

The complaint

Ms S complains that Western Circle Ltd trading as Cashfloat irresponsibly lent to her.

What happened

Cashfloat lent Ms S two loans, the first loan was in October 2021 for £750, repayable in six monthly instalments of £206.60. Ms S repaid this loan within the same month. Ms S returned for a second loan in April 2023, this time the loan was for £1,500 with nine monthly repayments of around £297.80. Ms S has been unable to repay her second loan.

Ms S complained to Cashfloat saying her credit rating was poor at the time it lent, and had it carried out sufficient checks, it would have seen she was in a debt management plan (DMP) and was gambling. Cashfloat didn't agree that it had done anything wrong. Ms S referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators who didn't think Cashfloat was wrong to lend either loan.

Ms S disagreed and said Cashfloat shouldn't have lent to her as she'd been rejected for credit by other lenders and Cashfloat should have done the same. Ms S has said her complaint is specifically about loan 2.

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.

Cashfloat needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms S could repay the loans when they fell due and without the need to borrow further. These checks weren't prescriptive but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, less thorough checks might be reasonable and proportionate.

While I've focussed my decision on loan 2, I've taken into account the lending around loan 1 as well. Cashfloat asked Ms S about her monthly income and living costs including other loan repayments. Cashfloat says it uses its internal measures to verify the figures Ms S declared. Ms S declared her income as £2,340 for loan 1 and £2,616 for loan 2. She declared her total monthly expenses as £770 for loan 1 and £1,060 for loan 2. Cashfloat says it calculated Ms S' outgoing as £1,602 and added a buffer of £100 for loan 1 and £300 for loan 2 to Ms S' declared figures. Based on these checks Cashfloat was satisfied Ms S could afford the loan repayments.

I've thought about whether Cashfloat's checks were proportionate and looking at the stage of the lending relationship, in my opinion, loan 2 was the start of a new lending relationship.

There was such a significant gap between Ms S repaying loan 1 and borrowing loan 2 that Cashfloat could reasonably have believed she was in a financial position to afford the loan, particularly looking at how Ms S repaid her first loan early. I'm also mindful that the loan repayments were around 11% of Ms S' declared income and looking at the disposable income Ms S was left with, there wasn't anything that I think should have triggered further checks.

Ms S has said she had a poor credit rating, and she was gambling. Cashfloat wasn't required to carry out a credit search and if it did, it wasn't required to do so to any specific extent. Looking at the information here, Cashfloat didn't search Ms S' credit file and so it wouldn't have known about her poor credit rating. Even if it was aware of her poor credit rating, that in itself wouldn't mean Cashfloat shouldn't have lent to her. In relation to Ms S' gambling, this wasn't something that was apparent to Cashfloat and so it couldn't have taken it into account.

Cashfloat wasn't required to request Ms S bank statements or payslips and in the circumstances of loan 2, I wouldn't have expected it to do so for the reasons stated above. Cashfloat's underwriter spoke to Ms S before approving the loan and this wasn't information Ms S offered or information Cashfloat could reasonably have been aware of at the time. I can also hear in that call Ms S confirmed she could afford the loan repayment despite the rise in cost of living. Overall, I'm satisfied that in the circumstances of lending loan 2, Cashfloat's checks went far enough, and those checks showed Ms S could afford the repayment for each loan.

I appreciate Ms S ran into difficulties repaying the loan, but this wasn't something Cashfloat was aware of or should reasonably have been aware of from its proportionate checks. Ms S will understandably be disappointed with my findings as I can see she feels very strongly that the loan was irresponsibly lent. Having taken into account all the relevant information here, I don't think Cashfloat was wrong to lend loan 2 and I hope my explanation helps Ms S understand why I've reached these conclusions. As Ms S appears to be struggling to repay the loan, I'd remind Cashfloat of its obligation to treat Ms S fairly in her financial difficulties.

My final decision

For the reasons given above, I do not uphold Ms S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 4 March 2024.

Oyetola Oduola
Ombudsman