

The complaint

Miss B complains that Fairscore Ltd trading as Updraft ('Updraft') irresponsibly gave her a loan that she couldn't afford on 19 October 2021.

What happened

In 2021, Miss B applied for a loan with Updraft. The loan amount was £4,500 and the monthly repayment was £173.22.

In 2023, Miss B complained to Updraft to say that the account shouldn't have been opened because it wasn't affordable and that Updraft ought to have made a better effort to understand her financial circumstances before giving her credit.

Our investigator recommended the complaint not be upheld. Miss B didn't agree. So, the complaint has been passed to me to decide.

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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Updraft 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.

Miss B's complaint is that Updraft made credit available that was unaffordable. Updraft has explained that it relied in part on information that Miss B provided at the time of application to assess affordability. They said they carried out a credit search in Miss B's name to assess Miss B's level of debt at that time and to understand how she had been managing that debt. With that information and using their own scoring metric, Updraft decided to agree to the credit limit of £4,500. So, there was some assessment of affordability at the time of the sale.

Updraft thinks its checks were proportionate. It's possible that the checks that Updraft completed as proportionate checks could have been more searching. But even had the checks been different or more thorough, I'm not persuaded that Updraft would have thought they ought not to lend to Miss B. I'll explain why I say that.

I have noted that Miss B's credit file was very clean at the time of the loan application. When I say this, I mean that Miss B's management of her existing credit was devoid of

any recent adverse marking. Miss B's credit report showed no recent history of CCJ's, defaults or any late payments. This suggests that if there were issues, as Miss B has said, they had not found their way onto this credit reference agency's report, which was clean.

So, it would have seemed to Updraft from the information they had from credit reference agencies that, at the point that the lending decision was made, Miss B was affording her existing credit. And so, Updraft were not put on notice of any reason not to agree the lending from that.

And so, I don't think that the information that Updraft had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Miss B's expenditure. And Miss B has clarified her income from the time of the lending decision. Miss B's income was far from modest. And the credit limit was not immodest compared to that income. And so, I'm not persuaded that more searching checks would have provided Updraft with sufficient reason not to lend money to Miss B or that the new borrowing was sufficient to be automatically unreasonable.

Miss B thinks the weight of her existing credit made the loan unreasonable. But Miss B told us that the purpose of the loan was to pay off other debts. So, I don't see the activity on the card as evidence solely of new credit being provided by Updraft, adding to an already large amount of personal borrowing. Instead, rather than the new credit adding to Miss B's burden of credit, in terms of total debt and the monthly cost of servicing that debt, it looks like Miss B was taking steps, that could be termed sensible, to manage her existing debt by taking out this loan and using it to pay off other debts that were presumably on less favourable terms. So, it doesn't seem automatically unreasonable for Updraft to have facilitated that.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Miss B to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Updraft to think that the credit it provided Miss B was unreasonable in 2021 or that more searching checks would have prompted them to have acted differently than they did.

I know that Miss B will be disappointed with my decision, in itself and because she has invested time and energy in pursuing her complaint. But I want Miss B to know that I considered all the submissions made in this case. But having considered all the submissions in this case, particularly those at the time of the lending decision, I have not found sufficient evidence to uphold this complaint. I have seen insufficient evidence to think that the credit Updraft are responsible for was unreasonable.

My final decision

For the reasons given above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 10 November 2023.

Douglas Sayers
Ombudsman