

## The complaint

Mr M complains that Western Circle Ltd (trading as Cashfloat.co.uk) was irresponsible to lend to him.

## What happened

Mr M had two loans from Cashfloat between May 2021 and June 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	11 May 2021	£500	4m	£208.75	17 Sep 2021	14 Jun 2021
2	14 Jun 2021	£1,000	6m	£295.50	17 Dec 2021	2 Oct 2021

Mr M says he was approved for his second loan, for twice the amount, within hours of repaying loan 1. He says that Cashfloat had asked him for access to his bank statements and so it would have seen he had multiple other short-term loans at the time. Mr M adds that Cashfloat turned him down for a more recent loan application so, he says, the earlier lending must have been irresponsible.

Cashfloat says it conducted a full affordability and creditworthiness assessment. It says that it obtained recent payslips, not bank statements, for both loan applications and asked Mr M for information about his expenditure as well as reviewing his credit file. Based on these figures, which were found to be reasonable compared with statistical averages, Cashfloat says it found both loans were affordable to Mr M. It adds that further loan applications from Mr M have been declined.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Cashfloat carried out proportionate checks and there was nothing in the available information to indicate Mr M was struggling to manage his money.

Mr M responded to say, in summary, that Cashfloat would have seen payments to other high-cost lenders and should have realised he was in financial difficulties. He said the regulations required Cashfloat to carry out a proportionate assessment of affordability, including a customer's previous loan history. Mr M also questioned the impartiality of this service given two-thirds of its decisions are in Cashfloat's favour.

## My provisional findings

I issued a provisional decision to Mr M and to Cashfloat on 13 April 2022. I've summarised my findings:

- I considered the checks carried out by Cashfloat for loan 1 showed Mr M was already in financial difficulties and further lending was unsustainable because:
  - Mr M's credit file showed seven defaulted accounts and Mr M was only making payments to two of the four outstanding ones;
  - He already had three open short-term loans and one had been taken out recently;
  - He was already struggling to repay existing loans – one was delinquent and one was on a repayment arrangement;
- For loan 2, I found that Cashfloat should have seen that Mr M still appeared to be struggling financially and should not have approved this loan either:
  - Although Mr M had settled one further defaulted account and the balance continued to decrease on another, he still had a combined balance of over £3,700 on his two remaining defaulted accounts to which he wasn't making any repayments;
  - The balance on his credit cards had increased due to two cash advances;
  - Mr M was still in a payment arrangement for one short-term loan and had also taken out two further short-term loans in the weeks prior to loan 2.

So my provisional decision was that I upheld Mr M's complaint about both loans.

Mr M did not respond to my provisional decision.

Cashfloat responded to say, in summary, that Mr M was in the early stages of borrowing and had only opened one small short-term loan in the previous six months. It says his outstanding credit was well below the national average and, although it agreed he had three outstanding short-term loans, two of them were historic. Cashfloat adds that it went beyond the basic requirements by obtaining payslips and that Mr M's indebtedness reduced slightly between loans 1 and 2. It says this, and the small number of short-term loans, proves that Mr M was not overly-reliant on this type of borrowing. It further adds that Mr M was demonstrating he was addressing his credit problems by repaying defaulted accounts. Finally, Cashfloat says that the fact Mr M questioned the impartiality of this service "*seems to have influenced the change in decision in this case*".

### **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.

I have reviewed my provisional decision in light of Cashfloat's response to it. Although I accept Mr M was in the early stages of borrowing and Cashfloat's checks went beyond the basic requirements, I can't see Cashfloat has provided any additional information. The checks showed both current and historical financial difficulties and I find it was irresponsible to have approved the lending. I made that decision purely based on the merits of the case.

So I see no reason to depart from the conclusion I reached in my provisional decision.

## **My final decision**

My decision is that I uphold this complaint. Western Circle Ltd (trading as Cashfloat.co.uk) should:

- A. Add together the total of the repayments made by Mr M towards interest, fees and charges on loans 1 and 2;
- B. Calculate 8% simple interest\* on the payments made by Mr M which were considered part of "A", calculated from the payment date to the settlement date;
- C. Pay Mr M the total of "A" plus "B";
- D. Remove any adverse information recorded on Mr M's credit file about loans 1 and 2.

\*HM Revenue & Customs requires Cashfloat to deduct tax from this interest. Cashfloat should give Mr M a certificate showing how much tax it's deducted, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 June 2022.

Amanda Williams  
**Ombudsman**