

## The complaint

Mr T complains about three loans he took out with Western Circle Limited, trading as Cashfloat, ("WCL"), which he said were unaffordable.

## What happened

Mr T took out three short term loans with WCL between May 2019 and December 2019. Loan 1 was repayable by three monthly instalments, Loan 2 by four monthly instalments and Loan 3 was repayable by seven monthly instalments. All the loans have been repaid. A summary of the loans is shown below:

Loan number	Date of loan	Repayment date	Loan amount
1.	26/5/19	23/8/19	£350
2.	25/8/19	20/12/19	£600
3.	21/12/19	26/6/20	£600

Mr T said that he had been borrowing more often with very little time in between ending one loan and starting another. He also said that the amounts increased each time. The loans were unaffordable for him and WCL should have realised this if it had checked properly before agreeing to lend to him. Mr T also said that WCL didn't ask for proof of any of his expenses. He had various payday loans at the time, was spending large amounts on gambling and was also borrowing from friends and family. From his credit file the lender would have seen various defaults. He had also previously been in a debt management plan. His bank statements would have shown that he was spending more than the application said, especially on gambling. When he applied for new loans WCL didn't ask for his bank statements to check if the new repayments were affordable. Mr T said that WCL had ignored the evidence on his credit check that his position had got more difficult or it didn't do a new credit check. If it had done this, it would have seen the new credit he had taken out and the new problems showing on his credit record.

WCL explained in its final response letter that it had conducted a creditworthiness and affordability assessment on each loan application. Its calculations were based on the income and expenditure information that Mr T had provided in each of his loan applications. WCL said that Mr T's net monthly income left him with sufficient funds to comfortably cover the agreed repayments on each of his loans, without jeopardising his existing declared credit commitments and priority living expenses. It also used an internal proprietary credit model, which combines factors from the application, such as income, employment and homeowner status, plus various other third-party reports, to generate a final determination of a customer's creditworthiness.

WCL told this service that its affordability assessment took account of all of Mr T's outstanding borrowings and other credit balances held by him. It said that its affordability check would only approve a loan if the total of all monthly credit repayments, to which an applicant was already committed, together with all other living expenses, left the applicant with sufficient disposable income to comfortably afford their repayments to WCL.

The lender also said that Mr T had included his partner's income of £1,800 in his application. Although this was not included in the affordability workings, it gave its underwriters the added confidence that the loan would be affordable. The pattern of Mr T's loans did not give rise to concern, as he only took three loans with the company. As an additional precautionary measure, it reduced the level of Mr T's first loan. He requested £500, and it only approved £350. Mr T repaid Loans 1 and 2 on time and Loan 3 was repaid earlier than required.

WCL also said that it spoke with Mr T prior to funding Loan 2 and clarified aspects of his application. He confirmed his income of £2800. Prior to approving his final loan, Mr T provided a payslip as proof of his increased income of £3200. Its assessment, based on information obtained from Mr T and third parties, indicated clearly that he had ample disposable income to cover the loan repayments on the new loans without affecting his ability to pay critical living expenses and existing credit commitments.

The adjudicator didn't recommend that the complaint should be upheld. He said that there wasn't anything in the information Mr T had provided or the information WCL should've been aware of, which meant it would've been proportionate to start verifying what Mr T was saying. And he didn't think that the number of loans Mr T took, the amounts they were for or the period of time he was borrowing meant his loan history, on its own, should've shown WCL that Mr T might've been experiencing underlying financial difficulty.

Mr T disagreed and said had WCL known about the large amount of gambling he was doing at the time, he believed they would not have issued him the loans. He noted that there was no mention of his gambling problem in the adjudicator's view. He asked for an ombudsman to make a final decision. Mr T also said that he'd had a few complaints upheld with different loan companies. Whilst he understood each case was different, these loan complaints were for similar amounts and taken out around the same period of time as the loans with WCL.

The adjudicator responded to say that he wouldn't have expected WCL to have taken a deep enough look into Mr T's finances to see any gambling issues he might have been suffering with. Hence there was no mention of gambling in his assessment.

Mr T responded to say that he wanted an ombudsman to look at his complaint.

### **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 of the relevant rules, guidance and good industry practice - on our website.

I can see that Mr T has referred to his other complaints with this service. But we assess each case on its own merits and it isn't always appropriate to compare the outcomes of complaints without a detailed understanding of the specific facts of each complaint.

