

The complaint

Mr C complains that Fairscore Ltd trading as Updraft lent to him irresponsibly when they provided him with two personal loans.

What happened

In 2023, Mr C was provided with two personal loans by Updraft.

I've included a table below showing more detail around the lending agreements.

| Loan date | Amount borrowed | Term | Repayments | Total repayable |
|---------------|-----------------|-----------|----------------------------|-----------------|
| February 2023 | £8,000 | 60 months | 59 x £210.30 & 1 x £271.91 | £12,679.61 |
| October 2023 | £2,000 | 36 months | 35 x £80.09 & 1 x £78.63 | £2,881.78 |

In 2025, Mr C complained. In summary, he said Updraft had irresponsibly lent to him and that sufficient checks – to ensure his affordability status – hadn't been undertaken.

Updraft upheld the complaint in part. They said, in summary, that they had carried out checks proportionate to the amount being lent; those checks hadn't revealed any concerns, and on that basis, the lending had been agreed. They accepted however in hindsight, that at the time of approving the second loan, they should've identified that Mr C was still utilising his overdraft. And, given that loan one was taken for the purposes of clearing that overdraft, they accept now that they shouldn't have provided the second loan. So, they agreed to put things right broadly in line with our service's approach to redress on such matters.

Mr C disagreed however; he still thought Updraft were wrong to have provided the first loan. So, he referred his complaint to this Service for independent review.

An Investigator here considered what had happened; having done so, she didn't think Updraft had done anything wrong in respect of providing loan 1, and she set out how Updraft should put things right in respect of loan 2. In summary, she said:

- The checks carried out by Updraft for loan 1 were proportionate in the circumstances.
- The information gathered as a result of those checks wouldn't have given Updraft any cause for concern.
- There was nothing that would have suggested to Updraft that Mr C was struggling financially, and/or wouldn't be able to afford the loan repayments for loan 1.
- Any financial struggles, which did materialise for Mr C later, wouldn't have been apparent to Updraft at the time they provided Mr C with loan 1.

- Overall, with that in mind, Updraft hadn't acted unfairly or unreasonably in providing loan 1 to Mr C.
- In respect of loan 2, Updraft should remove all interest and charges applied to the loan. If this results in more than the capital borrowed having been repaid, any surplus should be refunded to Mr C, along with 8% simple interest per annum, from the date of payment to the date of settlement. If a shortfall remains, then an affordable repayment plan should be agreed.
- Any adverse information recorded against Mr C in respect of loan 2 should be removed at the point the loan balance is cleared.

Mr C disagreed. He maintained he'd been irresponsibly lent to in respect of loan 1 as well. He said that Updraft should've realised he had high levels of existing credit at the time of taking out loan 1, and it should have been clear to Updraft that he had become reliant on that credit to maintain his day-to-day living expenses.

So, as no agreement has been reached by the parties, Mr C's complaint has now been passed to me to decide.

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.

Having done so, while this will no doubt disappoint Mr C, I agree with the findings of our Investigator and for broadly the same reasons. I'll explain why.

The rules and regulations in place at the time Mr C was provided with the loans, required Updraft to carry out a reasonable and proportionate assessment. That's to determine whether Mr C could afford to repay what he owed in a sustainable manner. This practice is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be borrower focussed; that is, relevant to Mr C. So, Updraft had to think about whether repaying the credit sustainably would cause him difficulties, or other adverse consequences. In other words, Updraft had to consider the impact of any repayments on Mr C.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g: their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Updraft did what they needed to before agreeing to lend to Mr C.

Given Updraft have already agreed to reimburse Mr C in respect of loan 2, I've not carried out an in-depth review of matters here, but I'm satisfied Updraft's decision to uphold this element of Mr C's complaint is a reasonable one, given Mr C hadn't repaid his overdraft with loan one, as he said was his intention.

Looking at the first loan arranged in February 2023; Mr C declared an annual income of £51,000. Updraft verified this using Open Banking, and evidenced regular credits coming

into Mr C's account – broadly in line with the income he declared. Based on this, they recorded a monthly income of £3,075 when assessing Mr C's affordability.

