

The complaint

Mr R complains Western Circle Ltd trading as Cashfloat (Cashfloat) failed to carry out sufficient income verification and affordability checks before it granted a short-term loan.

What happened

Mr R says he took out a short-term loan of £400 with Cashfloat in July 2024 and at that time he was already experiencing financial difficulties. Mr R says Cashfloat have stated that on his loan application his net income was declared at £3,750 per month when that is not the case, and he is unsure where that figure came from. Mr R says the loan was unaffordable and Cashfloat should have been able to see that from his credit history.

Mr R wants Cashfloat to refund the interest charged to the loan with 8% simple interest added.

Cashfloat says it carried out comprehensive checks before the loan was granted, including the income details Mr R had provided on his application along with credit checks and its own credit assessment model. In addition, Cashfloat says its checks showed no recent defaults, bankruptcies, insolvencies or CCJ's and says it also added further buffers in addition to what Mr R declared on his expenditure. Cashfloat says the loan was repaid in full in October 2024 and when Mr R later informed them he was experiencing financial difficulties, it declined any further lending requests from him.

Cashfloat feel it took reasonable steps before it provided the short-term loan, and there was nothing to prompt them from its credit assessment to ask for any further clarification regarding Mr R's income and expenditure.

Mr R wasn't happy with Cashfloat's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint.

The investigator felt Cashfloat had carried out reasonable and proportionate checks including an independent income verification check and while the latter may have included any other income paid into his bank account, given the income was declared by Mr R, the investigator felt the loan appeared to be affordable. The investigator says the credit checks carried out by Cashfloat showed no evidence of defaults or CCJ's on Mr R's credit file.

The investigator says from the information Cashfloat had seen, there was nothing to suggest it required further verification of Mr R's income - for example by checking bank statements before the loan was granted. The investigator felt even if Mr R's income was only £2,500 per month as he suggested, she felt the loan was still affordable.

Mr R didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mr R is experiencing financial difficulties and this must be a difficult and stressful time for him.

When looking at this complaint I will consider if Cashfloat carried out reasonable and proportionate checks before it agreed to provide a short-term loan of £400 to Mr R.

The first thing to say here is there's no set rules as to what checks a lender must carry out before it provides funding, other than those checks should be proportionate to the amount and term of any such funding approved.

Here Mr R applied for a short-term high interest loan of £400 repayable over a five-month term – similar to those type of facilities he had taken out with other lenders in the past.

From the information I have seen an online application was completed and in that application Mr R's net income was declared at £3,750 per month with expenditure of £1,625 per month. What is worth saying here is Cashfloat didn't solely rely on those figures, even though this was a modest loan amount repayable over only a few months. I can see it carried out its own credit modelling based on information provided via credit agencies, carried out credit searches and remodelled Mr R's own declared monthly expenditure, adding around £300 to that figure for an extra buffer.

So, it's fair to say Cashfloat did carry out reasonable and proportionate checks here, bearing in mind from the checks it did undertake, there was no obvious signs of financial stress, CCJ's or recent defaults.

While Mr R doesn't understand where the monthly income figure quoted on his application of £3,750 comes from, all I can say is that isn't something Cashfloat inputted. In fact, Cashfloat carried out a general income verification check via the agencies and this showed income levels similar to this passing through his bank account. While that may have been made up of other income sources unknown to Cashfloat, I am satisfied there was no obvious need for Cashfloat to ask for further verification at that point for a loan of this size.

Having seen bank statements provided by Mr R post his complaint, even if these had been presented to Cashfloat, there was nothing there to suggest any obvious signs of financial stress that would have resulted in Cashfloat refusing the loan based on this information.

So, on balance, given the size and term of the loan granted here and the information available to Cashfloat, I'm satisfied it carried out reasonable and proportionate checks before it approved the £400 loan to Mr R for the reasons I have already explained. It's also worth adding, the loan was repaid in full in October 2024 and once Cashfloat later became aware of Mr R's financial situation, it acted responsibly by refusing further credit requests.

While Mr R will be disappointed with my decision, I won't be asking anymore of Cashfloat.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 31 March 2025.

Barry White
Ombudsman