

## **The complaint**

Mr S complains about the way in which Western Circle trading as Cashfloat handled his account.

## **What happened**

Mr S took out a loan with Cashfloat in July 2018. The loan was for £400 and it was due to be repaid through two monthly instalments of £275.15 due on 31 July 2018 and 31 August 2018. The total amount to be repaid by the end of the loan term, including interest, was due to be £550.30.

Mr S was unable to make the contractual payments, and he entered into a payment arrangement with Cashfloat to pay £5 per month from 1 August 2018 onwards. Mr S continued to make payments under the payment arrangement until June 2019 when, due to a change in his personal circumstances, a new payment arrangement was set up under which Mr S needed to pay £1 per month. Mr S continued to pay £1 per month until March 2021, when it appears the payments were increased back to £5 per month which Mr S continued to make until February 2023. After this point no further payments were received. As a result, Cashfloat defaulted the account six months later in September 2023.

Mr S says he thought the account should have (and he says he was under the impression it had) been defaulted by Cashfloat in 2018. Mr S says he only became aware in early 2025 that it hadn't been defaulted when he checked his credit file. He says he had not done so sooner due to a prolonged period of ill-health.

In February 2025, Mr S complained to Cashfloat.

In response, Cashfloat said it hadn't registered a default on Mr S's account sooner because he was up to date with his payment arrangement up until February 2023. Therefore, it was accurately recording the agreement as in a payment arrangement with Credit Reference Agencies (CRAs) from August 2018 until the account was defaulted in September 2023.

Mr S wasn't happy with the response and brought his complaint to this service. In doing so, his complaint had two strands; firstly, the date Cashfloat chose to default the account and, secondly, the initial lending decision.

It appears the complaint was initially interpreted by our service as a complaint solely about Cashfloat's decision to lend. As a result, one of our investigators looked into matters and, in July 2025, issued an opinion which solely addressed the issue of Cashfloat's decision to lend. The investigator did not think Cashfloat had acted unfairly in this regard.

Mr S did not agree and, in doing so, confirmed that part of his complaint was about the date Cashfloat defaulted the account which had seemingly gone unaddressed.

Mr S's complaint was then reallocated to another investigator who, in September 2025, issued a second opinion on the case. In this view, the investigator said that Mr S had referred his complaint about Cashfloat's decision to lend more than six months after the final

response letter had been issued and, therefore, our service was unable to consider it further. The investigator went on to note that the second strand of Mr S's complaint (the default date) would be addressed in a separate view.

In the period that followed, Mr S was advised that our service was in the process of reconsidering its position with regards to our jurisdiction in cases like this but, to avoid further delays, we would go ahead and issue a view regarding the part of the complaint we knew our service was able to consider (i.e. the complaint about the default date).

The investigator went on to issue their view in in December 2025 in which they said Cashfloat had acted unfairly when it failed to default the account sooner than it did. The investigator said that Cashfloat ought to have defaulted the account in February 2019 – this being six months after Mr S fell into arrears.

Cashfloat didn't agree. In doing so, it said it *would have been unfair to record a default against Mr S as he was in an active payment arrangement [and] showing Mr S as being in an agreed payment arrangement was more accurate in terms of reporting*".

As an agreement could not be reached, the case has been passed to me to decide.

Whilst the complaint has been awaiting a decision, Mr S has confirmed that his complaint about Cashfloat's decision to lend has been withdrawn. Therefore, this decision solely relates to Mr S's complaint about the date Cashfloat chose to default the account.

### **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.

Having done so, I think this complaint should be upheld. I'll explain why.

The Information Commissioner's Office gives guidance for firms in its document 'Principles for the Reporting of Arrears, Arrangements and Defaults at the Credit Reference Agencies' ('PRAAD'). This sets out that by the time an account is at least three months in arrears, and normally by the time an account is six months in arrears, it's generally expected that a default will be registered.

When the initial payment arrangement was agreed, the level of repayments made by Mr S were very low at £5 per month. Mr S owed over £550 so it would've taken over nine years to repay the debt (or six and a half years if Cashfloat only sought to recover the principle sum).

PRAAD says that "*temporary arrangements may last for some time but are generally expected to revert to the contractual terms at some future point*".

