

The complaint

Mr C complained about an instalment loan he took out with Western Circle Ltd (trading as 'Cashfloat') and said this was unaffordable for him.

What happened

Mr C took out a Cashfloat loan as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment
1	07/11/2020	01/03/2021	5	£1,000.00	£315.99

One of our adjudicators reviewed what Mr C and Cashfloat told us about this loan.

Overall, taking into account the loan amount, what was apparent about Mr C's circumstances at the time and his history with the lender, our adjudicator didn't think it would've been proportionate for Cashfloat to ask Mr C for the amount of information needed to show the lending was unsustainable. And our adjudicator didn't think that there was anything in the information Mr C provided or the information Cashfloat should've been aware of, which meant it would've been proportionate to start verifying what Mr C had told Cashfloat. So our adjudicator didn't uphold Mr C's complaint.

Mr C disagreed and asked for an ombudsman to look at his complaint. He mainly said that this was a substantial loan and Cashfloat should have done more checks before agreeing to lend – and had it done so, it would have found out about other outstanding loans with missed payments and gambling transactions and realised it shouldn't have lent to him.

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've used this approach to help me decide this complaint.

Cashfloat provided Mr C with a high-interest loan intended for short-term use so it needed to make sure that it didn't provide the loan irresponsibly.

In practice, this means that it should have carried out proportionate checks to make sure Mr C could repay the loan in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr C's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr C's complaint.

Cashfloat says it agreed to Mr C's application after carrying out all the proper checks. It told us it relied on information Mr C provided about his monthly income (which it took steps to verify) and his expenditure as well as information obtained from a credit reference agency. It also took into account statistical information based on what someone in Mr C's particular situation was likely spend each month and if that suggested higher figures than Mr C had declared, Cashfloat used the higher figures when assessing affordability rather than relying on what Mr C had said.

Cashfloat says the information it recorded for Mr C showed that he'd be able to comfortably make the loan repayments. And in these circumstances, it was reasonable to lend.

This was Mr C's first loan with Cashfloat. So I think Cashfloat was reasonably entitled to rely on information Mr C provided. Cashfloat recorded Mr C's income as £1,400 per month. Looking at the monthly loan repayment amounts and the loan term, and taking into account the information it seems Mr C told Cashfloat about his monthly income and what he was paying out, the repayments on this loan looked comfortably affordable for Mr C. After allowing for Mr C having monthly expenses of £500 (which included a loan repayment of £160 and £50 towards other credit commitments) Cashfloat worked out that this left Mr C with around £900 disposable income each month. So, especially bearing in mind that Cashfloat boosted the amount of Mr C's declared monthly expenses, I think it's fair to say that the loan monthly repayments looked like they should have been comfortably affordable for Mr C.

I haven't seen anything in the information that Cashfloat gathered about Mr C that makes me think it should've realised that Mr C was going to find it difficult to afford to pay this loan in a sustainable way.

I'm sorry that Mr C had a problem with debt and that making the loan repayments he'd signed up to was difficult for him. I accept that in reality Mr C's *actual* circumstances possibly weren't fully reflected either in the information he provided, or the other information Cashfloat obtained. But it's reasonable to expect that Cashfloat could've only decided Mr C's lending application based on the information it had available at the time.

I don't think proportionate checks would've required Cashfloat to ask Mr C to prove what he was declaring or check other information sources to verify what he had told them (or omitted to say) about his financial circumstances. And I don't think it was unreasonable for Cashfloat to lend without making any more detailed enquiries into his circumstances as there wasn't anything obvious, in the information it had, to suggest Mr C might not be able sustainably to repay the loan. So I wouldn't have expected Cashfloat to have asked to see the bank statements that Mr C has sent us before making its lending decision. And I think the information it had gathered supported the lending decision it made. In these circumstances, I can't fairly say that Cashfloat shouldn't have provided this loan – and that's why I'm not upholding Mr C's complaint.

In coming to my decision I've thought carefully about everything that Mr C has said, including the comments made in response to our adjudicator's view. I accept that the loan was for a significant amount. But thinking about Mr C's overall financial situation, this suggested that a loan this size looked like it was affordable for Mr C based on what Cashfloat knew about his circumstances.

I appreciate that what I've said will come as a disappointment but I hope that setting out the reasons as I've done will help explain how I've reached my decision.

I understand that Mr C prioritised repaying this loan in order to protect his credit report. If Mr C would like help to manage his finances there's more information about how to get free debt advice on our website – or we can provide him with useful contact details if he gives us a call.

My final decision

For the reasons I've given, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 October 2021.

Susan Webb
Ombudsman