When WCL lent to Mr T the regulator was the Financial Conduct Authority and relevant regulations and guidance included its Consumer Credit Sourcebook (CONC). The relevant rules and guidance set out in CONC said that for all loans WCL needed to check that Mr T could afford to meet his repayments in a sustainable manner. This meant Mr T being able to meet his repayments out of his normal income without having to go without or borrow further.

The regulations weren't prescriptive about what checks WCL needed to carry out in order to

reasonably assess whether or not Mr T would be able to meet his repayments sustainably. But the regulations said that such checks needed to be proportionate. This suggests that the same checks might not be the appropriate thing to do for all consumers, or for the same consumer in all circumstances.

In general, I'd expect a lender to require more assurance the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way. So, for example, I'd expect a lender to seek more assurance by carrying out more detailed checks

- the lower a consumer's 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 higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

WCL did a number of checks before it lent to Mr T. I can see that it asked him for details of his income and expenditure and carried out some credit checks. Mr T declared his monthly income as between £2,500 and £3,200 and his declared expenditure was £1,100 before all the loans. I can see that Mr T had declared existing credit and loan commitments of £550 before Loan 1 and £500 before Loans 2 and 3. Mr T also declared his partner's income of £1,800 before the first two loans. WCL hasn't provided any information about its credit checks.

I can see that we've received a credit report from Mr T. I can see that this shows that Mr T had four defaulted accounts between October 2015 and August 2016. These had all been settled by January 2017. If WCL had seen the defaults on its checks, I don't think these ought to have caused WCL additional concerns in view of their age. And I don't think it would have been unreasonable for WCL to be more interested in Mr T's recent credit history for the purposes of assessing whether Loans 1 to 3 were affordable. I can also see a payment arrangement on a loan on the credit report in December 2019. But as this was relatively close to Mr T's application for Loan 3, I think it's unlikely that this would have appeared on a credit check before Loan 3.

I'm also aware that when a lender carries out a credit check, the information it sees doesn't usually provide the same level of detail that a borrower's credit report will, and it isn't necessarily up to date. A lender might only see a small portion of a borrower's credit file, or some data might be missing or anonymised. I'm also aware that not all payday and short term lenders report to the same credit reference agencies.

Mr T needed to make up to seven monthly loan repayments on Loans 1 to 3 with a highest monthly repayment of around £244 on Loan 2. Mr T's declared disposable income before Loans 1 to 3 was at least £1,400.

I don't think the repayment amounts for any of the loans were so large that it's obvious they would've caused Mr T financial difficulty. And the information Mr T gave about his income and outgoings indicated that the repayments would be affordable. I haven't seen any further information that shows it's likely WCL was made aware of any financial problems Mr T might've been having. Or anything that I think would've prompted it to investigate his circumstances further. As there wasn't anything in the information Mr T provided at the time which would have given WCL cause for concern, I think it was reasonable of WCL to have relied on what Mr T gave it.

I can also see that Mr T repaid his loans before or on the due dates. There weren't any obvious signs of Mr T being in financial difficulties.

So, given Mr T's repayment amounts, what was apparent about his circumstance at the time, and Mr T's repayment history, I don't think it would've been proportionate for WCL to ask him for the amount of information that would be needed to show Loans 1 to 3 were unsustainable.

There also wasn't anything in the information Mr T provided before Loans 1 to 3 or the information WCL should've been aware of, which meant it would've been proportionate to start verifying what he was saying.

So, I don't think WCL was wrong to give Loans 1 to 3 to Mr T.

Mr T complains that WCL didn't ask him for bank statements. But for the reasons set out above, I think this would have been disproportionate here. In this particular complaint, I wouldn't have expected WCL to have asked for bank statements or carried out any further checks at the time of Loans 1 to 3 for the reasons set out above.

I appreciate that Mr T said that he was spending heavily on gambling and I don't want to downplay his problems in any way. But I don't think WCL needed to go as far as trying to independently verify Mr T's financial information by asking to see bank statements for the reasons set out above. So, unless Mr T had disclosed his gambling problem when he'd asked for Loans 1 to 3, I can't safely say that WCL would have found out about it with the proportionate checks it carried out that I think were reasonable here.

So overall in these circumstances, I think the assessments WCL did for these loans were proportionate and I don't think that WCL treated Mr T unfairly or unreasonably when providing him with these loans. So, I'm not upholding Mr T's complaint. I appreciate that what I've said is going to disappoint Mr T and I'm sorry to have to do that. But I hope that setting out the reasons as I've done will help explain how I've reached my decision.

### **My final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 December 2020.

Roslyn Rawson  
**Ombudsman**