

## complaint

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

## background

Mr C was given eight loans by Cashfloat between February 2016 and May 2017. Each of the loans was repayable in monthly instalments as shown below. Mr C repaid all his loans before the due date. A summary of Mr C's borrowing from Cashfloat is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Number of Repayments
1	09/02/2016	21/04/2016	£ 300	3
2	26/04/2016	06/07/2016	£ 500	3
3	07/07/2016	06/10/2016	£ 650	4
4	06/10/2016	19/12/2016	£ 400	4
5	19/12/2016	06/03/2017	£ 480	4
6	12/03/2017	25/03/2017	£ 200	2
7	05/04/2017	27/04/2027	£ 350	3
8	25/05/2017	01/08/2017	£ 300	3

Mr C's complaint has been assessed by one of our adjudicators. She thought that the checks Cashfloat did before agreeing the first four loans had been sufficient. But she thought more checks should have been done before Cashfloat agreed the remaining loans. And she thought that better checks would have shown Cashfloat that Mr C couldn't sustainably afford them. So she asked Cashfloat to pay Mr C some compensation.

Disappointingly Cashfloat didn't respond to that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr C accepts my decision it is legally binding on both parties.

## my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Cashfloat was required to lend responsibly. It needed to make checks to see whether Mr C could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr C was borrowing, and his lending history, but there was no set list of checks Cashfloat had to do.

Each of Mr C's loans was repayable in monthly instalments. So the amounts that Mr C needed to repay each time were smaller than if he'd taken a normal payday loan. But of course he was committing to making those repayments over a longer period.

Cashfloat has told us about the checks it did before lending to Mr C. Before agreeing each loan it asked him for information about his income, and his normal expenditure. It then validated this information using standard industry data, and where this suggested Mr C might have under-declared his expenditure, Cashfloat used the higher figure. Cashfloat also checked Mr C's credit commitments using data from a credit reference agency and checked for any historical problems with repaying debt.

I think that the checks Cashfloat did before agreeing the first four loans were proportionate. The amounts that Mr C asked to borrow were relatively modest compared to what he declared about his income. And the repayments he needed to make appeared easily affordable even after Cashfloat had increased the expenditure he declared. Although I think Cashfloat should have started to become concerned about Mr C's repeated borrowing I don't think it needed to do any more checks than it did on these loans.

When Mr C asked for his fifth loan he'd been borrowing, almost constantly, from Cashfloat for over ten months. I think by now Cashfloat should have realised that it was unlikely that Mr C's finances were as healthy as he was declaring. I think at this stage Cashfloat should have decided it was no longer reasonable to base its affordability assessment on information being provided by Mr C. I think from this point onwards Cashfloat should have taken steps to independently check Mr C's true financial position.

But although I don't think the checks Cashfloat did from loan 5 onwards were sufficient, that in itself doesn't mean that Mr C's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Cashfloat that Mr C couldn't sustainably afford the loans. So I've looked at Mr C's bank statements, and what he's told us about his financial situation, to see what better checks would have shown Cashfloat.

The loans on which I think Cashfloat needed to do more checks were taken between December 2016 and May 2017. Over that time there was little change in Mr C's income or normal living costs. And having looked at his bank statements I can see that Mr C would have some money left over each month after paying his normal living costs.

But at the same time Mr C was borrowing from Cashfloat he was also borrowing heavily from a number of other short term lenders – money that he would need to repay at the same time as his repayments to Cashfloat were due. And Mr C was borrowing that money to support an increasing and substantial amount of spending on what appear to be online gambling transactions. By the time of his last loan Mr C was spending significantly more than his income each month on these transactions.

If Cashfloat had done what I consider to be proportionate checks from loan 5 onwards it would have seen that Mr C wasn't able to repay any borrowing in a sustainable manner – that is out of his income and savings and without having to borrow to meet the repayments. Having seen that, and as a responsible lender, I don't think Cashfloat would have agreed to give these loans to him. So Cashfloat needs to pay Mr C some compensation.

### **putting things right**

I don't think Cashfloat should have agreed to lend to Mr C after, and including, the loan that he took on 19 December 2016. So for each of those loans Cashfloat should;

- Refund any interest and charges applied to the loans.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*.
- Remove any adverse information recorded on Mr C's credit file in relation to the loans.

\*HM Revenue & Customs requires Cashfloat to take off tax from this interest. Cashfloat must give Mr C a certificate showing how much tax it's taken off if he asks for one.

### **my final decision**

My final decision is that I uphold Mr C's complaint and direct Western Circle Ltd to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 February 2019.

Paul Reilly  
**ombudsman**