

The complaint

Mr W, through his representative, complains that Western Circle Ltd trading as Cashfloat lent to him irresponsibly.

What happened

This table gives a brief summary of the lending Western Circle approved for Mr W.

Loan	Approved	Amount	Terms	Status
1	2 July 2024	£450	3 months of payments at £225.50 each	11 September 2024
2	14 September 2024	£300	3 monthly repayments of £135.90	13 November 2024

After Mr W had complained and received the final response from Western Circle he referred it to the Financial Ombudsman Service. One of our investigators considered it and did not think that the complaint ought to be upheld. Mr W disagreed and the unresolved complaint was passed to me to decide.

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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website. Western Circle had to assess the lending to check if Mr W could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Western Circle's checks could've taken into account several different things, such as how much was being lent, the size of the repayments, and Mr W's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Western Circle should have done more to establish that any lending was sustainable for Mr W. These factors include:

- having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- having many loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for him. Mr W took two loans so there was no pattern of lending here.

Western Circle was required to establish whether Mr W could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr W was able to repay the loans sustainably. But it doesn't automatically follow that this is the case.

When Mr W applied for loan 1 he told Western Circle he was single, living with parents, employed full time with a monthly salary after tax of £2,750. He had no dependents. He paid £250 for food/groceries, £250 on utility bills, £100 for travel, £300 on rent and had other credit commitments of around £250 a month.

Western Circle has said it verified his income using credit reference agency, and other third party, data which in Mr W's case was HMRC information. The income figure Western Circle was confident to use in its affordability assessment was £2,447.

Western Circle used Common Financial Statement (CFS) trigger values to cross-check the declared expenditure figures. It obtained a credit search and as well as using that information to look at affordability it also checked for any insolvency data, other adverse data or judgment debts. It has said: *'He had no new defaults registered on his account within the previous 36 months. He also had no active bankruptcies, debt management plans, IVAs or CCJs registered on his record.'*

Mr W had very little debt when Western Circle did the credit search for Loan 1. He owed £1,078 in loans and credit cards. He had five defaulted accounts from January 2020 which dovetailed with the date of an Individual Voluntary arrangement (IVA) which started around that date. This IVA ended 31 May 2024. A completed IVA usually means that the previous defaulted accounts and debts are considered repaid/written off. So, although Mr W's representative states he was *'drowning in debt'* and had multiple defaulted accounts, Western Circle would have been acting reasonably to consider these historic.

The IVA had completed a couple of months earlier. If Mr W's credit record since the IVA discharge had presented with excessive debt and a lot of recent adverse data then I consider that Western Circle ought to have done more before lending. And I think that because it would have shown a recent deterioration. But that was not the case with Mr W when he applied for the Western Circle loans. Mr W had very little debt and would have been using Western Circle precisely because of his 2020 adverse data in the shape of an IVA. It is a lender which caters for applicants with adverse credit histories.

Despite Mr W stating he lived at home with parents, Western Circle used expenditure figures that Mr W had declared which included rental and utility costs. And together with his other expenditure figures these all added up to £900. It added in the relatively low monthly repayment costs to his existing credit commitments and essentially Western Circle calculated Mr W had around £997 left over with which to pay for the loan of £450.

For Loan 2 the same checks were carried out and on the affordability assessment Western Circle carried out his total outgoings were around £1,047 a month. So, he had enough to be able to afford the repayments to Loan 2.

Western Circle has pointed out that his overall debt level had reduced when he applied for Loan 2. And that the amount was for a less and the repayments each month were less.

Mr W's representative has sent no evidence to demonstrate the basis of its submissions that there was no affordability when considering Mr W's income and his debts at the time he applied for the western Circle loans. Without evidence these are assertions in emails which

does not persuade me when balanced against factual details of credit searches and verified income submitted to us by Western Circle. Mr W took two loans. He was employed full time and lived at home with his parents. He repaid Loan 1 without issue before applying for Loan 2 which was for a lesser sum and his overall debt level had decreased.

I consider Western Circle carried out proportionate checks and I do not uphold the complaint.

I've also considered whether Western Circle acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 September 2025.

Rachael Williams
Ombudsman