DRN-5777710

The complaint

Mr M complains Fairscore Ltd trading as Updraft (Fairscore) didn't sufficiently check whether he could sustain the repayments before they agreed to lend to him.

What happened

Around September 2022 Mr M entered into a Fixed Sum loan agreement with Fairscore for £5,500. This was to be repaid over 48 months at £175.04 a month.

Around April 2023 Mr M entered into a second Fixed Sum loan agreement with Fairscore for £5,200 repayable over 48 months at £176.89 a month.

Around January 2024 Mr M entered into a third Fixed Sum loan agreement with Fairscore again for £5,200. This was repayable over 48 months at £186.87 a month.

Mr M complained to Fairscore as he said they hadn't sufficiently checked whether he could afford the loans. 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 M's income, asked for a breakdown of his income and expenditure, cross checking these details through open banking and credit reference agency (CRA) data. They said they'd also used data form the Office for National Statistics (ONS) to estimate Mr M's day to day living costs. Based on these checks they said Mr M 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 M for the first two loans had been fair. But after checking further said for loan three they should have seen Mr M hadn't used the previous loan for debt consolidation as he'd said he would. They agreed had they done these checks they wouldn't have lent a third time to Mr M. And they'd taken steps to put this right.

Mr M wasn't happy with Fairscore's response as he said they shouldn't have agreed to any of the loans. He referred his complaint to us.

Our investigator didn't consider the lending decision for the third loan as Fairscore had upheld this part of Mr M's complaint. But said Fairscore's checks for the first two loans had been reasonable and proportionate and their lending decisions had been fair.

Mr M 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. He 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.

Firstly, as Fairscore has upheld Mr M's complaint about the third loan I won't comment or consider this part of his complaint in my decision. What remains in dispute is Fairscore's lending decision for the first two loans.

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 M's complaint. While I empathise with Mr M, 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 M 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. CONC allows for the use of statistical data to determine a consumer's day to day living costs.

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 M. 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 M himself. I've considered the checks Fairscore did.

In making his application, Mr M declared he'd an annual income of £42,000, and a secondary income of £3,000. He said the purpose of the loan was for debt consolidation, specifically paying off his credit card balances.

Fairscore verified Mr M's income through an independent source (CRA) and by obtaining his financial details through the source of open banking. They assessed Mr M's monthly income to be £2,614. And this is reflected in the evidence Fairscore has given to us. So, I'm satisfied Fairscore took reasonable steps to determine Mr M's income and didn't solely rely on the salary he declared in his application.

Fairscore checked Mr M's credit file for details of his outstanding credit commitments. This showed he'd unsecured debt of £9,448. Of this £6,310 related to credit cards, and Mr M was near or slightly over his credit card limits. He also had a mail order account, current accounts and a hire purchase agreement. From this Fairscore determined Mr M had credit commitments of £1,193.95 a month, and housing costs of £220. Mr M said he'd other monthly living costs of £350. But as part of the application process, Fairscore didn't just accept this figure. They checked this against information from the ONS. And using this statistical data assessed Mr M's day to day livings costs to be around £607. Fairscore used the higher amount in their credit worthiness assessment. After factoring in the new lending of £175.04 this should have left Mr M with around £418 a month to cover any discretionary and unexpected costs.

I take on board Mr M's comments about the level of debt, particularly with his credit cards. Clearly, given the amount of debt Mr M had he couldn't fully clear his total revolving 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 significantly reduced his balances for his credit cards. So, I can't say that by agreeing to lend to Mr M Fairscore were worsening his financial situation.

Fairscore also checked whether Mr M was showing any signs of financial vulnerability. And at the time of his application there wasn't any evidence of arrears, returned direct debits, or other indicators of financial distress.

Mr M has provided his credit file which was created in 2025. From this I can see he'd a loan for £2,707 taken out shortly before his application with Fairscore. And that this loan was settled in September 2022. Fairscore has said this loan wasn't showing on Mr M's credit file at the time of their checks. I've no reason to doubt this as while lenders are required to report new lending activity and account updates to CRA's on a monthly basis it can take several weeks for the new information to appear on a credit report.

So, I'm satisfied the checks carried out by Fairscore were proportionate and reasonable as they verified Mr M's income and had taken reasonable steps to determine his outgoings and credit commitments from an independent source. I don't think that there was anything immediately obvious in the information that Fairscore had, including Mr M's existing credit, which meant they shouldn't rely on it. So, I don't think Fairscore needed to ask for further evidence in support of Mr M's expenditure before providing the loan in this instance. Mr M should have had sufficient disposable income to meet his repayments. And as the loan was for debt consolidation this should have helped Mr M with his financial burden.

Mr M applied for a second loan in April 2023 for £5,200 for the purpose of debt consolidation. Fairscore said their business model has a phased approach to consolidation as they've said a first loan is typically provided to cover a proportion of a consumer's debt and if they manage their account well further consolidation loans are considered.

Mr M declared his annual income to be £66,359 with a second income of £1,000. Fairscore carried out the same checks as they had for Mr M's previous loan. This showed Mr M had a lower than declared income of £2,328, his credit commitments had reduced to £1,132.06, he'd housing costs of £230 and his other expenditure using ONS figures was £632 (Mr M had again declared his other outgoings to be lower £149). By using the higher amount Mr M should have had £333.94 in disposable income before factoring in the new lending of £176.89.

Added to these checks Fairscore also had internal data as to how Mr M was managing his account with them. This showed Mr M consistently overpaid his monthly repayment with no signs of any missed or unpaid direct debits.

Having considered all the evidence I'm satisfied that Fairscore's checks were reasonable and proportionate as they'd verified Mr M's income, took reasonable steps to determine his expenditure, and checked his management of his existing account. They also checked Mr M's credit history and didn't find any signs of financial vulnerability. From these checks the loan seemed affordable for Mr M as he'd sufficient disposable income to sustain his repayments.

As the loan was for debt consolidation I don't think Fairscore acted irresponsibly in lending to Mr M as this should have helped him with reducing his financial burden by settling or reducing his balances on his other credit accounts. By replacing these with loans Mr M would have a fixed repayment each month and a timescale for when the loan would end.

I appreciate Mr M 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 M 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 M 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(s) and it's the case that Mr M is experiencing financial difficulty.

final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 October 2025.

Anne Scarr
Ombudsman