

The complaint

Mr M has complained through a representative that Western Circle Ltd trading as Cashfloat (“Cashfloat”) gave him a loan without carrying out sufficient affordability checks.

What happened

A summary of Mr M’s credit limits can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	Largest instalment amount
1	£500.00	12/08/2024	26/09/2024	6	£141.60

Cashfloat didn’t uphold the complaint because it considered it had carried out checks to demonstrate the loan was affordable. The complaint was then referred to the Financial Ombudsman.

The complaint was then reviewed by an investigator who upheld it, saying the credit file results indicated Mr M was already reliant on payday loans. Mr M’s representatives agreed but Cashfloat didn’t agree and provided its reasons and so the complaint was then passed to me.

I then issued a provisional decision explaining the reasons why I was intending to not uphold Mr M’s complaint. Both parties were asked for any further submissions, but these needed to have been received by 30 June 2025.

Cashfloat acknowledged the provisional decision, and we didn’t hear from Mr M or his representatives.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 all the relevant rules, guidance and good industry practice - on our website.

Cashfloat had to assess the lending to check if Mr M 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. Cashfloat’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr M’s income and expenditure.

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

- Mr M 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);
- Mr M having a large number of 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);
- Mr M 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 Mr M. The investigator didn't think this applied to Mr M's complaint and I would agree, as only one loan was granted.

Cashfloat was required to establish whether Mr M 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 M was able to repay his 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 M's complaint.

Cashfloat took details of Mr M's income and expenditure and carried out a credit search before this loan was granted. It recorded that Mr M worked full time and received a monthly salary of £2,875.

Cashfloat says it cross referenced Mr M's declared monthly income and the result was positive – indicating to Cashfloat that what Mr M had declared was likely to be accurate. For a first loan, I consider this to be a proportionate check.

Cashfloat also made enquiries about his living costs, which Mr M declared to be £715 per month. It's worth saying here that Cashfloat says that it assessed Mr M's monthly expenditure using what is called "trigger values" – taken from a well-known debt charity and these values take account of an applicant's job, location, homeowner status, to name a few factors.

Having used these trigger values it estimated Mr M's monthly outgoings were around £907 per month and to this it added a further buffer of £300. These were the figures used for Cashfloat's affordability assessment, and it reasonably concluded there was sufficient disposable income for Mr M to be able to afford the loan repayments. I don't think this was an unreasonable conclusion given Mr M told it that he lived at home and so wouldn't have had the same sort of living costs as someone in rented or mortgaged accommodation.

Cashfloat also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency and so I've reviewed this to see how Mr M had managed current and closed accounts.

I have considered what Cashfloat has said about the low credit utilisation in that Mr M didn't have that much outstanding debt at just under £3,000 across all of his accounts.

Superficially, there were no defaults or other types of insolvency recorded such as County Court Judgements or IVAs. And Mr M had a credit card and a mail order account that he didn't appear to be using any of the available credit limit.

But there was an outstanding payday loan and another loan called a 'Finance House' so this was also likely to be a high-cost instalment loan that Mr M had clearly had problems repaying. They were both in delinquency and subject to payment arrangements, and Mr M was paying much less than he was contracted to pay – around £50 per month. While the debt balances were coming down, this did show that in the not too distant past Mr M had problems repaying the same sort of account that Cashfloat was now advancing.

But Mr M had one other finance house loan that he'd taken in June 2024, that was costing him £35 per month. But I can see from the credit report there are a number of recently opened and closed "deferred payment accounts". My research has led me to believe that these are likely buy now pay later accounts. So, Mr M had purchased products and then repaid them over a number of months. All the closed accounts had been repaid as expected – with no adverse payment information.

The investigator upheld the complaint because in their view Mr M had difficulties repaying existing creditors and was showing signs of needing to open new credit. But, the repayment difficulties Mr M had on the two accounts subject to the arrangement had been in the arrangement for some time, dating back about a year. And only one of the closed accounts within the last six months was a payday loan so I don't agree that Mr M was showing signs of reliance on this sort of credit.

Overall, Cashfloat carried out a proportionate check which did show the agreement was likely to be affordable for Mr M I am therefore intending to not uphold the complaint.

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.

Neither Cashfloat nor Mr M or his representative has provided any further submissions in response to the provisional decision. I therefore see no reason to depart from the findings I made in the provisional decision – and which can be found above.

I still think Cashfloat carried out proportionate checks which showed the loan payments were afford to Mr M. I therefore do not uphold the complaint.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Cashfloat lent irresponsibly to Mr M 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

For the reasons I've explained above and in the provisional decision, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 July 2025.

Robert Walker
Ombudsman