The complaint

Mrs C complains that Western Circle Ltd trading as Cashfloat ("Cashfloat") gave her loans she couldn't afford to repay.

What happened

Mrs C was advanced three loans from Cashfloat, and I've summarised her borrowing in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£300.00	15/06/2021	30/06/2021	3	£140.90
2	£500.00	02/01/2022	31/03/2022	3	£248.65
3	£1,000.00	01/04/2022	29/07/2022	6	£285.45

Cashfloat wrote to Mrs C with a final response letter in October 2022. Cashfloat didn't uphold the complaint because its checks showed the loans to be affordable. But as gesture of goodwill, it offered Mrs C £100.

Unhappy with this response, Mrs C referred the complaint to the Financial Ombudsman. And later, Cashfloat informed the Financial Ombudsman that the gesture of goodwill had been withdrawn.

The complaint was then considered by an adjudicator, and he didn't uphold it. He concluded Cashfloat made a reasonable decision to lend loans 1 and 2 because it carried out proportionate checks. However, for loan 3, the adjudicator said Cashfloat's checks ought to have gone further – but as he didn't have any information from Mrs C, he couldn't conclude what Cashfloat may have seen had it made better checks.

Mrs C didn't agree with the outcome, and I've summarised her responses below:

- Cashfloat didn't ask for details of her outgoings or request copies of her bank statements.
- Cashfloat didn't adequately assess her affordability.
- Mrs C had to take out other loans to repay these loans and she fell behind with her priority bills.

The adjudicator explained why these comments hadn't changed his mind and he gave Mrs C a further opportunity to provide additional information such as her bank statements. As no agreement has been reached, the case has been passed to me for a decision.

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 Mrs C 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 Mrs C'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 Mrs C. These factors include:

- Mrs C 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);
- Mrs C 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);
- Mrs C 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 Mrs C. The adjudicator considered this didn't apply to Mrs C's complaint.

Cashfloat was required to establish whether Mrs C 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 Mrs C was able to repay her loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

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

Loans 1 and 2

There is a break in lending of around six months between Mrs C repaying loan 1 and returning for loan 2. Which has led me to conclude that each of these loans are in a separate lending chain. The effect in this case is that both loans have been treated as a first loan in a new lending chain.

Before these loans were approved, Cashfloat took details of Mrs C's income and expenditure. Cashfloat recorded that Mrs C worked full time and received a monthly salary of £1,775 for loan 1 and £2,100 for loan 2. Cashfloat says the income was checked through a third-party report. But in any event, as these were the first loans in each of their respective loan chains it was reasonable for it to have relied on what Mrs C had declared.

As part of the application process, Mrs C also provided details of ‘other income’ – Cashfloat says this was other household income, but it wasn’t used as part of its affordability assessment. But Cashfloat says this extra income provided some additional confidence that these loans were affordable for Mrs C.

Cashfloat also made enquiries about her living costs, which Mrs C declared as being £1,150 per month for loan 1 and £1,610 for loan 2. These costs related to food, other credit commitments, loan repayments and utilities. Based on the income and expenditure details the loans looked affordable.

Cashfloat says these costs were subject to comparison to figures used by for example a well-known debt advice charity and they considered Mrs C’s job, location and homeowner status for example. After carrying out this check, Cashfloat was satisfied that the amounts she had declared were reasonable and plausible.

Cashfloat says Mrs C’s application was subjected to a full “*affordability and creditworthiness assessment*” and the results of this were “*positive*” indicating Mrs C could afford the repayments. Based on the income and expenditure information Mrs C declared, Cashfloat would’ve been comfortable that she could afford the maximum monthly payment she was due to make.

Cashfloat also says Mrs C’s application “*scored very highly on our proprietary credit scorecard algorithm*”. Cashfloat used the data it was given to create an internal credit score for Mrs C – this was sufficient for it to have granted the loan. Given, what I’ve seen and been told, I don’t think the information Cashfloat was given indicated Mrs C was in financial difficulties.

There was also nothing else in the information that I’ve seen that would’ve led Cashfloat to believe that it needed to go further with its checks – such as verifying the information Mrs C had provided. So, I don’t think it would’ve been reasonable for Cashfloat to do any more before these loans were approved.

I am therefore not upholding Mrs C’s complaint about loans 1 and 2.

Loan 3

Mrs C successfully repaid loan 2 on time before returning the following day for loan 3. She was again asked for the same sort of information as she had been for her previous two loans. Mrs C declared she worked for the same employer and had the same income as when she applied for loan 2 - £2,100 per month.

Mrs C declared outgoings of £1,150. This was a decrease on what she declared for loan 2 despite this loan being granted only three months later.

However, given the decrease in expenditure of £460 per month, the fact this was her largest loan by some way and was due to be repaid over a longer period than her previous two loans. I do think those factors ought to have led Cashfloat to do more than just rely on the income and expenditure information it received – and the checks it did in relation to that.

The adjudicator suggested that Cashfloat needed to gain a full understanding of Mrs C’s actual financial position to ensure the loan was affordable and I don’t disagree with that.

Cashfloat could’ve carried out these additional checks, in a number of ways, it could’ve asked for evidence of her outgoings such as copy bills. It could’ve asked to see copies of

Mrs C's bank statements or any other documentation it felt it needed to obtain to satisfy itself that it had carried out more robust checks.

This might've helped verify information provided and revealed whether there was any other information which Cashfloat might've needed to consider about Mrs C's financial position.

However, that isn't the end of the matter. For me to be able to uphold the loan, I have to be satisfied that had Cashfloat carried out what I consider to be a proportionate check it would've likely discovered that Mrs C couldn't afford her repayments or discovered it was likely unsustainable for her for some other reason.

Mrs C has been asked for copy bank statements or other documentation, but Mrs C hasn't been able to supply them. Without any documentation I can't make a finding that further checks would've shown the loan to be either unaffordable or unsustainable for her. I therefore can't say Cashfloat made an error when it approved the loan.

I also don't consider the pattern of Mrs C's loans or the way she repaid them to have yet been of a concern to Cashfloat and so it would've likely concluded this loan was harmful for her.

I am not upholding Mrs C's complaint about any of her loans.

My final decision

So, for the reasons I've explained above, I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 23 August 2023.

Robert Walker
Ombudsman