

The complaint

Mr M has complained that Western Circle Ltd trading as Cashfloat (“Cashfloat”) couldn’t afford the loan repayments because he had a poor credit score and already had several loans outstanding.

What happened

Mr M was advanced one loan of £500 on 17 March 2023. He was due to make five monthly repayments of £133.45 followed by a final payment of £133.35. According to the most recent document from Cashfloat – as of May 2023 and outstanding balance remained due.

Cashfloat wrote to Mr M in its final response letter and explained why it didn’t consider an error had been made by providing the loan. Unhappy with this response, Mr M referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, and he didn’t uphold it because he concluded that Cashfloat had carried out proportionate checks - which showed the loan to be affordable for Mr M.

Mr M didn’t agree with the findings saying had Cashfloat looked at the application correctly it would’ve seen rising debts and recent loan applications. Mr M also provided details of the active loans he had at the time.

No agreement could be reached and so the complaint has been passed to me to resolve.

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. And I’ve used that to help me decide this complaint.

When Mr M applied for the loan, Cashfloat had to assess the lending to check if Mr M 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 M’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 M. These factors include:

- Mr M 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 M 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 M 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 M. The investigator didn't think this applied to Mr M's complaint and I would agree as there was only one loan.

Cashfloat was required to establish whether Mr M 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 M was able to repay his loans 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 M's complaint.

Before the loan was approved, Cashfloat took details of Mr M's income and expenditure. Cashfloat recorded that Mr M worked full time and received a monthly salary of £3,173. Cashfloat says it independently checked Mr M's income and it received a "*positive result*" and it matched the average for the industry Mr M works in. Cashfloat says there wasn't any indication from this check to suggest it needed to go further.

Cashfloat also made enquiries about his living costs, which Mr M declared to be £1,925 per month. It's worth noting here that Cashfloat says that it assessed Mr M's monthly expenditure using what it calls "*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 M's monthly outgoings were, at a maximum, likely to be £2,215 and, again to err on the side of caution, 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 sufficient disposable income for Mr M to be able to afford the repayments for the loan.

It doesn't appear that Cashfloat carried out a credit search before the loan was approved. But there was no regulatory requirement to do one. So, the fact no credit search was likely conducted isn't a reason to solely uphold the complaint. This also means that Cashfloat wasn't aware of the number of loans that Mr M has told us about.

The overall lending pattern such as the amount that was advanced wouldn't, in my view, have triggered further checks from Cashfloat or led it to conclude that the loan was unsustainable.

Based on the checks that Cashfloat did do, I'm satisfied these were proportionate to the circumstances of the loan. I say this because this was Mr M's first loan with Cashfloat, and given the amount borrowed and the term of it, what it discovered through its checks - wouldn't, in my view have led it to be believe that it needed to go further.

So, although Mr M has helpfully provided copy bank statements for the months before the loan was approved, in this case, I don't think it would've been proportionate for Cashfloat to have considered them.

Taking account of the lending relationship I think it was reasonable for Cashfloat to have relied on the information Mr M provided to it and the results of its own checks. There also wasn't anything to suggest that Mr M was having either current financial difficulties or to indicate the loan repayment would be unsustainable for him.

I therefore do not uphold Mr M's complaint and it seems an outstanding balance may still be due. If there is still an outstanding balance I would remind Cashfloat of its regulatory obligation to treat Mr M fairly and with forbearance if necessary.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2024.

Robert Walker
Ombudsman