

complaint

Mr K complains that Western Circle Ltd (trading as Cash Float) was irresponsible when it lent to him. He asks that it refunds interest on the loans and removes them from his credit file.

background

Mr K took out 11 loans with Cash Float between October 2016 and April 2018. He says he had a gambling problem and if Cash Float had made checks it would have known lending to him was irresponsible. Mr K says he had loans with at least 10 other short term lenders as well as other loans and credit card debts. He says his borrowing pattern should have alerted Cash Float to a problem.

Our adjudicator recommended that the complaint should be upheld, saying:

- there was nothing to suggest that Cash Float shouldn't have offered loans 1 to 3 to Mr K.
- by loan 4, Mr K's pattern of borrowing suggested he was reliant on short term loans. Cash Float shouldn't have offered loans 4 to 7.
- there was a break between loans 7 and loan 8. There was nothing to suggest that Cash Float shouldn't have offered loans 8 to 10 to Mr K.
- loan 11 was Mr K's fourth loan in one month and the amount increased. Cash Float should have made detailed enquiries, such as asking for bank statements, to understand Mr K's circumstances. Proportionate checks would have shown Mr K was struggling with debts and had a gambling problem. It was unlikely this borrowing was sustainable.

The adjudicator said Cash Float shouldn't have offered loans 4 to 7 and loan 11 to Mr K and recommended redress for those loans. Cash Float didn't respond and so this complaint has been 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. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Cash Float needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr K could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr K's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

loans 1 to 3:

Mr K took out three loans between October 2016 and March 2017 of £300, £500 and £400. The largest amount payable in one month was about £350. Mr K told Cash Float his monthly income was about £3,000 and his monthly outgoings were between £1,550 and £1,800.

Cash Float says it did credit checks and the information it received didn't suggest any problems.

I think, given the amount of the loans and Mr K's stated income, the checks made by Cash Float were proportionate. I don't think it had any reason to think the loans weren't affordable or that further checks were needed.

loans 4 to 7:

I think when Mr K asked for loan 4 Cash Float should have realised further lending was unsustainable. By this time, Mr K had been borrowing from Cash Float for more than six months without a significant break. He repaid loan 3 on 27 April 2017 and asked for loan 4 on 30 April 2017. While the loan amounts varied, they were generally increasing (loan 1 was for £300 and loan 7 was for £650). Cash Float ought to have realised Mr K was having to borrow to cover the gap in his finances left by repaying his previous loan and that his indebtedness was increasing unsustainably.

The loans offered by Cash Float were intended for short term use. But Mr K wasn't making any real inroads into the amount he owed Cash Float. He took out loan 7 in August 2017 – 10 months after his first loan. And it was for a larger amount than his first loan. In effect, Mr K paid large amounts of interest to service a debt to Cash Float over an extended period. I don't think this borrowing was sustainable.

loans 8 to 10:

Mr K repaid loan 7 in September 2017. He took out loan 8 in March 2018. A break in lending can suggest any problems a customer had with their finances have been resolved. I haven't seen anything to suggest that Cash Float should have known this wasn't the case here. So I think less thorough checks were reasonable and proportionate.

Mr K took out three loans during March and April 2018 of £500, £500 and £200. The largest amount payable in one month was about £350. Mr K told Cash Float his monthly income was about £3,000 to £3,400 and his monthly outgoings were between £1,800 and £1,900. Cash Float says it did credit checks and the information it received didn't suggest any problems.

I think, given the amount of the loans and Mr K's stated income, the checks made by Cash Float were proportionate. I don't think it had any reason to think the loans weren't affordable or that further checks were needed.

loan 11:

I think when Mr K asked for loan 11 Cash Float should have realised Mr K was having problems managing his money. This was Mr K's fourth loan in less than four weeks and he'd repaid the previous loan only three days earlier. The amount he borrowed increased to £750.

I think Cash Float should have carried out more checks to understand why Mr K needed a fourth loan in a short period. Such checks could include asking for bank statements or other information to understand Mr K's circumstances. Mr K's bank statements show online gambling transactions and loans from a number of short term lenders. I think if Cash Float had made proportionate checks it would have known it was unlikely this borrowing was sustainable.

what should happen now?

I don't think that Cash Float should have offered loans 4 to 7 and loan 11 to Mr K. So it should:

- † refund all interest and charges Mr K paid on loans 4 to 7 and loan 11;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove all entries about loans 4 to 7 and loan 11 from Mr K's credit file.

HM Revenue & Customs requires Cash Float to take off tax from this interest. It must give Mr K a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons given above, I'm partially upholding Mr K's complaint. Western Circle Ltd should take the steps and pay the compensation as set out above.

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

Ruth Stevenson
ombudsman