

The complaint

Mr B complains that Western Circle Ltd trading as Pay Day Bad Credit (“Western Circle”) lent to him when he could not afford to repay it.

What happened

Mr B took one loan from Western Circle. It was for £1,000 in January 2025 over a six month repayment term and the scheduled repayments were for £284.15 each month. Mr B repaid it early and by 12 March 2025 he’d paid it off and the loan account was closed.

After Mr B had complained, Western Circle responded with its final response letter. After that Mr B referred his complaint to the Financial Ombudsman and one of our investigators considered the complaint. She thought that Western Circle had carried out the checks it ought to have done and did not uphold his complaint. Mr B responded to say that his income was lower than he’d declared and lower than the income Western Circle had used in its assessment. So, he wanted an ombudsman to review it.

The unresolved complaint was passed to me to decide. Mr B said he’d send to us evidence to demonstrate his lower basic salary levels but he has not sent that to us.

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 B could afford to pay back the amount 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 B’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 B. 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);

Western Circle was required to establish whether Mr B 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 P was able to repay the loans sustainably. But it doesn’t automatically follow that this is the case.

I’ve considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr B’s complaint.

Mr B applied and told Western Circle he was employed full time, he was single, had no dependents and was living at home with his parents. He earned £2,900 a month after tax. His outgoings were utility bills of £70 a month, monthly rent of £100, travel expenses of £120 a month and food/groceries of £100 a month. Western Circle added £300 to this everyday set of costs. Which all added up to £590 each month.

Western Circle did a credit check and although Mr B had said his credit commitment costs were £100 each month, Western Circle increased that to just under £286 a month. It did that because of its research. So, the outgoings in total that Mr B was required to pay out each month were just under £976 which left Mr B with a disposable income of £1,624.

The full credit check report Western Circle obtained on 1 January 2025 has been sent to me and I have reviewed it. The total indebtedness for Mr B was just over £12,000 of which loans were £9,324 (most of which was a hire purchase (HP) for a vehicle) and £944 on credit cards. The HP debt relates to an asset for a vehicle which would likely have been necessary to facilitate Mr B's work and lifestyle. Mr B had two defaulted accounts in the previous 36 months and he'd taken a modest sum as cash out on his credit cards once in 12 months. Cash from credit card accounts on their own do not necessarily indicate a financial issue, but I have noted that. But in Mr B's circumstances, this was not enough in my view to have prompted Western Circle to consider refusing the loan or doing additional checks.

Western Circle has sent to me the analysis of the credit search it carried out and I see why it increased Mr B's monthly repayment amount for credit commitments to £286 a month as his hire purchase agreement was costing £256 a month. The other accounts were relatively small outstanding sums on credit cards. It was reasonable of Western Circle to calculate the minimum monthly repayments due on those which I can see it had done.

Mr B had a mixed repayment record. His most recent defaulted account had been September 2022 for a telecoms account. And Mr B had a history of poor repayments – some relatively recently in the summer of 2024. He'd made up the arrears on those accounts. Mr B's main cost was his car. So, I am satisfied that Western Circle had made an appropriate allowance for his outstanding debt costs.

And although Mr B had a poor repayment history on a few accounts (not all) and his credit record showed adverse data, Western Circle is a lender which accommodates individuals needing finance with a less than good history. Having reviewed what I have seen then I do not consider that Western Circle needed to have carried out further checks.

As for the point surrounding Mr B's income, he is saying he earned much less than the £2,900 a month that he told Western Circle he did earn. Mr B has told us in an email that he earned £1,750 a month after tax. As it was a first loan then Western Circle would have been acting reasonably to have relied on what Mr B had told it. But still it carried out an income verification check. That does not necessarily mean asking for copies of payslips or checking bank account statements visually.

Western Circle has explained : *'We carried out an independent salary verification check on [Mr B's] declared salary. This came back with a positive result, demonstrating that the figure provided by him matched up with the income received in [his] bank account.'*

And as I've said earlier, Mr B has sent no further evidence of his lower salary. I can't just rely on what he has said in an email. So I've considered the details using that lower figure to see if it would have likely made a difference.

Looking at the costs Mr B had declared and which were increased by Western Circle to come to a total of £976 a month, still Mr B would have had enough to afford the loan. Plus, I note that Mr B was living at home with his parents which – again – Western Circle has demonstrated to me that it checked this on the electoral roll. It's not likely that Mr B was paying full market rent plus bills to live at home. And further, I do not consider that Mr B would have been exposed to the risk of non-payment of priority bills and/or rent arrears likely to lead to problems with his money such that the repayments to the loan were at risk. The loan term was short. I have taken these elements into account when considering Mr B's complaint.

Mr B has referred to additional costs he was faced with such as child maintenance – but as he'd told Western Circle he was single, had no dependents and he was still at home would not have alerted Western Circle to think that he had to pay any child maintenance payments. And there's no evidence that Mr B informed Western Circle of those. And there's no reasonable way Western Circle would have known of that.

Other expenses Mr B has listed in recent emails are sums likely already included in the living costs figures declared by him and then increased by Western Circle. And in any event, my view is that even if there were additional costs over and above the figure Western Circle used, Mr B would have had enough to cover them even on the lower salary of £1,750 a month.

Mr B has told us recently: *'I had also taken out a loan with [other lender] just before this which would show on my credit score to show I was struggling.'*

No new loans show on the credit search Western Circle carried out and I have noted and seen that it uses a system called MODA which is as up to date as is possible to be when a credit search is carried out. And so, I've no explanation as to why that other loan taken out just before this one did not appear on the search, but I consider that Western Circle had done all that it was reasonable for it to do and so I cannot find it to have been at fault on that point.

Western Circle carried out proportionate checks and I do not consider that the information it gathered would have led it to consider additional checks were needed before lending.

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 B 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

My final decision is that I do not uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 October 2025.

Rachael Williams
Ombudsman