

Complaint

Mr H has complained about a loan Snap Finance Limited ("Snap") provided to him. He says that the loan was unaffordable and so shouldn't have been provided.

Background

In July 2022, Mr H sought to purchase goods from a retailer. The cash price of the goods was £1,400.00. Mr H paid a deposit of £15 to the retailer and Snap provided Mr H with a loan for the remaining amount of £1,385.00 which he required to complete his purchase.

This loan was due to be repaid in 24 monthly instalments of £76.06. One of our investigators reviewed what Mr H and Snap had told us. And she thought that Snap hadn't done anything wrong or treated Mr H unfairly. So she didn't recommend that Mr H's complaint be upheld. Mr H disagreed 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 H's complaint.

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

Snap needed to make sure that it didn't lend irresponsibly. In practice, what this means is Snap needed to carry out proportionate checks to be able to understand whether Mr H 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 says it agreed to Mr H's application after he provided details of his income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr H could afford to make the repayments he was committing to. On the other hand, Mr H has said he shouldn't have been lent to.

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

The first thing for me to say is that this was Mr H's first loan with Snap. And Snap has provided an output of the income and expenditure information it obtained at the time of Mr H's application as well as a record of the results of its credit searches.

I accept that Snap's credit search did show that Mr H did have defaulted accounts recorded against him. However, as the most recent of these had been recorded in 2020 I think that Snap was reasonably entitled to consider these as being historic. So I don't think that these defaults meant that Mr H shouldn't have been lent to.

Furthermore, when payments for Mr H's active credit commitments, were deducted from the income he declared, which was cross checked against information from credit reference agencies on the amount of funds going into Mr H's main bank account, he does appear to have had sufficient funds left over to cover living expenses and the low monthly payments to this loan.

I don't think the fact that Mr H may have been retired means that he shouldn't have been lent to either. I accept that Mr H appears to be suggesting that his actual circumstances weren't fully reflected either in the information he's provided, or the information Snap obtained at the time. But Snap could only make a reasonable decision based on the information it had available at the time.

As this was a first loan with low monthly payments and there wasn't anything to indicate that Mr H might have been experiencing financial difficulty at the time, I'm satisfied that Snap was reasonably entitled to believe that Mr H could afford to make his payments.

For the sake of completeness, I would also add that it's also not even immediately apparent to me that even more checks, which at the absolute maximum would have consisted of finding out more about Mr H's living expenses would, in any event, have led to Snap making a different decision.

I say this because the information Mr H has provided does not show me that his living expenses meant that the monthly payments to this loan were unaffordable. So I can't say that Snap using Mr H's actual living expenses would have shown that Mr H didn't have the funds in order to make the low monthly repayments for this loan.

In reaching my conclusions, I've also considered whether the lending relationship between Snap and Mr H might have been unfair to Mr H under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Snap irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall I don't think that Snap treated Mr H unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or

reject my decision before 3 July 2025.

Jeshen Narayanan
Ombudsman