

The complaint

Mr A complains that Snap Finance Limited lent to him irresponsibly.

What happened

Mr A applied for a loan with Snap Finance on 27 June 2023. The loan was for £508.99 over a term of 15 months with monthly repayments of £52.12. The interest rate applicable to the loan was 69.67%.

Mr A complained that the lending was irresponsible and complained to Snap Finance.

Snap Finance didn't uphold the complaint. It said it had carried out reasonable and proportionate checks before approving the lending.

Mr A brought his complaint to this service.

Our investigator didn't uphold the complaint. He said he thought the checks carried out by Snap Finance were proportionate and that the decision to lend to Mr A was responsible.

Mr A didn't agree so I've been asked to review the complaint.

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.

Our approach to complaints about unaffordable and irresponsible lending including the relevant rules, guidance and good industry practice are set out on our website. I've used this approach to help determine Mr A's complaint.

Having carefully considered everything I've decided not to uphold Mr A's complaint. I'll explain why.

Did Snap Finance carry out reasonable and proportionate checks to make sure that Mr A could repay the loan in a sustainable way?

Snap Finance needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure Mr A could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount and the customer's income and expenditure.

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 a lender needed to do more if, for example, a borrower's income was low, or

the amount lent was high. And the longer a 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 borrower irresponsibly.

Snap Finance says it agreed to Mr A's application after he provided details of his monthly income of £2500 and some information on his expenditure. It says it carried out a credit check which showed that Mr A had no CCJ's and three defaults, recorded in 2018, 2020 and 2021. The most recent default was 20 months prior to the application so I think it's fair to say that the defaults were historical and not reflective of Mr A's circumstances at the time he applied for the loan with Snap Finance.

The information from the credit checks showed that Mr A had total debt of £13,808 at the time he applied for the loan and all his accounts were up to date.

Snap Finance said that based on these checks it took the view that the information showed that Mr A could afford to make the repayments he was committing to.

I've considered all of this. I've also taken into account that the overall value of the loan was low compared to Mr A's income. Having done so, I think the checks carried out by Snap Finance were proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr A.

If the checks were reasonable and proportionate, was the lending decision fair?

I've thought about whether Snap Finance made a fair lending decision based on the information it had gathered and what it knew about Mr A's circumstances.

I can see that Mr A exceeded the credit limit on one of his other cards around three months prior to the loan application. However, this was brought back within the credit limit the following month, so I don't think this would've been a reason for Snap Finance to decline the application.

I can see that Mr A had some other credit commitments at the time, which comprised three cards and a hire purchase agreement. Taken together these other commitments required around £417 per month to repay.

Based on what Mr A told Snap Finance about his monthly income, this left him with around £2083 towards other expenses, including the loan repayment of £52.12 per month. So I think the loan was affordable for Mr A and that he was likely to be able to sustainably afford the repayments.

I accept that Mr A says that his actual circumstances may not have been fully reflected either in the information he provided or in the information Snap Finance obtained. He's said that no details were gathered in relation to his other expenditure and costs. As I've said above, Snap Finance obtained details of Mr A's other credit commitments but there was no requirement for it to complete an income and expenditure assessment for the low level of lending, taking into account Mr A's income at the time and the information obtained about his management of other credit accounts at the time of the lending.

Taking into account the information obtained from Mr A and from the credit check and based on the calculation of Mr A's disposable income at the time, I haven't seen anything to suggest that the lending was irresponsible.

I've considered whether Snap Finance acted unfairly or unreasonably in any other way, including whether its relationship with Mr A might have been unfair under section 140 of the

Consumer Credit Act 1974.

However, for the reasons I've set out above, I haven't seen anything to suggest that this was the case.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 July 2025.

Emma Davy
Ombudsman