DRN-5537375

The complaint

Mr D complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to him. He wants all interest and charges on his loans refunded along with statutory interest. He also wants any adverse information regarding the loans removed from his credit file.

Mr D is represented by a third party but for ease of reference I have referred to Mr D throughout this decision.

What happened

Mr D was provided with two loans by Updraft. The first was provided in April 2021 and was for £2,500 repayable over 12 months and the second was provided in October 2021, was for £1,500 repayable over 24 months.

Mr D said that adequate checks weren't undertaken before the loans were provided to ensure that he would be able to make the repayments.

Updraft issued a final response to Mr D's complaint dated 17 October 2024. It said that income and expenditure data was collected and verified using credit reference agency data. It said Mr D's credit check didn't show any signs of financial difficulty. It didn't accept that the loans had been provided irresponsibly.

Mr D referred his complaint to this service.

Our investigator assessed both lending decisions. She thought the checks carried out before the loans were provided were proportionate. As these suggested the loans to be affordable for Mr D, she didn't uphold this complaint.

Mr D didn't accept our investigator's view. He said he was stuck in a cycle of debt taking out numerous payday loans. Our investigator responded to Mr D's comment but noted that the Updraft loans were intended for consolidation. Mr D said this still showed him to be in a cycle of debt, taking out new loans to repay existing debt.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue a decision.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr D was provided with two loans, and I have considered each lending decision below.

Loan 1: April 2021

Mr D was provided with a £2,500 loan. The loan term was 12 months, and he was required to make monthly repayments of around £241. As part of the application process, Updraft asked Mr D about his employment, income, residential status and monthly expenses. Mr D declared he was employed with an annual income of £32,478 and was living with parents. He noted his credit commitments as £200, his housing costs as £50, bills as £350 and other costs as £75, giving total expenses of £675 a month. He said the purpose of the loan was to consolidate his debts.

Updraft validated Mr D's declared income and expenses using credit reference agency and third party statistical data. It used Mr D's open banking data to check his monthly salary which was identified as £2,167. His credit commitments (loans and credit cards) taken from his credit check were around £317 and his total living costs were estimated to be around £521. This left Mr D with disposable income after the Updraft loan repayments of around £1,080. The credit check showed that Mr D had taken out two loans shortly before the Updraft application (one in January 2021 for £2,514 and one in February 2021 for £158). His total unsecured debts were recorded as £4,362.

While the credit check did show that Mr D had been making use of short-term loans, based on what he had outstanding at the time, and noting the purpose of the Updraft loan was for debt consolidation, I do not find that this meant the lending shouldn't have been provided.

Mr D didn't appear to be overindebted and didn't have any major adverse information recorded about how he was managing his credit commitments. Given this, and noting the size of the loan, its term and monthly repayments compared to Mr D's income, I think the checks carried out, including the verification of Mr D's income and expenses, were reasonable and proportionate.

As the checks didn't suggest the repayments on the loan would be unaffordable for Mr D, I do not find I can say that Updraft was wrong to provide this loan.

Loan 2: October 2021

Mr D repaid loan one in July 2021 and applied for a second Updraft loan in October 2021. This loan was for £1,500, had a term of 24 months and required monthly repayments of around £80. As Mr D had repaid the first loan early, I do not find his previous account history should have raised concerns.

Mr D's declared employment, income and residential details hadn't changed since his previous application and his income was verified through open banking, giving a monthly net income of around £1,990. His credit report showed the £2,514 loan noted in the analysis for loan one had been settled which supports him using loan one for debt consolidation. Mr D had taken out another short-term loan in June 2021, but this had also been settled before the second Updraft loan. His total unsecured debts were recorded as £1,082.

The information from the credit reference agencies showed Mr D's monthly credit commitments to be around £271 (lower than in his loan one application) and his living costs were again record as £521. This gave his total costs as around £792, before the Updraft loan repayments. Deducting this from his net monthly income along with the Updraft loan repayments would give disposable income of around £1,118.

Mr D didn't appear overindebted or have recent adverse information recorded about how he was managing his credit commitments. His previous loan had been repaid early. Given this, and noting the size of the loan, its term and monthly repayments compared to Mr D's income, I think the checks carried out, including the verification of Mr D's income and expenses were reasonable and proportionate.

As the checks didn't suggest the repayments on the loan would be unaffordable for Mr D, I do not find I can say that Updraft was wrong to provide this loan.

I note Mr D's comment that he was in a cycle of debt. But Updraft provides consolidation loans and so I cannot say that having previous debts meant the lending shouldn't have been provided. That said, I think given Mr D's credit history it was particularly important to ensure that adequate checks of his income and expenses were carried out. As this happened and Mr D was found to have a reasonable disposable income after the loan repayments, I do not find I can say that Updraft acted irresponsibly by providing the loans. Therefore, I do not uphold this complaint.

I've also considered whether Updraft acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether its relationship with Mr D might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Updraft lent irresponsibly to Mr D 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.

My final decision

My final decision is that I do not 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 13 June 2025.

Jane Archer
Ombudsman