

The complaint

Mr M has complained that Western Circle Ltd trading as Cashfloat (“Cashfloat”) gave him a loan without carrying out sufficient affordability checks. Had better checks been made it would’ve seen that he had been made bankrupt in 2017 and was in financial hardship.

What happened

Mr M was granted one loan on 8 December 2022 for £1,000. The loan was to be repaid through eight monthly payments of £194.60 followed by a final payment of £194.45. An outstanding balance remains due, and this is being paid through a repayment plan with a debt advice charity.

Cashfloat didn’t uphold the complaint because it considered it had carried out checks to demonstrate the loan was affordable. However, it made a goodwill offer to reduce Mr M’s debt by £248.75. Unhappy with this response and offer, Mr M referred the complaint to the Financial Ombudsman.

The complaint was then reviewed by an Investigator, who didn’t uphold the complaint because Cashfloat had carried out proportionate checks which showed the lending was affordable. Mr M didn’t agree, and I’ve summarised his response below.

- When the loan was granted, he was already in financial difficulties.
- Mr M’s income was supplemented by benefits and while Mr M’s income was around £2,200 per month this was before any deductions.
- Mr M was reliant on short term credit and that should’ve been enough to have triggered further checks.
- While his income was verified, Cashfloat ought to have reviewed his bank transactions – by not doing so, the checks weren’t proportionate.
- Mr M was vulnerable at the time, and this impacted his financial decision making. He also says the guidance issued by the regulator meant Cashfloat had to identify and respond where there was a risk of harm.
- Mr M had repayment difficulties almost straightaway showing the loan wasn’t affordable.

These points didn’t change the Investigator’s mind and so the complaint has been 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 short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

The relevant regulations for affordability checks can be found on CONC 5.2A and I’ve kept that in mind when thinking about this complaint. 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 the loan 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. Firstly, Cashfloat took details of Mr M's income and expenditure and carried out a credit search before this loan was granted. It recorded Mr M worked full time and received a monthly salary of £2,200.

Cashfloat didn't just rely on what Mr M declared, instead it used a widely available tool to determine the accuracy of what Mr M had provided. Based on the results of this cross check Cashfloat was content to rely on what it had been told. I consider this to be reasonable and proportionate given the circumstances.

Cashfloat also made enquiries about his living costs – including credit commitments, rent and other costs. Mr M declared these to be £938 per month. It's worth saying here that Cashfloat assessed Mr M's monthly expenditure against 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. It also used Mr M's credit file to check the accuracy of his declared monthly credit commitments.

Having used these trigger values, it estimated Mr M's monthly outgoings were the same as he had declared and to this it added a further buffer of £300 to cover any unexpected expenditure. Cashfloat reasonably concluded there was sufficient disposable income for Mr M to be able to afford the loan repayments.

It's worth adding that the use of statistical data to check living costs is allowed by the regulators unless there was something else to suggest that Mr M's cost may have been greater. Given everything Cashfloat saw – I think it was reasonable to have relied on what Mr M had declared and cross checked.

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.

Having looked at the credit search results more widely there wasn't anything contained within that would've prompted further checks or to have led Cashfloat to have declined the application. I say this because it knew that Mr M had about £5,000 of existing debt across a number of accounts including loans, credit cards, mobile phone and current accounts.

All of the active accounts had been repaid as expected apart from a missed payment on a credit card one year before the loan was granted and which had been quickly corrected. I've also seen that Mr M had been on a repayment plan on another account – but this wasn't a recent development because Mr M had been on the repayment plan for at least two years.

In my view, it was reasonable for Cashfloat to have concluded that the repayment plan wasn't a that Mr M was having current financial difficulties when the rest of the credit file suggested he was up to date with his payments and was managing his existing commitments well.

Mr M has provided details of his bankruptcy which was discharged in April 2018 – while the bankruptcy wasn't known to Cashfloat as part of its checks, it did know that three accounts had defaulted in 2017 and had been satisfied in April 2018 – when the bankruptcy was discharged. I do think in the circumstances Cashfloat could treat these defaults as historic and not an indication that Mr M was currently having financial difficulties bearing in mind

It therefore follows that I don't think Cashfloat needed to have undertaken further checks, such as reviewing Mr M's bank statements. In the circumstances of the application and what else Cashfloat knew about Mr M, it would've been disproportionate for Cashfloat to have obtained his statements.

I've thought about what Mr M has said and it's clear that he was going through a difficult time and he was vulnerable when the loan was advanced – and he has said that this also impacted his decision making. I've considered this, but unfortunately it doesn't change the outcome I've reached.

I say this because Cashfloat hadn't been told by Mr M at the time that he was vulnerable and there wasn't any other indicators from the checks that it carried out – and which were proportionate to suggest Mr M was vulnerable and so it couldn't take any of these adjustments into account.

I think what is important to note is that Cashfloat was entitled to believe and treat Mr M as if he was a consumer without vulnerabilities at the time and Cashfloat has said the first it knew about these was when Mr M raised his complaint. As such, Mr M being vulnerable at the time of the lending hasn't led me to conclude the complaints should be upheld.

And I've also considered the regulators guidance of the treatment of customers who are vulnerable and I still don't think that makes a difference either, given Cashfloat has accepted the repayment plan which was put forward. This is entirely fair and reasonable.

I appreciate Mr M will be disappointed by my decision but for the reasons I've given I'm not upholding Mr M's complaint.

Finally, I've also 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 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 set out above I am 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 11 March 2026.

Robert Walker
Ombudsman