

The complaint

Miss S 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 her.

What happened

A summary of Miss S's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£500.00	26/05/2020	24/07/2020	3	£245.58
Gap in lending					
2	£400.00	13/12/2021	21/12/2021	4	£172.80
Gap in lending					
3	£700.00	12/06/2022	03/08/2022	6	£218.25

Cashfloat wrote to Miss S'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 in full and final settlement of the complaint. Unhappy with this response, Miss S referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, and she didn't uphold it. In summary, this was because there were gaps between each loan. She also thought that Cashfloat had carried out proportionate checks - which showed the loans to be affordable.

Miss S's representative didn't agree with the adjudicator's assessment. They say Cashfloat ought to have done additional checks before each loan was approved. Had it done so, the representative says that Cashfloat would've seen other payday loans and that Miss S was taking cash advances.

As no agreement could be reached, 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 Miss S could afford to pay back the amounts she'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 Miss S'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 Miss S. These factors include:

- Miss S 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);
- Miss S 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);
- Miss S 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 Miss S. The adjudicator didn't think this applied to Miss S's complaint and I would agree as there were 3 loans in 3 lending chains.

Cashfloat was required to establish whether Miss S could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss S was able to repay her 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 Miss S's complaint.

There are significant breaks in lending before loans 2 and 3 were granted. These breaks, in my view, are significant enough for Cashfloat to have treated Miss S's second and third loan applications as if she was a new customer. This does have implications for the proportionate nature of the checks, because this means the second and third loan effectively become the first loan in a new chain. I've kept this in mind when thinking about Miss S's overall lending history.

Before these loans were approved, Cashfloat took details of Miss S's income and expenditure. Cashfloat recorded that Miss S worked full time and received a monthly salary of £2,300 when loan 1 was granted, £3,000 for loan 2 and £2,600 when loan 3 was advanced.

For loans 1 and 3 Miss S declared 'additional' income, which Cashfloat says could include benefits, bonuses or any other sources of income. But Cashfloat says this 'additional' income wasn't used in its calculations when determining Miss S's affordability. But Cashfloat says it would've been mindful that Miss S had additional source(s) of income.

Cashfloat says Miss S's declared income was cross referenced with a third-party salary tool, and the results were positive, indicating a high degree of accuracy. In addition, for loan 2, Cashfloat also obtained a copy of Miss S's payslip – the decision to obtain a copy of her payslip was reasonable.

Cashfloat also made enquiries about Miss S's living costs, which she declared to be £992 per month for loan 1, £300 for loan 2 and £1,262 for loan 2.

It's worth saying here that Cashfloat says that it assessed Miss S'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 Miss S's monthly outgoings were at a maximum likely to be £2,025. Even using the larger monthly outgoings along, there was just about sufficient disposable income for Miss S to be able to afford the repayments for the loans.

It doesn't appear that Cashfloat carried out a credit search before these loans were approved. This means, that, as Miss S had not included the cash advance repayments in her expenditure, Cashfloat wasn't aware of these advances that Miss S may have taken in the months before each loan. But there was no regulatory requirement to complete a credit search. So, the fact no credit search was likely conducted isn't a reason to solely uphold the complaint.

I've also thought about the overall lending pattern, such as the amounts that were borrowed and the breaks in lending, wouldn't in my view, have caused Cashfloat to think that further checks were necessary. I also don't think the lending pattern ought to have led Cashfloat 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, I don't think it had yet reached the point where Cashfloat needed to have verified the information beyond what it did. I say this because Miss S's borrowing history – including the amounts borrowed, the gaps between loans, the way Miss S repaid his loans, as well as what Cashfloat discovered through its checks - wouldn't, in my view have led it to be believe that it needed to go further, such as reviewing copy bank statements. In my view, to have reviewed the bank statements would've been disproportionate in the circumstances.

Taking account of the lending relationship – Miss S was only granted 3 loans in three lending chains; proportionate checks were carried out and there also wasn't anything to suggest that Miss S was having either current financial difficulties or to indicate the loan repayments would be unsustainable for her.

Taking everything into account, I do not uphold Miss S's complaint.

My final decision

For the reasons I've outlined above, I am not upholding Miss S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 28 December 2023.

Robert Walker
Ombudsman