

The complaint

Mr H has complained through a representative that Western Circle Ltd trading as Cashfloat ("Cashfloat") didn't carry out sufficient affordability checks before it granted loans to him.

What happened

A summary of Mr H's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£750.00	04/06/2021	29/10/2021	6	£214.50
2	£400.00	14/03/2022	29/04/2022	3	£184.65

Cashfloat wrote to Mr H's representative with a final response letter and explained why it didn't consider an error had been made by providing these loans. Cashfloat did offer, as a gesture of goodwill £50, but Cashfloat said the offer would be withdrawn if the complaint was referred to the Financial Ombudsman. Unhappy with this response, Mr H's representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, and he didn't uphold it. In summary, this was because there was a gap in lending between the loans. He also thought that Cashfloat had carried out proportionate checks - which showed the loans to be affordable.

Mr H's representative didn't agree with the adjudicator's assessment and instead asked for an ombudsman's review. Therefore, 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.

Cashfloat had to assess the lending to check if Mr H could afford to pay back the amounts 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 H'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 H. These factors include:

- Mr H 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 H 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 H 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 H. The adjudicator didn't think this applied to Mr H's complaint and I would agree as there were only two loans with a gap between them.

Cashfloat was required to establish whether Mr H could *sustainably* repay the loans – 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 H 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 H's complaint.

There is a significant break in lending between loan 1 being repaid and loan 2 being granted. This break is in my view, significant enough for Cashfloat to have treated Mr H's second loan application as if he was a new customer. This does have implications for the proportionate nature of the checks, because the second loan effectively becomes loan 1 in a new chain. I've kept this in mind when thinking about Mr H's overall lending history.

Before these loans were approved, Cashfloat took details of Mr H's income and expenditure. Cashfloat recorded that Mr H worked full time and received a monthly salary of £3,750 when loan 1 was granted and £4,000 when loan 2 was advanced. Cashfloat says his declared income was cross referenced with a third-party salary tool, and the results were positive, indicating a high degree of accuracy. It was therefore reasonable for Cashfloat to have relied on what Mr H declared and the results of its checks.

Cashfloat also made enquiries about his living costs, which Mr H declared to be £960 per month for loan 1 and £1,550 for loan 2.

It's worth saying here that Cashfloat says that it assessed Mr H'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 H's monthly outgoings were at a maximum likely to be £2,893 and to that it added a further buffer of £100 – these were the figures used for Cashfloat's affordability assessments. Even using the larger monthly outgoings along with the buffer, there was still sufficient disposable income for Mr H to be able to afford the repayments for both loans.

It doesn't appear that Cashfloat carried out a credit search before these loans were 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.

The overall lending pattern such as the amounts that were borrowed and the break in lending wouldn't in my view have triggered further checks from Cashfloat or led it to conclude that the loans were unsustainable.

Based on the checks that Cashfloat did do, I'm satisfied these were proportionate to the circumstances of each loan. So, although Mr H's representative has sent copies of his bank account statements, in this case, I don't think Cashfloat needed to have considered them.

I say this because Mr H's borrowing history – including the amounts borrowed the gaps between loans, the way Mr H repaid his loans, as well as what Cashfloat discovered through its checks - wouldn't, in my view have led it to believe that it needed to go further, such as reviewing his bank statements. In my view, to have reviewed the bank statements would've been disproportionate in the circumstances.

Taking account of the lending relationship – Mr H was only granted 2 loans in two lending chains; I think it was reasonable for Cashfloat to have relied on the information Mr H provided to it and the results of its own checks. There also wasn't anything to suggest that Mr H was having either current financial difficulties or to indicate the loan repayments would be unsustainable for him.

Taking everything into account, I do not uphold Mr H's complaint.

My final decision

For the reasons I've outlined above, I am 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 13 December 2023.

Robert Walker
Ombudsman