

The complaint

Mr G complained that Western Circle Ltd trading as Cashfloat (“Cashfloat”) didn’t carry out sufficient affordability checks before it granted a loan to him. Mr G also says the amount of interest charge for the loan was too high and it took Cashfloat too long to investigate the complaint.

What happened

Mr G was granted one loan for £500 on 5 May 2023. Mr G was contracted to make six monthly repayments of £143.20. Based on the most recent information from Cashfloat – from November 2023, an outstanding balance remains due.

Cashfloat wrote to Mr G with a final response letter and explained why it didn’t consider an error had been made by providing the loan. It didn’t uphold the complaint. Unhappy with this outcome Mr G referred the complaint to the Financial Ombudsman.

The complaint was then reviewed by an investigator who didn’t uphold the complaint because in her view Cashfloat had carried out proportionate checks which showed it the loan was affordable.

Mr G didn’t agree saying his financial history wasn’t considered and he was given a high interest loan while he had County Court Judgements (CCJs) and defaults recorded on his credit file.

These points didn’t change the investigator’s mind and so the complaint has been passed to me to decide.

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.

We’ve set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Cashfloat had to assess the lending to check if Mr G could afford to pay back the amount he’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Cashfloat’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr G’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Cashfloat should have done more to establish that any lending was sustainable for Mr G. These factors include:

- Mr G having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr G having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr G coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr G. The investigator didn't think this applied to Mr G's complaint and I would agree, as only one loan was approved.

Cashfloat was required to establish whether Mr G could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr G was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr G's complaint.

Cashfloat took details of Mr G's income and expenditure and carried out a credit search before the loan was granted. Cashfloat recorded that Mr G worked full time and received a monthly salary of £5,000. Cashfloat carried out an independent salary verification check and the result was positive – indicating to Cashfloat that what Mr G had declared was likely to be accurate.

Cashfloat also made enquiries about his living costs, which Mr G declared to be £2,100 per month. Cashfloat also says that it assessed Mr G's monthly expenditure using what is called "*trigger values*" – taken from a well-known debt charity and these values take account of an applicant's job, location, homeowner status, to name a few factors.

Having used these trigger values it estimated Mr G's monthly outgoings were likely to be £2,981 and to that it added a further buffer of £300. These were the figures used for Cashfloat's affordability assessment. Even using the larger monthly outgoings, along with the buffer, there was still more than sufficient disposable income for Mr G to be able to afford the loan repayments.

Cashfloat also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that, although Cashfloat carried out credit searches, there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what Cashfloat couldn't do, is carry out a credit search and then not react to the information it received – if necessary.

It was reasonable for Cashfloat to rely on the information it was given by the credit reference agency. This does mean the information Cashfloat may receive could be different to what Mr G can see in his full credit report. In this complaint, I've looked at the results Cashfloat received from the credit reference agency to see whether there was anything contained within it, that would've either prompted Cashfloat to have carried out further checks or possibly have declined Mr G's application.

Having reviewed the credit checks I can see that Mr G had around £51,000 of debt – which isn't an insignificant amount. But it has to be said that the majority of that debt (around £41,000) related to a hire purchase agreement that was costing Mr G £756 per month to service and he appeared to be repaying that account without any undue difficulty.

On top of this Mr G had a number of credit cards owing just under £7,000. All of these credit cards were within their credit limits and all of them had been well maintained with no signs of missed payments or any other signs of repayment problems.

Historically Mr G had some repayment problems, the credit check results show he defaulted on an account in June 2017. There were also one unsatisfied CCJ from 2018. Given the sector of the market that Cashfloat operates in, it would be expected that a customer may have had some credit problems at times. But considering how long ago the CCJ and the default were recorded, I don't think Cashfloat would've been overly concerned. These two records weren't sufficient to have prompted Cashfloat to carry out further checks or for it not to have lent.

I think that Cashfloat carried out proportionate checks before the loan was granted and it was reasonable for Cashfloat to have relied on the information Mr G provided to it and the results of its own checks.

These checks showed there wasn't anything to suggest that Mr G was having either current financial difficulties or to indicate the loan repayments would be unaffordable or unsustainable for him. It therefore follows that I am not upholding Mr G's complaint about the lending decision.

Other considerations

Firstly, Mr G has said the amount of interest that Cashfloat could charge was too high. Mr G was advanced a high-cost credit loan – so the cost to service and repay that loan would be larger than say a loan he could obtain from a more mainstream credit provider such as his bank.

However, the total cost of the lending was set out in the credit agreement and the amount that Cashfloat can charge is limited by the cost cap that was implemented by the industry regulator some years ago. I've not seen anything to suggest that either Cashfloat has charged more than permitted by the credit agreement or that the loan has breached the cost cap. I do not uphold this element of Mr G's complaint.

Secondly, I can see that Mr G made his complaint to Cashfloat on 28 August 2023. Once a complaint is received, Cashfloat has a maximum of eight weeks to investigate and issue a final response letter. In this case, I can see the final response letter was issued on 25 September 2023, which is within the eight weeks permitted in the regulations.

Even if Mr G didn't receive the final response on the date it was sent by Cashfloat that still wouldn't have led me to uphold the complaint because I can't see that Mr G has suffered a loss or was materially inconvenienced by receiving the response late, nor has it impacted his ability to bring the complaint to the Financial Ombudsman.

Overall, I do not uphold Mr G's complaint.

My final decision

For the reasons I've outlined above, I am not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 May 2024.

Robert Walker

Ombudsman