

The complaint

Mr B complains that Western Circle Ltd trading as Cashfloat lent to him irresponsibly.

What happened

Here is a brief table of the lending.

Loan	Approved	Amount	Repayments (Rounded)	Repaid
1	11 February 2025	£300	£62, £124, £124 and £93	23 May 2025
2	23 May 2025	£550	6 x £169	unknown

In October 2025 the information I've seen indicates Mr B still owed money on Loan 2. It was in default and in arrears. I've asked Western Circle for recent information and not received it.

After Mr B had complained, Western Circle responded and as part of its final response letter (FRL) it offered a resolution on Loan 2 which remained unpaid. Mr B did not accept. One of our investigators considered the complaint and thought that Western Circle had done the right checks before lending and did not uphold the complaint about either loan.

Mr B submitted points as to why the loans ought not to have been approved. The unresolved complaint was passed to me to resolve. On 24 February 2026 I issued a provisional decision giving reasons why I considered that Loan 2 ought not to have been approved for Mr B. For ease of reading, I duplicate that provisional decision here.

What I decided on 24 February 2026 and why

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 amounts 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:

- Mr B 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 B having a large number of loans from this lender 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 B coming back for loans from this lender shortly after earlier 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 B. But as Mr B took two loans only this does not apply.

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 B was able to repay the loans sustainably. But it doesn't automatically follow that this is the case.

Loan 1

When Mr B applied for Loan 1 he informed Western Circle that he was employed full time, earned £2,300 a month after tax, was married (no dependents) and rented his home costing £425 a month. He said that he spent £150 a month on utility bills. He gave some other figures for food, travel and loan/credit commitment costs. These were checked and altered by Western Circle and as they are referred to in the FRL, copies of which both parties have, I have not listed them here.

I've reviewed the figures that Western Circle inserted to its Income and Expenditure (I&E) calculations. It increased Mr B's spend on general expenditure and his credit commitment costs. Still, that left Mr B with a sum left over of around £574 with which to repay Loan 1. So, it looked affordable.

Western Circle did a credit search and I have reviewed the results.

He had accounts that were marked as being in default: November 2022, August 2023, February 2024, two in April 2024. These were well before Mr B applied for Loan 1. Western Circle would not have been acting reasonably to have considered that defaulted accounts ten months before (or older) were reasons to refuse his application. And I do not consider that it needed to have done more checks – this was a first application, for a relatively low sum which was repayable over a short term.

I consider that the checks were proportionate and I plan not to uphold the complaint for Loan 1.

Repayment of Loan 1 was not good overall – the Western Circle records show that the third instalment in April 2025 was smaller than scheduled. But Mr B made it up on the last instalment in May 2025. That does suggest that the April 2025 instalment was difficult for Mr B to pay. And as I explain later in this decision, there were reasons for that to have been the case. So, this stumble on the repayments of Loan 1 was another element for Western Circle to have factored in when Mr B approached it for Loan 2.

Loan 2

When Mr B applied for Loan 2 in May 2025, he informed Western Circle that he was employed full time, earned £2,300 a month after tax, was single (no dependents) and rented his home costing £425 a month. Why Mr B said for one application he was married and the other he was single is unknown. He said that he spent £40 a month on utility bills. He gave some other figures for food, travel and loan/credit commitment costs.

I've reviewed the figures that Western Circle inserted to its income and expenditure calculation for Loan 2. It increased Mr B's spend on general expenditure and his credit commitment costs. Still, that left Mr B with a sum left over of around £450 with which to repay Loan 2. So, it looked affordable.

The credit search Western Circle did has been reviewed by me.

A loan taken in 2023 and for which he'd been in arrears for several months defaulted in April 2025. This was one month before Loan 2 was applied for and before he'd paid off Loan 1. This would explain why the April 2025 instalment on Loan 1 had been lower than it was scheduled to have been. The other defaulted records were still there. And Mr B's overdraft figure had not reduced since February 2025.

So, I consider that Mr B's financial situation was worse. And additional checks ought to have been carried out in May 2025. Asking Mr B for further information about his financial situation may have involved him supplying copies of utility bills, copy payslips and evidence of other

expenditure and credit accounts for which he was liable. A convenient method, one of several available, was to have reviewed copies of Mr B's bank account statements which usually show a wider picture of his finances and how he was managing his money.

I have reviewed the bank account statements provided to us by Mr B for the weeks leading up to taking Loan 2 in late May 2025. I have copies of the period covering 5 April 2025 to 30 June 2025. So, some of those are relevant.

