

The complaint

Mr M complains that Western Circle Ltd trading as Cashfloat and paydayloansnet (PDNET) lent to him irresponsibly.

What happened

Mr M says that he was very badly in debt at the time he applied for the two loans with Western Circle. Using information from Western Circle's records I've created a brief loan table.

Loan	Approved	Repaid	Amount	Instalments	Scheduled repayments (rounded)
1	08/12/2018	20/12/2018	£400	3	£209
2	20/12/2018	09/09/2020	£600	3	£292

In Mr M's applications he gave details of his employers, his four weekly salary of £2,700, that he was living with his parents, he had no partner and no dependents. He gave relatively low living costs which fitted that picture: rent of £100 a monthly, bills of £50, travel expenses of £50 and food/ groceries of £50. He also declared that his commitment to loan repayments was £1,100 a month.

Western Circle said that '*...he had sufficient disposable income to make the repayments on his loans from Western Circle, as well as pay his essential living costs and repayments on previous outstanding credit.*'

One of our adjudicators looked at the complaint and did not think that Western Circle needed to do anything to put things right. Mr M disagreed and explained that it ought to have looked at his bank statements, interviewed him more thoroughly and taken account of his gambling addiction. He also said that the proximity of the two loans ought to have shown that he '*was struggling to money manage and clearly was in some financial trouble.*'

The complaint remained unresolved and was 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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Western Circle had to assess the lending to check if Mr M could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances.

Its 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 M's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Western Circle should have done more to establish that any lending was sustainable for Mr M. These factors include:

- 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);
- having many 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);
- the borrower 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 M, but that does not apply here as two loans approved does not lead me to think that there was a pattern of lending.

Western Circle was required to establish whether Mr M could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. The loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr M's complaint. I have set out in the 'what happened' section of this decision some of the details of the loan applications.

Mr M has explained *'I believe that my active loans and total outgoing costs would have clearly shown to a responsible lender that there was a bigger issue behind the scenes.'*

For Loan 1, as a new customer and for a relatively modest sum of £400 over a relatively short period (3 months) then Western Circle need not have done more. I realise that Mr M would have preferred for Western Circle to scrutinise his bank statements, but for the first loan and as a new customer carrying out a full financial review of his finances was not required. And Mr M had been up-front about his loan repayments so it was aware of them. Western Circle was entitled to rely on the information he gave it at those early stages of the lending relationship.

Loan 1 was repaid early and I do not think that any indication of inability to manage money was likely to have been gleaned from that action. So, Mr M's second loan application for a slightly larger sum was not likely to have caused any concern or prompted Western Circle to have done more than it did. The term was scheduled to be three months which is not lengthy and the figures Mr M gave them indicated he could afford it.

Applying the FCA regulations and considering all the circumstances of these applications, including the information Mr M gave to Western Circle, then it would have been disproportionate to have expected it to have done more. I do not uphold Mr M's complaint.

My final decision

My final decision is that I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 May 2021.

Rachael Williams
Ombudsman