

Complaint

Miss F has complained about a personal loan Fairscore Ltd (trading as “Updraft”) which she says was unfairly lent to her. She says the loan was unaffordable as she already had a high amount of credit and high repayments.

Background

Updraft provided Miss F with a loan for £4,000.00 in January 2022. This loan had an APR of 29.5% was due to be repaid in 35 monthly instalments of £160.19 followed by a final instalment of £254.59

One of our investigators reviewed what Miss F and Updraft had told us. She thought that Updraft hadn’t done anything wrong or treated Miss F unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Miss F disagreed with our investigator and asked for an ombudsman to review the complaint.

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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss F’s complaint.

Having carefully considered everything, I’m not upholding Miss F’s complaint. I’ll explain why in a little more detail.

Updraft needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Updraft needed to carry out proportionate checks to be able to understand whether Miss F could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Updraft says it approved Miss F’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against

information on a credit search it carried out which showed Miss F's existing commitments were relatively well maintained at the time.

In Updraft's view all of the information it gathered showed that Miss F could afford to make the repayments she was committing to. On the other hand, Miss F has said she was already in difficulty and couldn't afford this loan.

I've carefully thought about what Miss F and Updraft have said.

As Updraft asked Miss F about her income and expenditure and also carried out a credit check, it's clear that Updraft did obtain a reasonable amount of information before it decided to proceed with Miss F's application.

Having looked at the credit check, it's clear that Miss F had some existing debts. However, while I accept that Miss F might not agree with this, I don't think that these were excessive in comparison to her income.

Furthermore, while Miss F might have had some previous difficulty with credit in the form of missed payments and having taken out short-term lending, this was around a year prior to this application. So I don't think that this in itself should have prevented Updraft from lending to Miss F and as this was a first loan Updraft was providing to Miss F, I think that it was reasonably entitled to rely on the information it gathered which suggested that the repayments were affordable.

I accept that Miss F's actual circumstances may not have been fully reflected either in the information she provided, or the information Updraft obtained. But it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Miss F is suggesting. As this is the case, I don't think that Updraft did anything wrong when providing this loan to Miss F - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I'm satisfied that Updraft didn't treat Miss F unfairly or unreasonably when lending to her. And I'm not upholding Miss F's complaint. I appreciate this is likely to be very disappointing for Miss F – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss F's complaint, I would remind Updraft of its obligation to exercise forbearance and due consideration, given what Miss F has now said, should Miss F be experiencing difficulty and it choose to collect payments from her.

My final decision

For the reasons I've explained, I'm not upholding Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 2 April 2024.

Jeshen Narayanan

Ombudsman