In terms of Mr C's outgoings, he was asked to estimate his monthly costs for accommodation, as well as any other expenditure. And it seems that Mr C estimated these at £417 and £810 respectively. However, based upon standard estimates – provided from ONS (Office of National Statistics) data – Updraft increase their allowance for these outgoings to £480 and £869 respectively.

In addition to the above, Updraft also ran a credit check to review Mr C's credit commitments. Checks showed that Mr C had existing outstanding credit with monthly repayments totalling in the region of £1,375.

I've noted that Mr C had a relatively significant amount of outstanding credit. But, when deducting the monthly repayments due towards this, along with the allowances taken for his accommodation costs and other regular expenditure, it seems Mr C would have still had in the region of £351 leftover to use towards any monthly repayments due.

The monthly repayments towards this agreement were around £210 a month, and there were no apparent issues identified with Mr C's repayment history on his existing borrowing at the time the first loan was granted. I've also taken into account the fact that Updraft took steps to apply more scrutiny towards Mr C's outgoings than he declared, and having done so, still evidenced the Mr C had ample disposable income available to meet the repayments towards this loan. So, on balance, I'm satisfied Updraft's checks went far enough; and I don't think it was unreasonable for Updraft to approve Mr C's application in the circumstances.

Mr C has argued – in response to the investigator's view - that it should have been clear that he was heavily reliant on credit to maintain his day-to-day living expenses. And that this should have been evident from his bank statements at the time.

While I understand Mr C's point here, it's important to note that Updraft was only required to carry out proportionate checks. And to determine whether or not a check is proportionate, a business is expected to take into account – but not limited to – things such as the customer's personal circumstances, and the amount and term of the borrowing.

While I acknowledge the amount being borrowed here wasn't a small sum, equally, the checks carried out by Updraft were relatively thorough. They did more than just take Mr C's declared estimates for income and outgoings; they took further steps to verify this information using Open Banking and credit checks. They also took extra caution when calculating Mr C's disposable income by increasing his estimates for some of his living expenses based on ONS data they sourced.

Having carried out the above, the results of Updraft's checks didn't point to any concerns that leads me to believe their checks needed to go further, such as carrying out a full review of Mr C's bank statements – in the circumstances, I don't think this was necessary. So I think it was reasonable for Updraft to rely on the results of their proportionate checks. So, Mr C's argument here, I'm afraid, doesn't alter my position on the matter.

So, while I am sorry to disappoint Mr C; I know this won't be the outcome that he's hoping for, it's for the reasons I've explained that I don't think Updraft acted unfairly or unreasonably when they provided Mr C with loan 1. So, I won't be asking them to do anything further in that respect.

Finally, I've also considered whether the relationship might have been unfair under Section 140A (S140A) of the Consumer Credit Act 1974. However, for the reasons I've

already given, I don't think Updraft lent irresponsibly to Mr C or otherwise treated him unfairly in relation to loan 1. I haven't seen anything to suggest that S140A would, given the facts of this complaint, lead to a different outcome here. And I'm satisfied the redress I have directed below results in fair compensation for Mr C in respect of loan 2. Based on what I've seen, S140A wouldn't warrant any additional compensation in this case.

Putting things right

Updraft should add up the total repayments Mr C has made towards loan 2 and deduct these from the total amount of money lent.

a) if this results in Mr C having paid more than he borrowed, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † Updraft should also remove all adverse information regarding this account from Mr C's credit file.

b) if any capital balance remains outstanding, then Updraft should arrange an affordable and suitable payment plan with Mr C. Once Mr C has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

If Updraft has sold the debt to a third party, they should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

† HM Revenue & Customs requires Updraft to take off tax from this interest. Updraft must give Mr C a certificate showing how much tax they've taken off if he asks for one.

My final decision

My final decision is that I uphold Mr C's complaint. And I direct Fairscore Ltd trading as Updraft to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 March 2026.

Brad McIlquham
Ombudsman