

## **The complaint**

Mr V complains that Fairscore Ltd irresponsibly lent him a personal loan.

## **What happened**

In 2022 Mr V took out a personal loan with Fairscore. He borrowed £3,500 over a term of 60 months at an APR of 10.44%, giving a monthly payment of £73.96.

In 2024, Mr V complained that the loan had been irresponsibly lent. He said he had taken out the loan to repay credit card debt. He said that the expenditure figures Fairscore had used in its assessment were unreasonably low. He said that the loan was unaffordable for him, and it was unsustainable given his other debts at the time. He said the loan should never have been lent.

Our investigator thought Fairscore had made a fair lending decision, and didn't uphold the complaint. So Mr V asked for it to be reviewed 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.

In deciding whether to lend, Fairscore needed to assess whether the loan was affordable and sustainable for Mr V, having carried out proportionate checks of his circumstances. The checks should be proportionate taking into account factors like the nature of the borrowing, the amount borrowed and the monthly payments, and so on. Having carried out proportionate checks, it should then take the results of those checks into account in deciding whether to lend.

In making his application, Mr V told Fairscore that his income was £45,000 and that he was looking to borrow to pay off credit card debt.

Fairscore verified Mr V's income by checking payments into his bank account – it obtained bank account information through open banking. Having done so, it took Mr V's net monthly income as being around £2,700.

Fairscore checked Mr V's credit file for details of his outstanding credit commitments. It found that he had several loans and credit cards. There were three other loans, with monthly payments totalling around £264, plus several credit cards with balances totalling around £13,000 (but with available credit limits of over £40,000). It calculated that Mr V's expenditure on his credit cards was around £640 per month – based on him making the minimum repayments.

As part of the application process, Fairscore asked Mr V about his other outgoings. He told it that he spent £1,000 per month on housing costs, £600 on food bills and other essential expenditure, and around £300 per month on other expenses. Fairscore didn't verify Mr V's expenditure (other than on credit commitments) – but it wasn't required to do so. It did sense

check the figures Mr V had given against typical household expenditure, and found that Mr V had said his expenditure was higher than might have been expected. Fairscore used the figures Mr V gave in the affordability assessment.

This led to Mr V's application initially failing the affordability assessment – because his declared and committed expenditure amounted to around £100 per month more than his income, leaving no extra money for the repayments to Fairscore.

Fairscore told Mr V this, and told him what figures it had used. It asked him to check and confirm the figures, and let it know if there were any errors.

Mr V replied to say that the expenditure information was too high, because his partner contributed £300 per month towards the household bills.

Fairscore was able to verify that this was the case using Mr V's bank account data. In fact, the payments into his account had been rather more than £300 in the months preceding the application. On that basis, Fairscore re-considered the application, and this time concluded it was affordable.

I'm satisfied that was a fair lending decision. The checks Fairscore made were proportionate to the type of lending Mr V applied for – verifying his income and credit commitments from an independent source, and sense-checking his declared expenditure. Once the contributions from his partner towards household expenditure were taken into account, I'm satisfied it was reasonable for Fairscore to conclude the lending was affordable.

I've also thought about whether Fairscore reasonably concluded that the lending was sustainable, and I'm satisfied of that too. Although Mr V had fairly substantial pre-existing debt, it was well managed with no missed payments or defaults. He was using a relatively low proportion of his available credit. And, given that his stated aim for the loan was to repay some credit card debt, his expenditure on other commitments would reduce once the loan was granted. I don't think there was anything that ought to have led Fairscore to conclude that the loan was unsustainable.

Finally, I've thought about whether there were any other factors which meant that the relationship between Fairscore and Mr V was, or became, unfair because of the lending decision. But I'm not persuaded that there were. For the reasons I've already given, I'm satisfied the lending was affordable and sustainable and did not result in an unfair relationship.

I've also taken into account what Mr V says – that this lending, by paying off some credit card debt, merely allowed him to further increase his credit card borrowing as well as now having this loan. But I don't think that makes the lending decision, or the lending relationship, unfair. Mr V already had substantial unused credit card balances. His express intention was to reduce, not increase, his credit card debt. I don't think Fairscore can reasonably be held responsible for Mr V later increasing it again.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 11 March 2025.

Simon Pugh

**Ombudsman**