

The complaint

Mr U complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to him.

What happened

Mr U says that Fairscore provided him with a £2,300 loan on 31 August 2022. The loan was repayable over 36 months, with 35 monthly repayments of around £102 and a final repayment of around £147. The total repayable amount was around £3,717. Mr U says that this lending shouldn't have been provided as he was struggling financially. He says his credit report would have shown he had a high number of credit searches, had recently taken out several payday loans and he was at his limit on his credit cards.

Fairscore issued a final response letter. It said that Mr U said he had an annual income of £36,500 and the loan was to repay his credit cards. Fairscore said that it included Mr U's credit costs based on a review of his credit file and that Mr U provided information about his other costs, but the amount included for these was increased based on its system generated costs based on statistical data. Fairscore said that its credit check didn't suggest Mr U was experiencing financial difficulties at the time and that its checks suggested the lending was affordable.

Mr U says that Fairscore's response to his complaint suggested checks being carried out on dates when he hadn't applied for loans with it. As he wasn't satisfied with Fairscore's response, he referred his complaint to the Financial Ombudsman Service.

Our investigator didn't uphold this complaint. He thought that Fairscore had carried out proportionate checks before lending and that there was nothing raised through these that suggested the lending was unaffordable.

Mr U didn't agree with our investigator's view. He said the loan was for a larger amount than an average payday loan and Fairscore should have done further checks, such as requesting his bank statements, before lending. He said further checks would have shown he had several active payday loans and seven credit cards all with missed payments. He says adequate checks would have shown he was in financial hardship and his bank statements would have further shown he had made losses gambling.

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.

Fairscore will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before lending to Mr U, Fairscore was required to carry out adequate checks. There isn't a specific set of checks that need to be undertaken and what can be considered as

proportionate checks can be different depending on factors such as the size and duration of the loan and the size of repayments. In this case, before lending, Fairscore carried out a credit check and asked Mr U about his income and expenses and compared this to its statistically generated costs.

Having looked through the information provided this shows that Fairscore gathered some details about Mr U's credit worthiness. It noted that Mr U had unsecured debt of £2,241 which included loan and credit card debt. However, the credit results I have seen do not show details of how Mr U was managing his other credit commitments or further details on the type of loans he had outstanding. I have therefore looked at a copy of a credit report provided by Mr U. This shows that Mr U was generally managing his accounts well. There were some historic issues reported Mr U had taken out short-term loans around the time of the lending, and he was operating his credit cards at close to their limits. However, I do not find that the credit information I have seen is such that it meant the lending shouldn't have taken place or that further checks were needed in this case given the size of the loan and repayments.

I have considered whether the checks suggested the lending was affordable for Mr U. Mr U's declared income was around £2,400 a month. This amount was checked with a credit reference agency and an amount of £2,000 a month was used for the assessment. Mr U's credit commitments were assessed based on his credit report and these showed repayments of around £385 a month. Additional to this Mr U provided information about his housing and other costs. As Fairscore's systems suggested a higher amount for the general costs than Mr U had declared the higher amount was included in its assessment. Having looked at the information received through the checks, I do not find that the repayments of around £102 a month should have been considered unaffordable. Because of this I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 19 June 2023.

Jane Archer
Ombudsman