

The complaint

Mr H complains that Fairscore Ltd trading as Updraft lent to him when he couldn't afford it.

What happened

Updraft lent Mr H two loans and from the information provided, the borrowing details are:

Loan number	Start date	Loan amount	Term	Repayment	End date
1	05/12/2022	£2,000	36 months	£90.93	12/03/2024
2	12/03/2024	£7,000	59 months	£237.35*	outstanding

*Loan 2 had fees of £350 added to it and it had 58 repayments of £237.35 and one repayment of £170.74.

Mr H repaid loan 1 with the lending from loan 2 and as I understand it, he has an outstanding balance on loan 2.

When Mr H complained to Updraft, it didn't uphold any part of his complaint, it said Mr H requested the loans for debt consolidation and its checks showed he could afford the borrowing. Unhappy with Updraft's response, Mr H referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator didn't think Updraft was wrong to lend either loan, he said Updraft carried out sufficient checks and those checks showed Mr H could afford the loans. So, our investigator didn't recommend that any part of Mr H's complaint be upheld.

Mr H disagreed with the investigator's findings, he said even if he accepted the lending wasn't unaffordable for loan 1, he thought loan 2 was unaffordable. Mr H says Updraft has referred to an annual income he never earned and that his expenses were higher.

As the complaint hasn't been resolved, it has been passed to me, an ombudsman to make 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Updraft is aware of its obligations as a lender as explained in the regulator's handbook, so I don't intend to go into all the details about his duty. In summary, Updraft is required to take reasonable steps to ensure that it didn't lend irresponsibly. There isn't a prescriptive level of checks to ensure responsible lending and in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Updraft should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

When Mr H applied for loan 1, he said it was for debt consolidation. From the application for this loan, Mr H declared an annual income of £26,500, £650 for housing expenses, £430 for other expenses. Mr H also gave Updraft permission to access his bank statements.

Updraft has provided information to show that it verified Mr H's income at the time of loan 1 using the banking access Mr H gave it. It says it found that Mr H's monthly income was around £1,815.82. It says based on the results of its credit search, Mr H's monthly credit commitments were £216.64. Updraft also increased Mr H's housing costs to £776.25 and his other expenses to £485.

Thinking about loan 1, it was Mr H's first loan with Updraft, and the monthly repayment represented a small percentage of Mr H's verified income. There was also nothing within the credit search that suggested Mr H was struggling financially. I think Updraft's checks went far enough and those checks showed Mr H could afford to repay his loan when it fell due throughout the loan term. So, I don't think Updraft was wrong to lend loan 1.

Before Mr H completed the repayments on loan 1, he applied for loan 2, the reason for the loan was again debt consolidation. Updraft completed similar checks to the time of loan 1, checking and verifying Mr H's income, searching his credit file and increasing the declared amounts of his housing and other living expenses.

Updraft verified that Mr H's monthly income at the time of loan 2 was £1,933.54, it worked out Mr H's monthly credit commitments as £376.89, this didn't take into account the debts Mr H was consolidating. I can see from the statements Updraft accessed at the time, that Mr H did repay loan 1 as well as other debts through this loan. So, his monthly credit commitments would have been less than stated as his overall debt was reducing.

Mr H declared his housing costs as £650 and Updraft increased this to £701.33 and Mr H declared his other living expenses as £430 and Updraft increased this to £541. The credit search didn't show that Mr H was experiencing financial strain and there was nothing within the results of that search I think should have concerned Updraft. Updraft again had access to Mr H's bank statements.

I think Updraft's checks here were sufficient and those checks showed Mr H could afford the loan repayments.

I considered Mr H's point about Updraft saying he declared an annual income of £31,500 but he never earned this. Updraft verified Mr H's income through the access the bank statements and it has provided details of the transactions and Mr H's income was around £1,933 on average over the three months prior to this loan and it was on the basis of this monthly income it lent. I can also see from the bank statements that Mr H was paying around £850 for his rent. While Updraft has used a lower figure of £701 for Mr H's housing, the debt consolidation which Mr H undertook with this loan put him in a position to reduce his overall outgoings which made the repayments for this loan affordable for him.

So, while I understand Mr H's point about his income amount and his rent payments, taking all the relevant factors into account, I think loan 2 was affordable for him and Updraft wasn't unfair when it lent to him.

I appreciate my findings will likely disappoint Mr H but I hope my explanation helps him understand why I won't be asking Updraft to take any further actions as I don't think it has lent either loan to him unfairly.

Has Updraft treated Mr H unfairly in some other way?

I've also considered whether Updraft acted unfairly or unreasonably in some other way, including whether its relationship with Mr H might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Updraft lent irresponsibly to Mr H 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

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 November 2025.

Oyetola Oduola
Ombudsman