These show that Mr B's salary was just under £2,300 in April 2025 and in May 2025. And he was paying around £425 in rent and he was paying bills. So, the figures used by Western Circle and its checks had been correct. But the reason he was in such financial trouble was that he was spending a huge amount of his earnings each week on betting and gaming. And a check of his statements likely would have demonstrated this.

In the circumstances I consider that Western Circle ought not to have approved Loan 2 for Mr B and I plan to uphold the complaint about Loan 2.

Putting things right

I understand that Loan 2 was defaulted but I do not know the up to date position. As this is a provisional decision Western Circle has time to let me know.

If the debt has been sold, Western Circle needs to buy it back or liaise with that debt owner to ensure that the following is done. Any monies paid towards Loan 2, including those paid to the third party if relevant, need to be put towards reduction of the original capital sum of £550.

I doubt that Mr B has made any overpayments beyond £550 but if he has then those need to be refunded including 8% simple annual interest* calculated from the date they were paid over to the date of settlement.

As for the amendment of the credit file, if a default has already been recorded and the position currently is that Mr B still owes Western Circle money for Loan 2, then we won't usually tell a lender to remove any adverse information such as a default. This is because an outstanding balance will remain and the consumer will normally be expected to repay this. It's only fair for this to be reflected on their credit file so that future lenders can take into account what a consumer already owes when deciding whether to lend. Equally removing a default, won't stop a lender from re-recording one, should the consumer once again fall behind or fail to pay what's owed. And this could lead to a default appearing on their credit file for longer than the usual six years.

I need Western Circle to update me on the current credit file reporting position for Loan 2 as well as ownership of the debt and whether any outstanding sums remain due. But if I do not receive any clarification, the above paragraphs on redress is what I am planning to direct Western Circle to do.

*If this applies, HMRC usually expects Western Circle to deduct tax from any refund monies. And Mr B can get a tax certificate from Western Circle if he asks for one.

This is the end of the duplicated decision.

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.

Mr B responded to say that he accepts the provisional decision.

Western Circle responded in detail. It accepted the outcome on Loan 1 but challenges the outcome on Loan 2 and has asked me to review it. It has conceded on a couple of points which are relevant to my decision.

The first is that Western Circle has agreed with me when I pointed out in my provisional decision that Mr B had had a bit of trouble repaying Loan 1 in April 2025.

And Western Circle has accepted that Mr B did receive a new default on an account in April 2025. That was during the Loan 1 repayment and a month before he returned to ask it for Loan 2.

Although I can see Western Circle's points that in its view the debt that had just defaulted had been in a long term repayment plan and the defaulted figure was low – £70. These points also add to my resolve to consider that Western Circle ought to have checked further into Mr B's financial situation before approving Loan 2. And I say this because the facts it says means it was a minor infraction – a default on a small sum following a long term arrangement to pay – are the same facts which lead me to think otherwise: that despite it being a small sum owed, Mr B could not repay that small sum and thereby avoid a default being registered. Instead, he was not able to repay this loan with the arrangement on it, and he was not able to repay part of Western Circle's Loan 1.

Such a recent default could not be ignored. To get to the stage where a default is imposed usually signifies that the lending relationship with that other lender had broken down and Mr B likely would have received his Notice of Default some time before the actual default date – 28 April 2025. So, there would have been an obvious disconnect between Western Circle's calculated disposable income figure (£450) and Mr B not being able to pay off £70 to avoid that default. I consider that ought to have been investigated further before any more high cost lending was approved for him.

The suggested method to look deeper into Mr B's finances was to review his bank account statements. Mr B had high levels of debt with high levels of betting and gambling transactions.

I uphold the complaint about Loan 2.

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

Putting things right

I thank Western Circle for providing me with the up to date status and balance of the outstanding loan. The account is currently being reported as under a query and no default has been recorded. The loan has not been sold / transferred to another party. The balance on the account is £853.24. The Statement of Account (SOA) will be sent to Mr B as he has asked for transparency.

The SOA tells me that £168.60 has been paid towards the loan.

Western Circle needs to remove all interest and any additional charges. It needs to apply that £168.60 towards the reduction of the original capital sum approved for him of £550. And then arrange a mutually suitable repayment plan for Mr B to repay the balance. And I remind Western Circle of the need to approach this debt situation with Mr B with forbearance.

No default has been registered with the credit reference agencies for this Loan 2. No default ought to be registered on this loan. Any historic adverse data for Loan 2 needs to be amended by removal of that adverse data.

But going forward its entirely appropriate that Western Circle continues to supply the Credit Reference Agencies with the correct and up to date information.

As no refund is due then I have not included a direction relating to HMRC.

My final decision

My final decision is that I uphold the complaint in part and I direct that Western Circle Ltd trading as Cashfloat does as I have directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 April 2026.

Rachael Williams
Ombudsman