

## **The complaint**

Mr P complains that Fairscore Ltd trading as Updraft irresponsibly lent to him.

## **What happened**

Mr P was approved for a £6,000 Updraft loan in October 2022 for the purposes of debt consolidation. Mr P says that this was irresponsibly lent to him. Mr P made a complaint to Updraft.

Updraft did not uphold Mr P's complaint. They said Mr P declared his annual income as £85,000, which was calculated to be £4,129.34 net per month. They said their affordability calculations showed the loan repayments would be affordable for him. Mr P brought his complaint to our service.

Our investigator did not uphold Mr P's complaint. He said the checks that Updraft made were proportionate, and they didn't act unfairly by approving Mr P's application.

Mr P asked for an ombudsman to review his complaint. He made a number of points. In summary, he said that he was struggling to manage his finances, and if Updraft had completed their due diligence this would have been clear to see. Mr P said that he had taken three loans in a six month period totalling nearly £25,000.

## **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.

Before agreeing to approve the credit for Mr P, Updraft needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Updraft have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Updraft said they did when initially approving Mr P's application. Updraft said they looked at information provided by a Credit Reference Agency (CRA) and information that Mr P had provided before approving his application.

I've considered what Mr P has said about the number of loans he took out over a six month period. But I must make him aware that Updraft aren't required to get his full, detailed credit file as part of account opening checks. So they may not have been aware of when Mr P's accounts were open.

The checks do show new accounts opened in the last three and six months prior to his application though. The checks showed one new account being opened in the last three months. The value of the account shown to Updraft by the CRA is reported as £5,356. There

are two new accounts showing as being opened in the last six months, however, there isn't a section for a value for these accounts (although one of the accounts would have been displayed in the three month section).

While opening two accounts within a six month period could indicate a reliance on credit, these accounts both weren't opened in the three month period prior to Mr P's application. Updraft considered Mr P's situation as a whole prior to approving his application.

I do note from the checks Updraft completed that the CRA showed that Mr P had previously defaulted on an account(s), with the last default being 60 months prior to his application. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. So I've looked at what else Updraft's information showed them, to see if they made a fair lending decision to accept Mr P's loan application.

The credit checks showed that Mr P had no County Court Judgements. The checks don't show any active arrears on any of the accounts Mr P had. And he had no debt management plans being reported by the CRA. So it does look like he was able to manage his debt without falling into arrears.

Mr P had declared a gross annual salary of £85,000, which was calculated to be £4,129.34 net per month. Updraft considered the expenditure Mr P told them, and they had also increased Mr P's expenditure for general spending based on the Office of National Statistics estimates being higher than what Mr P told them.

The checks showed that it was 49 months since Mr P was three months or more in arrears. So there were no obvious signs that Mr P was financially struggling or that the lending wouldn't be affordable or sustainable for Mr P. While I understand Mr P has since missed repayments on the loan, I'm not persuaded this would have been foreseeable to Updraft based on what the checks showed and his financial position the checks showed prior to his application, and therefore it wouldn't have been proportionate for them to carry out further checks.

In addition to this, the loan purpose was for debt consolidation. So it would be expected that Mr P would use the loan to repay other debt, so although Updraft were aware from their checks that Mr P had £33,635 of unsecured debt, this figure would not be expected to rise if Mr P were to use the loan to consolidate some of his debt as he told Updraft he would. So I'm persuaded that the checks Updraft completed were proportionate, and they made a fair lending decision in approving the loan for Mr P.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Updraft lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Updraft to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 January 2025.

Gregory Sloanes

**Ombudsman**