

Complaint

Mr P has complained about a personal loan Fairscore Ltd (trading as “Updraft”) which he says was unfairly lent to him. He says he was lent to at a time when he already had significant debts.

Background

Updraft provided Mr P with a loan for £2,500.00 in March 2023. This loan had an APR of 35.9% and a 36-month term. The loan was due to be repaid in 36 monthly instalments of around £114.

One of our investigators reviewed what Mr P and Updraft had told us. He thought that Updraft hadn’t done anything wrong or treated Mr P unfairly when it provided this loan and so didn’t recommend that the complaint be upheld. Mr P disagreed and asked for an ombudsman to review the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr P’s complaint.

Having carefully considered everything, I’m not upholding Mr P’s complaint. I’ll explain why in a little more detail.

Updraft needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Updraft needed to carry out proportionate checks to be able to understand whether Mr P could afford to make his repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Updraft says it approved Mr P’s application after he provided details of his monthly income, which was cross-checked against information on the funds going into his main bank account each month and some information on his expenditure. It says Mr P’s credit commitments were verified through a credit search it carried out which showed Mr P’s existing

commitments were relatively well maintained at the time – insofar as it showed no recent adverse data.

In Updraft's view all of the information it gathered showed that Mr P could afford to make the repayments he was committing to. On the other hand, Mr P has said he was already in difficulty and couldn't afford this loan.

I've carefully thought about what Mr P and Updraft have said.

As Updraft asked Mr P about his income and expenditure and also carried out a credit check, it's clear that Updraft did obtain a reasonable amount of information before it decided to proceed with Mr P's application.

Having looked at the credit check, it's clear that Mr P had some existing debts. However, while I accept that Mr P might not agree with this, I don't think that these were excessive in comparison to his income. And importantly there wasn't anything obvious – such as significant adverse credit markers – such as defaulted accounts or county court judgments ("CCJ") showing on this.

It's also worth noting that the information from the time shows that Mr P said he was going to use the funds from this loan to repay his credit cards. I don't know whether Mr P went on to re-establish balances on any accounts cleared. But Updraft could only make a reasonable decision based on the information it had available at the time.

It won't have known whether Mr P would re-establish balances on his credit cards – all it could do was take reasonable steps and rely on assurances from Mr P that the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to clear some of Mr P's credit card debt.

Furthermore, as this was a first loan Updraft was providing to Mr P, there wasn't a history of Mr P obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. So Updraft was reasonably entitled to believe that Mr P would be left in a better position after being provided with this loan.

I accept that Mr P's actual circumstances may not have been fully reflected either in the information he provided, or the information Updraft obtained. For example, Mr P may not have gone on to repay his existing debts like he said he would. I'm sorry to hear about the difficulties Mr P says he had paying his loan. But Updraft didn't know about this and it can't be expected to have done so either. Given the circumstances, I'd expect Updraft to have a reasonable idea of Mr P's income and committed non-discretionary spending, which it did here, rather than a complete review of Mr P's finances.

Mr P referred to his gambling. I'm sorry to hear about what Mr P has told us and I accept that it is possible that Updraft might have reached a different lending decision had it known about what Mr P has now told us. But the key thing here is not only did Mr P not make Updraft aware about his gambling, I don't think it can be reasonably expected to have known about this either.

The account Mr P provided Updraft with access to did have a limited amount of transactions, which could be determined as gambling. However, these weren't for an amount ought to have led Updraft to have had concerns and it's clear that the vast majority of what could be described as Mr P's problem gambling was taking place from other accounts that Updraft didn't have access to.

I don't think the fact that Mr P may have been paying creditors from another account ought to have concerned Updraft either. The key thing it needed to know whether Mr P was making his payments, which the credit checks provided show he was. I don't think it needed to see bank statements for the account that the payments were being made from.

In these circumstances, whilst I do sympathise with what Mr P has said and I'm not seeking to dismiss or trivialise what he's told us, I don't think that Updraft could have factored Mr P's gambling into its lending decision. I say this particularly in light of my conclusions that this was a first loan, for a relatively low amount. In these circumstances, I simply wouldn't expect a lender to request statements for multiple bank accounts in the way Mr P argues it should have.

In reaching my conclusions, I've also considered whether the lending relationship between Updraft and Mr P might have been unfair to Mr P under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Updraft irresponsibly lent to Mr P or otherwise treated him unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm satisfied that Updraft didn't treat Mr P unfairly or unreasonably when lending to him. And I'm not upholding Mr P's complaint. I appreciate this is likely to be very disappointing for Mr P. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 September 2025.

Jeshen Narayanan
Ombudsman