As Cashfloat knew it would take over nine years to repay the debt – and I have not seen persuasive evidence to suggest it knew (or ought to have known) that Mr S's circumstances were likely to change in the near future - I think it would've been fairer for it to default the account in February 2019 (this being six months after he first fell into arrears). I think this would have been an appropriate course of action.

After all, Mr S was trying to do what he could to repay the debt and I haven't seen anything to suggest that he regularly missed repayments under the payment plan. So I don't think Mr S should be in a worse position than someone who made no effort to pay at all. Had Mr S not entered into the payment plan, I think it's likely the account would have been defaulted

six months after he fell into arrears. And the default would've been removed from his credit file six years later (i.e. in February 2025).

I accept that Cashfloat has attempted to be positive and sympathetic towards Mr S by agreeing consecutive repayment plans. However, in the circumstances of this case, I am not persuaded this has resulted in a fair outcome for Mr S. I say this noting that the eventual outcome was that a default was applied in September 2023, some five years after Mr S began accruing arrears on the account and, therefore, the default is still present on his credit report to this day when it otherwise would have been removed.

I would add here that, even if I'm wrong to suggest Cashfloat ought to have defaulted the account in February 2019 (which I don't think I am), I think there was also a later point at which Cashfloat ought to have defaulted the account. This is in June 2019 when the repayments due under the payment plan dropped to £1 per month – suggesting Mr S could no longer sustain repayments of £5 per month. At this point Mr S would have been around nine months in arrears and Cashfloat ought to have recognised the arrangement was no longer temporary and Mr S had no reasonable prospect of repaying the debt in a reasonable period of time (or, possibly, at all).

However, even if I were to say Cashfloat ought to backdate the default to the later date of June 2019, the net result would still be the same and the default would've been removed from his credit file (noting more than six years has lapsed). So, the issue of whether the default ought to have been applied in February 2019 (as I think it should have done) or June 2019 is immaterial to the overall outcome of this case.

Now I've determined that the default ought to have been applied sooner than it was, I've turned to consider the impact this has had on Mr S.

Mr S feels Cashfloat's failure to apply the default sooner – and instead report a rolling payment arrangement (until September 2023 when the account was defaulted) - has significantly impacted his credit rating.

I've thought carefully about this. However, as our investigator noted, had Cashfloat applied the default in February 2019 (as I think it should have done), it would have remained present on Mr S's credit report until February 2025. The presence of a default would, inevitably, have had an impact on his credit rating (and likely a greater impact than an arrangement to pay marker).

What's more, Mr S has kindly provided a copy of his credit report and I can see that there is adverse information reported by other lenders. This includes two defaults in May 2019, one in July 2019, December 2019, two in June 2023 and two in April 2024. With that being the case, I am not persuaded that Cashfloat's failure to apply a default sooner was a key factor in Mr S's credit rating or would've significantly contributed to any difficulties Mr S may have experienced obtaining credit elsewhere.

Our published guidance (available on our website) says that a monetary award of up to £300 may be appropriate in circumstances where a business's error causes some distress or inconvenience. I accept that discovering the account had not been defaulted when Mr S thought it had been (noting he had received defaulted notices as early as 2021) would have been concerning and upsetting for Mr S. And Mr S has been put to some trouble in his efforts to try and put things right. With this being the case, I agree with the investigator that an award of £100 compensation is fair and reasonable in the circumstances.

Having considered all the circumstances of this case, I think this complaint should be upheld. I'll summarise how Cashfloat should put things right in the section below.

## **Putting things right**

To put things right Cashfloat should:

- 1) Backdate the default to February 2019 – this being six months after arrears began to accrue on the account and the payment plan started.
- 2) Ensure that any negative markers related to this account are removed from Mr S's credit file.
- 3) Pay Mr S £100 in recognition of the trouble and upset caused.

I understand Cashfloat has provided a settlement figure for Mr S to consider in order to clear the outstanding balance. I would encourage Mr S to engage with Cashfloat directly regarding this.

## **My final decision**

My final decision is that I uphold the complaint. Western Circle Ltd trading as Cashfloat must backdate the default to February 2019, ensure that all negative markers are removed from Mr S's credit file and pay him £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 February 2026.

Ross Phillips  
**Ombudsman**