

complaint

Mr P complains that Western Circle Ltd, trading as Cashfloat, gave him loans he couldn't afford to repay.

background

Mr P took out the following loans with Cashfloat:

	date	£ amount borrowed	no./£ amount of repayment(s) (rounded)	date repaid
1	18 January 2017	200	1/266	3 February 2017
2	6 February 2017	300	3/141	28 February 2017
3	5 March 2017	500	4/196	30 March 2017
4	30 March 2017	700	4/284	21 April 2017
5	22 May 2017	600	4/256	20 June 2017
6	22 June 2017	600	4/256	7 July 2017
7	9 August 2017	600	4/230	6 October 2017
8	10 October 2017	600	4/229	2 November 2017

Our adjudicator thought that the checks Cashfloat did before loans one to four were sufficient but that it should have done more before loans five to eight. He said if Cashfloat had carried out proportionate checks, it would have seen that Mr P couldn't afford to repay loans five to eight. The adjudicator set out what Cashfloat should do to put that right.

Cashfloat didn't respond to the adjudicator's view, so the complaint was passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When lending money to Mr P, Cashfloat was required to ensure he could repay the borrowing in a sustainable manner, without it adversely affecting his financial situation. A lender should obtain sufficient information to make an informed decision about the lending. It's for the lender to decide how it does this. The guidance and rules list a number of things each lender may wish to consider. Checks should be proportionate, based on things like the level of repayment, amongst other things.

I think the checks Cashfloat carried out before loans one to four were proportionate but that it should have done more from loan five onwards. I'll now explain why.

Before each loan, Cashfloat asked Mr P about his income and expenditure, including repayment of other short-term loans. It also carried out credit checks and its own affordability assessment. Based on Mr P's pattern of borrowing and the information he gave to Cashfloat, I think its checks were proportionate before loans one to four. It appeared that Mr P could afford to repay loans one to four.

By loan five, I think Mr P's reliance on this sort of borrowing was established. He'd previously borrowed four loans, with very little break, over a four month period. I think at this stage, proportionate checks are likely to have established a much fuller picture of Mr P's financial position. I think proportionate checks here would have meant that Cashfloat took steps to verify the information Mr P provided about his financial situation. I've noted the verification and testing Cashfloat carried out but I don't think it went far enough – it didn't amount to full enquires about whether Mr P could afford to repay these loans in a sustainable way.

As Cashfloat doesn't appear to have carried out proportionate and sufficient checks, I can't say for sure what it would've found out had it taken steps to verify Mr P's true situation. Mr P has provided us with evidence of his financial circumstances at the time he applied for the loans. So I've been able to get a picture of what his financial circumstances were like. Of course, I accept that this isn't perfect, as different checks show different things. And just because something shows up in the information Mr P has now provided, it doesn't mean that it would have shown up in any checks that Cashfloat might've carried out. But the information Mr P has provided is the best indication I have of what his financial circumstances were at the relevant time. In the absence of anything else, I think it's reasonable to rely on it.

Based on what I've seen, if Cashfloat had verified what Mr P said about his financial situation it would have seen that he didn't have enough disposable income to make the repayments that were due in relation to loan five onwards. For example, at the time of loan five, Mr P's income was just over £1,900 and his normal monthly living costs and regular financial commitments amounted to almost £1,800. That meant Mr P's disposable income was less than the instalments for loan five. In addition, Mr P's bank statements show that he was spending amounts he couldn't afford on gambling.

Mr P's financial position didn't improve. Before loans seven and eight, he also had other short-term loans. Proportionate checks would have shown that Mr P couldn't afford to take on further borrowing.

Considering everything, I don't think Cashfloat has shown its checks for loans five onwards were sufficient or proportionate. If it had carried out proportionate checks, I think it would've seen that loans five to eight were unaffordable. On balance, I don't think it should have given Mr P these loans.

Overall, I think the adjudicator's proposed resolution of this complaint is fair and reasonable. I agree with the adjudicator's conclusions and don't see any compelling reason to change the proposed outcome in this case.

my final decision

I uphold this complaint. To put things right, I require Western Circle Ltd, trading as Cashfloat:

1. To refund to Mr P all interest and charges he's paid on loans five, six, seven and eight, plus pay simple interest at the rate of 8% a year*, from the date each sum was paid until the date of settlement;
2. To remove any negative information about loans five, six, seven and eight from Mr P's credit file.

* HM Revenue & Customs requires Western Circle Ltd, trading as Cashfloat, to take off tax from this interest. It must give Mr P a certificate showing how much tax it has taken off, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 July 2018.

Louise Povey
ombudsman