

The complaint

Mrs R, through her representative, complains that Western Circle Ltd trading as Cashfloat lent to her when she could not afford it.

What happened

Mrs R took one loan of £600 from Western Circle in February 2022. There were to be four instalment repayments of just over £254 each month commencing 25 March 2022. Mrs R repaid it. She complained in September 2024 and Western Circle responded to say that it had done nothing wrong.

The complaint was referred to the Financial Ombudsman Service where one of our investigators considered that Mrs R's existing credit accounts were being poorly managed and were delinquent. And that Western Circle ought not to have lent to her. It 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 Mrs R could afford to pay back the amount she'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 Mrs R'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 Mrs R. 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. Mrs R took one loan and so there was no pattern of lending here.

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

Western Circle has explained that it checked Mrs R's income as declared at £2,250 each month after tax was correct. She'd said she worked full time, she was the owner of her property where she'd lived for seven years. Mrs R declared that she had a groceries bill of £25 a month, utility bills of £25 a month, had no loan repayments, no mortgage to pay. She also declared that she had travel costs each month of £25 and other credit commitments of £25 each month as well. These were woefully inadequate for an application in 2022 and so although – usually – for a first loan our approach would be that Western Circle could not have relied on her declared costs, here I consider it was wise to have done more. And it did.

As for other expenditure Western Circle said in its final response letter:

'The credit reference agency check did reveal her correct credit commitments and as such, we increased the expenditure on credit in our affordability calculation. The firm also increased the declared figure for mortgage & utilities from £75 to £1384. Furthermore, we also added an additional buffer to her expenses of £100 and confirmed the monthly disposable income to be enough to meet her maximum monthly repayment.'

Western Circle increased her mortgage payments to £753, her utilities and bills combined with her food and transport costs to £631. Having done a credit search it increased her payments to loans and other credit commitments to £505. Western Circle calculated that on total outgoings (including the £100 'buffer' figure) of just over £1,989 (not £1,889 as Western Circle's I&E has recorded), then her disposable income was around £260.

As the repayment figures were due to be just over £254 each month (not £320 as it had inserted into its I&E it has sent to us) then the loan was affordable. But clearly it was not. On its own figures, Mrs R would have been left with £6 a month left over which is totally unreasonable and inadequate.

I have reviewed the information on which Western Circle relied. The credit report was not a regulatory obligation but having obtained one then Western Circle cannot ignore or misread the contents. Mrs R's overall debt balance was a little over £77,300 of which £55,448 was her mortgage balance. The remaining was made up of loans with a total balance of just over £17,000 and revolving credit accounts (credit cards and store card style accounts) of £711.

Mrs R had had three delinquent accounts in the previous 12 months and had default account history as well. I accept Western Circle's point that it does lend to those applicants with adverse credit history but it depends how recent and the type of adverse record.

Mrs R had two mortgage accounts. The larger one had commenced in 2004 and had no poor payment history. The smaller one commenced in 2005 had had long term arrears (up to stage 6), was recorded as delinquent and had been since March 2021. Western Circle has made the point to our investigator that the situation with that account had 'improved' in that the arrears level at the time of her application was stage 1.

In addition to this Mrs R had loan arrears which had commenced in October 2021, had two County Court Judgments (CCJs) from December 2016 and August 2018. More recently Mrs R had 4 defaulted accounts – the latest being from June 2020. The other three had been in March, May and August 2019. All of these defaulted accounts had been paid off.

Looking at Mrs R's current monthly credit commitment costs for her two mortgages, HP account, credit card (for which I've calculated a minimum repayment of 3% of the £765

balance), loans, telecoms and others then these all came to around £1,368 on my calculations.

So, with the £631 figure Western Circle considered the right sum for other outgoings including food and transport costs (in addition to the HP payments) plus the £100 buffer figure that all came to £2,099. Add in £254 for this loan for 4 months then that comes to £2,353. So, I consider that it was unaffordable.

I reject Western Circle's contention that Mrs R's mortgage situation had improved and therefore it was alright to lend to her for '*one small and short term loan*' as it described. Mrs R had a history of poor repayments, defaults and although I accept that the CCJs were from several years before the delinquency on her mortgage. But that was a current delinquency and had longevity to it. Plus the figures do not add up – Mrs R could not afford £254 a month. I uphold the complaint.

Putting things right

The loan has been paid. I think that Western Circle should refund the interest payments on that loan and add 8% of additional simple interest* on to that refund figure from the date of payment to the date of settlement.

I think that Western Circle should amend the credit file for Mrs R for that loan by removing any adverse data, if applicable.

*HM Revenue and Customs usually deduct tax off the interest. If Mrs R asks, it should give her a certificate confirming how much it has taken off.

I've considered whether the relationship between Mrs R and Western Circle might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mrs R results in fair compensation for her in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold the complaint and I direct that Western Circle Ltd trading as Cashfloat does as I have outlined in the 'putting things right' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 24 September 2025.

Rachael Williams
Ombudsman