024.

On 8 March 2024, Snap Finance set up a repayment plan of £36.37 to begin on 28 March 2024. Snap Finance confirmed the last four digits of the card it would use to take payment from. The payment failed, and on 28 March 2024, Snap Finance sent an arrears letter confirming the account was £72.74 in arrears.

Mr D contacted Snap Finance on 2 April 2024 to say the payment had not been collected. Snap Finance confirmed the repayment plan was set up, but the attempt to collect payment had failed. Later that month Mr D paid £35 towards the arrears, and it was agreed that the remaining balance would be cleared by 15 May 2024.

The April payment failed, and the arrears were not cleared by 15 May 2024. On 20 May 2024, Snap Finance agreed with Mr D that the outstanding arrears would be paid on 24 May, with regular payments resuming from 28 May 2024. Neither payment was made, leaving the account £110.48 in arrears.

On 28 May 2024, Mr D contacted Snap Finance to report that payments had been taken from the wrong account and asked for his direct debit details to be updated. His details were updated, and a new repayment plan was set up for £36.37 and an additional £10 to go towards the arrears. This new arrangement was to begin from 30 June 2024 with a review scheduled after 1 August 2024.

Despite this, Snap Finance issued a Notice of Default on 14 June 2024, requiring the arrears of £110.48 to be cleared within 21 days. Although Mr D made a payment of £46.37 under the new repayment plan on 30 June 2024, the account was defaulted on 13 July 2024.

Mr D complained that his account had been defaulted despite being on a payment plan. In its final response, Snap Finance said there had been multiple missed payments and that while Mr D was paying the agreed £36.37 plus £10 towards arrears, the account remained in arrears. As the arrears had not been cleared, it considered the default was correctly applied.

When Mr D brought his complaint to our service in October 2024, he also raised concerns that payments had been taken from his partner's account instead of his account. Snap Finance considered this to be a new matter and issued a revised final response in November

2024. It explained that the card used for the deposit, at the point of application, had been stored on file to cover failed direct debit payments, and that it was unaware payments were being taken from a third-party card until 28 May 2024. It maintained that the default was correctly applied.

When an investigator reviewed Mr D's case, they noted that Snap Finance had advised Mr D of the card change, including the last four digits, by text at the time. Based on the available evidence, they didn't consider Snap Finance had acted unfairly in how it attempted to collect payments from Mr D. However, they didn't think it was fair to default the account while Mr D was in an active repayment plan. They recommended Snap Finance remove the default from Mr D's credit file and pay £100 for distress and inconvenience.

Mr D accepted the investigator's view, but as Snap Finance didn't respond, the case has now been passed to me for a final decision.

What I've decided – and why

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

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light, of the available evidence and the wider circumstances.

When considering what is, in my opinion, fair and reasonable, I've taken into account relevant law and regulations; regulator's rules, guidance and standards including The Consumer Duty; codes of practice; and what I believe to have been good industry practice at the relevant time.

Mr D is complaining about how Snap Finance processed his monthly repayments and for applying a default to his regulated fixed sum loan agreement. Our service is able to consider complaints relating to these types of agreements.

Mr D raises two issues. First, he says arrears arose because Snap Finance was collecting payments from the wrong account. Second, he complains that a default was applied to his account while he was on a repayment plan. I will address each in turn.

When Mr D took out the fixed sum loan agreement, Snap Finance sent him confirmation, outlining the payment amount, frequency, and the last four digits of the card that would be used to collect payments. It also clearly stated:

"Please be aware that if this Direct Debit is unsuccessful or cancelled, we will attempt a payment with the card that was used to successfully pay the deposit. If you have any issues with making payment, please contact us."

Mr D paid a £1 deposit with a card when he entered into the agreement, and I am satisfied that Snap Finance made him aware that this card would be used if a direct debit under the agreement failed.

