

The complaint

Mr D complains that Fairscore Ltd, trading as Updraft, provided him with credit that he couldn't afford to repay. He also says that they were unreasonable to pursue the debt after he had told them he was dealing with a debt charity.

What happened

Fairscore approved a £2,000 loan for Mr D in October 2022. Mr D was required to pay £112.94 for three years.

Mr D says they were wrong to provide credit as it wasn't affordable for him.

Updraft disagreed. They said that when they approved the loan application they reviewed Mr D's credit file and found his accounts were being well managed. He was up to date on all of his current credit commitments and there was no sign of financial distress. Credit cards were within credit limits. They said that the income and expenditure calculation they performed using information provided by Mr D, that they verified and used alongside statistical information on his likely expenditure, suggested he had sufficient disposable income from which to afford repayments.

Our investigator agreed but Mr D didn't, and he asked for a final decision by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

I think Updraft completed proportionate checks before approving the loan. They reviewed Mr D's credit file and gathered some information from him about his income and expenditure. They verified that income and used statistical data to estimate his likely outgoings.

But just because Updraft completed reasonable and proportionate checks it doesn't mean their decision to lend was a fair one. I've, therefore, considered what those checks showed Updraft.

The income they verified suggested Mr D was earning about £1,900 net every month. Expenditure on credit commitments was about £500 per month and his accommodation cost £332 every month. In the absence of information from Mr D about his expenditure they statistically estimated it would be about £500 and I think that was reasonable. That left disposable income in the region of £568. Mr D also told them that the money he was lending was to service debt, so I think Updraft could fairly have considered that his credit commitments would reduce as a result of the loan. The credit file didn't show signs of financial distress. Although the amount of revolving credit was about £8,000 I think the

income and expenditure calculation would have suggested repayments were manageable. Overall, I don't think Updraft's lending decision was irresponsible.

Mr D also complains that Updraft were unreasonable to continue to pursue the debt with him after he told them he was in contact with a debt charity. On 19 July 2023 Mr D told Updraft *"Please be aware I am taking advice from Step Change, however at present I can maintain payments to Updraft"*. I can't see that he complained about them pursuing the debt after that. It's not something that Updraft covered in their final response to Mr D either. It's only fair that Updraft have an opportunity to consider a complaint before it's escalated to this Service so if Mr D wants that aspect of his complaint to be reviewed he must first do so. If he remains dissatisfied with Updraft's response on that complaint point they will give him rights to refer it to this Service.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 June 2024.

Phillip McMahon
Ombudsman