

complaint

Mr H complains that Western Circle Ltd (trading as Cashfloat) lent him money even though it couldn't have been sure he could repay it.

background

Mr H borrowed £400 from Cashfloat on 29 January 2017. It was due to be repaid in two instalments of just under £273 each. Mr H says he had around ten other short-term loans at that time and his credit record was poor. He says that had Cashfloat carried out better checks, it would have seen he was using one loan to repay another and it should never have lent him a further £400.

Cashfloat says it asked Mr H about his income and expenditure and collected further information from credit reference agencies. It says its analysis showed the loan was affordable to Mr H.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Cashfloat had done enough checks before approving the loan. She found that, based on the information it received, it was reasonable for Cashfloat to conclude the loan was affordable.

Mr H responded to say, in summary, that had Cashfloat carried out more thorough checks the loan would not have been approved. He added that his income was seasonal and fell in the winter months and, as well as ten other outstanding short-term loans, he had a large expenditure on gambling at the time.

my findings

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

Cashfloat was required to lend responsibly. It should have made checks to make sure Mr H could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr H was borrowing, and his lending history. But there was no set list of checks Cashfloat had to do.

When Mr H applied for the loan from Cashfloat, he declared his income to be £2,500. As the two scheduled repayments were around £270 per month, I consider this would have been enough information for Cashfloat to conclude the loan was affordable. I say that because this was Mr H's first, and only, loan from Cashfloat and the repayment was a relatively small percentage of his income.

However, Cashfloat's checks went further than that. It also asked Mr H for his monthly expenditure and used tools at its disposal to sense-check all the figures he provided. Furthermore, it used information from credit reference agencies to assess his current debt commitments.

I acknowledge Mr H says his income was seasonal, but Cashfloat had recorded his occupation as a car salesman and verified that his £2,500 per month income was consistent with such a position. I can't see that Cashfloat should have concluded Mr H's income may be variable.

I also accept that Mr H says he had ten additional short-term loans outstanding at the time. But Cashfloat asked Mr H about any such payments that were due and Mr H said he owed £150 at the time. I'm satisfied that Cashfloat was entitled to rely in the information provided by Mr H, especially as it had also checked Mr H's credit record and found no concerning issues. I note that Mr H's credit file is now showing a number of defaults, but those all occurred in March and May 2017, after Mr H applied for his Cashfloat loan.

With regard to the gambling, Cashfloat could only have known about this by checking Mr H's bank statements. I don't consider a full financial review was proportionate for Mr H's first loan, so I can't say Cashfloat should have known how he chose to spend his money.

I can see that Mr H struggled to repay this loan on time, but I can't conclude Cashfloat should have found the loan to be unaffordable to him at the time he applied.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to Mr H to accept or reject my decision before 23 April 2018.

Amanda Williams
ombudsman