From the available evidence, Snap Finance confirmed that payments were maintained from May 2023 until December 2023, which suggests that the payments were initially taken from Mr D's nominated account as agreed. When payments weren't received on time, Snap Finance sent text reminders to Mr D, setting out the amount due and explained that if the direct debit failed, it would attempt repayment using the other card, identifying the last four digits in those messages.

On this basis, I am satisfied that Snap Finance made Mr D aware which account it would attempt to collect payments from, and that the second card would only be used if the nominated account failed. It was also Mr D's responsibility to ensure his nominated account contained sufficient funds in line with the agreement when the payment was due. When the regular payments failed, I don't consider that Snap Finance acted incorrectly in attempting to take payment from the secondary card, as it had made this process clear in advance of it happening.

In terms of Snap Finance changing the card from which the regular payments would be taken from, when the repayment plan was set up in March, I consider that Mr D was made sufficiently aware about this change too. Snap Finance confirmed the last four digits of the new card to Mr D when this repayment plan was put in place, so I'm satisfied that it made him aware which account would be used going forward to collect payment.

I note Mr D told our investigator that more recently, in February 2025, he experienced a payment collection issue. However, this occurred after the final response, so it's a new complaint. If Mr D remains unhappy, he should raise the matter directly with Snap Finance in the first instance, as I'm not dealing with that in this decision.

But based on what I have considered in this decision, I am satisfied that Snap Finance isn't responsible for any errors in how repayments were collected as it clearly notified Mr D which account would be used and when. There is also no evidence that it was informed that the secondary account didn't belong to Mr D until 28 May, and once it was made aware, it updated his card details without a delay. So, I consider it acted fairly and reasonably with how it processed the payments.

The second issue was the application of the default. By the time Snap Finance issued the default notice, in June 2024, Mr D's account was over three months in arrears. However, at the end of May 2024, before the Notice of Default letter was issued, Snap Finance and Mr D had agreed a new repayment arrangement. Under this arrangement, Mr D was to pay £36.37 per month, plus £10 towards arrears, with payments starting from 30 June 2024.

Despite this agreement, Snap Finance proceeded to default the account on 13 July 2024, even though Mr D made the agreed payment on 30 June in line with the new arrangement. Snap Finance has maintained that although Mr D was in a payment arrangement, this was a reduced payment arrangement, meaning arrears were still accruing, so the account was correctly defaulted.

I've considered the ICO's guidance and have also looked at information on filing defaults with the credit reference agencies - found in the '*Principles for the reporting of arrears, arrangements and defaults at credit reference agencies.*' The principles in this document were drawn up by the credit industry in collaboration with the ICO and set out how lenders should report arrangements and defaults to credit reference agencies.

Principle 3 explains that when a reduced or revised payment arrangement has been agreed, and is being maintained, this may be reflected on the credit file. Although arrears may still accrue and increase, a default should not be recorded.

Principle 4 adds that if an arrangement has been agreed, a default would not normally be registered unless the terms of that arrangement were broken. It specifically says that a default should not be filed, if jointly with the lender an agreement is reached for an arrangement, and the borrower keeps to the terms of that arrangement.

In this case, Mr D made the scheduled payment under the new arrangement on 30 June and was therefore fully complying with the agreement made on 28 May. As Mr D maintained the

terms of that arrangement, it's clear that he was adhering to the repayment plan agreed with Snap Finance.

For this reason, I don't consider Snap Finance's decision to default Mr D's account - while he was compliant with the repayment arrangement - to be fair or in line with the referenced principles.

It's also evident that Mr D has been inconvenienced by this, as he has spent several months querying the default with Snap Finance, despite continuing to meet the agreed terms. The investigator recommended Snap Finance pay £100 for the distress and inconvenience caused to Mr D and I consider this to be fair and reasonable in the circumstances of this complaint.

Putting things right

Given what I have said, Snap Finance should do the following:

- Remove the default on Mr D's account.
- Pay Mr D £100 for the distress and inconvenience caused to him.

My final decision

My final decision is that I uphold Mr D's complaint and direct Snap Finance Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 October 2025.

Farhana Akhtar
Ombudsman