Complaint

Mr P is unhappy Western Circle Ltd (trading as “Cashfloat”) provided him with a high-cost short-term credit instalment loan. He says the loan was unaffordable and he ended up defaulting on it.

Background

This complaint centres around the provision of a high-cost short-term credit instalment loan for £300, which Cashfloat provided to Mr P in March 2019. The loan was to be paid in three instalments of around £155.

One of our investigators looked at Mr P’s complaint and he didn’t think that Cashfloat had done anything wrong or treated him unfairly. So he didn’t recommend the complaint be upheld.

Mr P disagreed and asked for an ombudsman to look at his case.

My findings

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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Mr P’s case.

Having carefully considered everything, I’m not upholding Mr P’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Cashfloat needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Cashfloat needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Cashfloat provided Mr P with a single loan which was due to be repaid in three monthly instalments. From what I’ve seen, Cashfloat asked Mr P to confirm his monthly income and expenditure. The information recorded suggests the loan repayments were comfortably affordable.

Mr P says the information Cashfloat based its decision on didn't accurately reflect his actual financial position. But I have to think about what Mr P has said in the context of this being an application for a first loan involving a relatively small amount. And, in these circumstances, even though Mr P might have had adverse credit information recorded against him, I don't think that it would have been proportionate for Cashfloat to have carried out the degree of verification Mr P has suggested, for a first loan with such a low amount.

In my view, there wasn't anything immediately obvious in the information that Cashfloat had, including what showed in its credit searches, bearing in mind his declared income, which meant it should've asked Mr P to provide supporting evidence, such as bank statements. This is particularly as this was a first loan for a loan amount which Mr P was required to repay over a short-term and bearing in mind what I've said about a lender being entitled to rely on the information that a borrower provides in the early stages of a lending relationship.

I accept that Mr P's actual circumstances at the time may have been worse that what the information obtained showed. Mr P says that he was provided with this loan whilst in the midst of a gambling addiction. I'm sorry to hear about what Mr P has told us and I accept that it is possible that Cashfloat might have reached a different lending decision had it known about what Mr P has now told us. But the key thing here is not only did Mr P not make Cashfloat aware about his gambling, I don't think it can be reasonably expected to have known about this either, as it didn't need to ask for copies of Mr P's bank statements.

In these circumstances, whilst I do sympathise with what Mr P has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that Cashfloat could not have factored this into its lending decision. I say this particularly in light of my conclusions that this was a first loan. Bearing in mind the circumstances here, I think that Cashfloat was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

In reaching my conclusions, I've also considered whether the lending relationship between Cashfloat and Mr P might have been unfair to Mr P under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Cashfloat irresponsibly lent to Mr P or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall I don't think that Cashfloat did anything wrong when deciding to lend to Mr P - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. So I don't think that Cashfloat treated Mr P unfairly or unreasonably when providing him with his loan and I'm not upholding this complaint. I appreciate this will be very disappointing for Mr P. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr P to accept or reject my decision before 8 September 2025.

Jeshen Narayanan
Ombudsman