

The complaint

Mr B complains about Fairscore Ltd's, trading as Updraft, three lending decisions which he believes were irresponsible.

What happened

Mr B took out the following three loans with Updraft:

- Loan 1
 - £5,000 in October 2020
 - Requiring 35 monthly repayments of £182.37 and 1 payment of £290.03
- Loan 2
 - £3,000 in November 2021
 - Requiring 23 monthly repayments of £150.70 and 1 payment of £192.81
- Loan 3
 - £4,000 in August 2022
 - Requiring 36 monthly repayments of £158.11 and 1 payment of £228.06

The purpose of the loans was to consolidate debt and when these overlapped Mr B found himself paying £333.07 and then £491.18 per month.

Mr B considers that he shouldn't have been offered loan 1 as his disposable income was low, he was using 3 overdrafts, he had multiple lines of credit and was struggling with gambling.

Mr B explains that his financial position deteriorated in 2021 and 2022, so he also shouldn't have been given loan 2 or 3.

Also, he says that in he was *'randomly charged over £500 in the middle of a month'*.

Mr B describes how he was *'borrowing more to make ends meet'* and missing payments resulting in a debt recovery plan.

Mr B complained to Updraft as he felt their lending was unaffordable and irresponsible. Updraft didn't uphold his complaint but as a direct debit instruction issue caused duplicate payments, they offered Mr B £100 compensation for the inconvenience caused.

Mr B brought his complaint to our service seeking a refund of all the interest and fees for all three loans, 8% interest and removal of negative markers on his credit file.

Our investigator considered Updraft's loans 1 and 2 lending decisions to be reasonable. He also considered their compensation for the duplication error to have been reasonable. However, he didn't think their lending decision on loan 3 was responsible.

Updraft accepted this but Mr B doesn't agree that loan 1 and 2 lending decisions were fair, so his complaint has been referred to me to look at.

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.

Having done so, I'm partially upholding this complaint and I'll explain why. I'll focus on what I think are the important points to reach a final decision. But I've carefully considered all the points Mr B has made, even though I don't specifically address them all.

Although I recognise Mr B's difficult situation, having looked closely at the checks Updraft completed for all three loans, I don't consider their checks needed to go as far as our investigator suggests, by obtaining his bank statements.

I'm satisfied that the checks Updraft completed were proportionate and thorough and I can't see that there was any contradictory information from the checks it completed. Also, for all 3 loans, I can't see there was anything within the credit check information it obtained that I consider ought reasonably to have caused it any concerns.

I appreciate Updraft would likely to have been alerted to Mr B's gambling had they requested and scrutinised statements. However, for the above mentioned reasons, I think their checks were proportionate and diligent. Also:

- They were led to believe the loans were to consolidate the debt that they were aware of
- I can't see Mr B made them aware of his gambling and vulnerability

Regarding loan 3, Updraft accepted our investigator's view that they shouldn't have made this lending decision. Although I wouldn't have expected Updraft to have gathered and scrutinised bank statements, loan 3 was taken out for the same purpose inside a two year period. I think this was unusual and Updraft should've made further enquiries prior to making their decision. And had Updraft questioned Mr B about his disposable income and need for a third loan in such a short period of time, I think it more likely than not that they would've further discussed his application, requested more information on his spending and not made a decision to approve loan 3.

Regarding the direct debit duplication error, as it looks like funds were returned to Mr B within 4 days, I also think Updraft's £100 payment is a fair and reasonable amount of compensation.

So, having considered all the above and all the information on file, I think Updraft should've been more diligent before making the loan 3 lending decision. So, I'm partially upholding this complaint.

Putting things right

As I don't think Updraft should've approved loan 3, I think a fair and reasonable way to put things right is for Mr B to only have to repay the money he borrowed and had the use of.

So, I require Updraft to refund all of the interest and any fees Mr B has paid on loan 3. Also, Updraft should attempt to arrange an affordable and suitable payment plan with Mr B. In addition, once Mr B has cleared the balance, any adverse information in relation to loan 3 should be removed from his credit file.

My final decision

My final decision is to partially uphold this complaint against Fairscore Ltd, trading as

Updraft, and I require them to:

- Refund all of the interest and any fees Mr B has paid on loan 3 (which was for £4,000).
- Attempt to arrange an affordable and suitable payment plan with Mr B for the outstanding amount on loan 3 after interest and any fees have been deducted.
- Once Mr B has cleared the loan 3 balance, any adverse information in relation to loan 3 should be removed from his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 July 2024.

Paul Douglas
Ombudsman