

## **Complaint**

Miss M is unhappy Western Circle Ltd (trading as “Cashfloat”) provided her with a high-cost short-term credit instalment loan. She says the loan was unaffordable and she ended up being trapped in a cycle of debt constantly having to borrow from other lenders and her partner.

## **Background**

This complaint centres around the provision of a high-cost short-term credit instalment loan for £500, which Cashfloat provided to Miss M in March 2023. The loan was to be paid in three instalments of around £233, but was settled early.

One of our investigators looked at Miss M’s complaint and he didn’t think that Cashfloat had done anything wrong or treated her unfairly. So he didn’t recommend the complaint be upheld.

Miss M disagreed and asked for an ombudsman to look at her case.

## **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 set out our general approach to complaints about short-term lending - including the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Miss M’s case.

Having carefully considered everything, I’m not upholding Miss M’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Cashfloat needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Cashfloat needed to carry out proportionate checks to be able to understand whether Miss M 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.

Cashfloat provided Miss M with a single loan which was due to be repaid in three monthly instalments. From what I’ve seen, Cashfloat asked Miss M to confirm her monthly income and expenditure. The information recorded suggests the loan repayments were

comfortably affordable.

Miss M says the information Cashfloat based its decision on didn't accurately reflect her actual financial position. But I have to think about what Miss M has said in the context of this being an application for first loan involving a relatively small amount. And, in these circumstances, I don't think that it would have been proportionate for Cashfloat to have carried out the degree of verification Miss M has suggested.

In my view, there wasn't anything immediately obvious in the information that Cashfloat had, including Miss M's existing indebtedness bearing in mind her declared income, which meant it should've asked Miss M to provide supporting evidence, such as bank statements, before providing a first loan for this amount.

So, while I'm sorry to hear that Miss M has had difficulty repaying this loan, I don't think it would have been reasonable or proportionate for Cashfloat to have requested the information that would have shown why Miss M might have had difficulties repaying despite having the disposable income to make the instalments. And bearing in mind the circumstances here, I think that Cashfloat was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

As this is the case, I don't think that Cashfloat did anything wrong when deciding to lend to Miss M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

Finally, I've seen that Miss M has said that the loan entry should be removed from her credit file. However, even if I would have agreed that Miss M's loan shouldn't have been provided to her, I would only have asked Cashfloat to remove any adverse information that it recorded in relation to the loan. And, in this instance, no adverse information was recorded as the loan was repaid early.

Secondly, while Miss M might have withdrawn from the loan by repaying the funds within 30 days of notifying Cashfloat that she wished to withdraw from the agreement, this doesn't mean that the loan needs to be removed from her credit file. All exercising her rights in this way automatically entitles Miss M to is the right to pay interest at the daily rate for the period she had the funds. It doesn't necessarily mean that a loan should be removed from her credit file.

As far as I'm aware, Cashfloat is reporting that this loan was early settled and bearing in mind all of the circumstances, including why Miss M believes the loan shouldn't have been provided in the first place, I'm satisfied that Cashfloat isn't reporting on this loan unfairly.

So overall I don't think that Cashfloat treated Miss M unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss M's complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 11 December 2023.

Jeshen Narayanan

**Ombudsman**