The complaint

Mr G complains that Fairscore Ltd trading as Updraft (Fairscore) didn't sufficiently check whether he could afford to sustain the repayments for two loans they'd lent to him.

What happened

In October 2020 Mr G entered into a Fixed Sum loan agreement with Fairscore for £6,000 with an annual percentage rate (APR) of 15.9%. This was to be repaid over 36 months at £213.27 a month. He said the purpose of the loan was for debt consolidation.

In October 2021 Mr G entered into a second Fixed Sum loan agreement with Fairscore for £10,000 with an APR of 9.9%. This was to be repaid over 60 months at £211.89 a month. Mr G said the purpose of the loan was for debt consolidation. The first loan was settled later in October 2021.

Mr G complained to Fairscore as he said they hadn't sufficiently checked whether he could afford either loan. And if they had they would have seen his reliance on credit. He said by lending to him they'd unfairly increased his indebtedness.

Fairscore said they'd verified Mr G's income, asked for a breakdown of his income and expenditure, cross checking these details through open banking and credit reference agency (CRA) data. Based on these checks they said Mr G should have had sufficient disposable income for each loan to sustain his repayments, and they hadn't seen any signs of financial vulnerability. They said their decisions to lend to Mr G had been fair.

Mr G wasn't happy with Fairscore's response and referred his complaint to us.

Our investigator said Fairscore's checks had been reasonable and proportionate and their decision to lend was fair.

Mr G didn't agree, reiterating that proportionate checks would have shown he was heavily reliant on credit. And by agreeing to lend to him Fairscore had added to his financial burden. Mr G asked for an ombudsman 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.

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 G's complaint.

While I empathise with Mr G, for me to say Fairscore must do something different I must first be satisfied that they've done something wrong. I can't say that they have here which is why I won't be asking them to do anything else. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Fairscore offered each of the loans, they needed to complete reasonable and proportionate checks to be satisfied Mr G would be able to repay the debt in a sustainable way. In deciding what was proportionate Fairscore needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments, the cost of credit and the consumer's circumstances.

There isn't a set list of the checks a lender must do. But CONC says a lender should take reasonable steps to estimate a consumer's income and non-discretionary expenditure. It also says a lender shouldn't solely rely on the income a consumer says they have but seek verification through an independent or third-party source.

Also, we consider any checks should be borrower focussed, meaning Fairscore need to think about whether repaying the lending sustainably would cause difficulties or adverse consequences for Mr G. In other words, it wasn't enough for Fairscore to think only about the likelihood that they would get their money back without considering the impact of repayment on Mr G himself. I've considered the checks Fairscore did.

In making his application, Mr G declared he'd an annual income of £55,000, and that he'd outgoings of £750 for housing costs, he'd credit commitments and he spent £240 on other expenditure. He said the purpose of the loan was for debt consolidation.

Fairscore verified Mr G's income through an independent source (CRA) and by obtaining his financial details through the source of open banking. They assessed Mr G's monthly income to be £3,066.17. And this is reflected in the evidence Fairscore has given to us. So, I'm satisfied Fairscore took reasonable steps to determine Mr G's income and didn't solely rely on the salary he declared in his application.

Fairscore checked Mr G's credit file for details of his outstanding credit commitments. This showed he'd a joint mortgage, several credit cards, a mail order account, current accounts with overdraft facilities, and a hire purchase agreement. Mr G's unsecured debt was £34,260.

From this Fairscore assessed Mr G's credit commitments to be £1,489.31, and housing costs (which he was jointly liable for) of £600. Mr G said he'd other monthly living costs of £240. But as part of the application process, Fairscore didn't just accept the figures. They checked this against information from the Office of National Statistics. The expectation is that a business will take reasonable steps to determine a borrower's non-discretionary spending. And CONC 5.2A.19 allows for the use of statistical data. Having done this, they increased the amount declared for other expenditure to £576.This meant Mr G should have had £400.88 in disposable income before factoring in the new lending of £213.27. Which we'd consider was sufficient disposable income each month to allow for any discretionary and unexpected costs.

I take on board Mr G's comments about the level of debt he had being close to his credit card limits. Clearly, given the amount of debt Mr G had he couldn't fully clear his total debt. But I think it's fair to say that as the loan was to be used for debt consolidation it should have settled or reduced his balances for the higher interest-bearing accounts. So, I can't say that by agreeing to lend to Mr G Fairscore were worsening his financial situation.

Fairscore also checked whether Mr G was showing any signs of financial vulnerability. And his credit file showed he was up to date with his repayments, with no evidence of any defaults or county court judgments. Mr G has disputed this but hasn't provided evidence to show that the information Fairscore used couldn't be fairly relied on.

So, I'm satisfied the checks Fairscore made were proportionate as they verified Mr G's income and taken reasonable steps to determine his outgoings and credit commitments from an independent source. I'm satisfied it was reasonable for Fairscore to conclude the lending was affordable. And should have been sustainable as Mr G had sufficient disposable income to meet his repayments. As the loan was for debt consolidation this should have helped Mr G with his financial burden.

Mr G applied for a second loan in October 2022 for £10,000 with an APR of 9.9%. Mr G said the loan was for debt consolidation. He declared his annual income to be £64,000, meaning he'd a monthly income of around £3,378. Fairscore carried out the same checks as they had for Mr G's previous loan which showed his credit commitments had reduced to £1,203, his housing costs remained at £600 and his other expenditure using ONS figures would be £604.86 (Mr G had again declared his other outgoings to be £240). By using the higher amount meant Mr G should have had £969.14 in disposable income before factoring in the new lending of £211.89.

Added to these checks Fairscore also had internal data as to how Mr G was managing his account with them. And there wasn't any evidence of missed or unpaid direct debits.

Having considered all the evidence I'm satisfied that each of the loans was affordable for Mr G as he'd sufficient disposable income to sustain his repayments. And I don't think Fairscore acted irresponsibly in lending to him as the loans were for debt consolidation which should have helped Mr G in reducing his financial burden by settling or reducing his balances on his higher interest-bearing accounts. Also, the second loan although for a higher amount over a longer period of time, was offered at a lower APR with the monthly repayment slightly less than Mr G's previous monthly repayment which he'd been able to sustain. I can see Mr G settled the first loan he'd with Fairscore shortly after this loan was approved.

I appreciate Mr G will be disappointed by my decision, but I hope he has reassurance that I've considered his complaint points in my reasoning.

I've also considered whether Fairscore acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Fairscore lent irresponsibly to Mr G or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Although I'm not upholding this complaint, I'd like to remind Fairscore of their obligation to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Mr G is experiencing financial difficulty.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 27 August 2025.

Anne Scarr
Ombudsman