

## The complaint

Mr F complains that Fairscore Ltd trading as Updraft ("Updraft") irresponsibly gave him a loan he couldn't afford to repay.

## What happened

In May 2022, Mr F applied for a loan with Updraft. His application was approved, and he was given a loan of £6,000. Mr F was required to pay 47 monthly instalments of £181.39 and a final payment of £304.79.

Mr F complained to Updraft in February 2023. He said the loan was unaffordable and shouldn't have been approved. Mr F also said he was gambling heavily.

Updraft didn't uphold Mr F's complaint. They said they didn't lend to Mr F irresponsibly and had reviewed his bank accounts to assess his income and expenditure details at the time which showed the loan was affordable.

Our investigator recommended the complaint should be upheld. He thought Updraft had completed proportionate checks but didn't make a fair lending decision from those checks. He said Updraft should have seen that Mr F was gambling a lot in the time leading up to the loan and was borrowing elsewhere as well. And he said that Mr F was paying his monthly expenses from his overdraft which wasn't sustainable.

Updraft didn't agree. They said that, had Mr F used the loan for its intended purpose which was debt consolidation, this would have improved his situation. They also said it wasn't fair to have expected them to have seen that Mr F was gambling extensively as that wasn't apparent from the bank statements they'd reviewed. Updraft said they felt the loan was affordable.

Mr F's complaint has been passed to me for a decision.

I issued my provisional decision on 7 November 2023, in which I said the following and which forms part of my final decision:

*'Updraft were required to follow the rules and guidance within the Financial Conduct Authority's handbook. Of particular relevance to this complaint are the rules and guidance contained within the Consumer Credit Sourcebook (known as CONC). I've had these in mind, including other relevant parts of the handbook, when considering whether Updraft acted fairly and reasonably.*

*Before granting the loan, Updraft were required to complete proportionate affordability checks. What is considered proportionate will vary depending on the specific circumstances of each case, as there isn't a set list of checks that had to be completed. When deciding what is proportionate, Updraft needed to take into account things such as (but not limited to): the amount borrowed, the cost of credit, the size of the regular repayments, the total repayable, the term and the consumer's circumstances.*

*I've seen a copy of the information Mr F provided to Updraft when he applied for the loan, and a copy of the checks they carried out. Mr F declared an annual income of £50,000 on the application form and Updraft calculated that his monthly income would be just over £3,000, which they verified from Mr F's bank statements. The credit check Updraft carried out showed that Mr F didn't have any current or previous history of difficulty in repaying credit. Mr F declared that his normal monthly expenditure was around £350 excluding payments to existing creditors. Rather than accept that figure, Updraft used ONS (Office of National Statistics) data of just over £630, having reviewed Mr F's bank statements, and attributed Mr F's monthly home/rent costs to be £312.*

*Updraft's checks also showed that Mr F had a number of existing unsecured credit commitments totalling around £25,500. Further, Mr F said the purpose of the loan was for debt consolidation. Given that Mr F told Updraft that the purpose of the loan was for debt consolidation, I think they were reasonably entitled to assume that is what he would use the loan for. This means Updraft were entitled to believe that their loan was unlikely to increase his overall indebtedness.*

*Updraft used a figure of just over £1,100 in respect of Mr F's monthly credit commitments. Once Mr F's monthly expenditure was added to this, Updraft calculated that Mr F would have around £974 left for other expenses including the proposed £181.39 he would pay each month for the loan. I think it's arguable this would have been enough to show the lending was likely to be affordable to Mr F.*

*I note though that Updraft saw Mr F's bank account statements which showed he had been overdrawn during certain periods month to month leading up to the loan. I think it would have been proportionate therefore for Updraft to have thought about this some more before lending.*

*However, even if they had considered Mr F's situation in more detail, I don't think this would have led to them deciding the loan wasn't affordable. Mr F has said he was gambling heavily prior to this. I've looked at the bank statements that Updraft saw but I don't think this would have been apparent to them. I say this because the transactions that Mr F says were for gambling aren't in my view identifiable as that.*

*I'm not saying these weren't gambling transactions and I don't wish to understate the impact this has had on Mr F. But the transactions in question are described on the statements as 'spend' or 'other'. That could be because these payments were made to overseas gambling merchants as Mr F says, which means they wouldn't have used identifiable merchant category codes to identify the transactions as being gambling. Even if that wasn't the case, I don't see how Updraft could have identified these transactions as gambling.*

*I've thought about whether the amount and frequency of these transactions should have caused Updraft concern, irrespective of the nature of the spend. However, in my view that is complicated by the fact that Mr F transferred money to and from another one of his accounts with even more regularity and frequency. Unfortunately, Mr F no longer has access to this account and can't provide a copy of the statements for this.*

*I can't as a result though be reasonably satisfied that Updraft would have got a clear picture of the true nature of Mr F's financial circumstances, had they considered Mr F's circumstances in more depth, to the extent that they should have realised that granting the loan was irresponsible.*

*Overall, bearing in mind the checks Updraft did, what this showed them, the slightly unclear position of Mr F's circumstances and the intended purpose of the loan, I don't currently find that Updraft made an unfair or unreasonable lending decision'.*

I asked Mr F and Updraft to send me any further comments or evidence they wanted me to consider.

Updraft replied saying they accepted my provisional decision. Mr F didn't reply.

### **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.

As I haven't been sent any further comments or evidence to consider on the merits of this complaint, I see no reason to depart from my provisional decision. So, for the reasons given in that decision which I have included in my final decision, I don't uphold this complaint.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 29 December 2023.

Daniel Picken  
**Ombudsman**