

The complaint

Mr T says Fairscore Ltd trading as Updraft ('Updraft'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a personal loan. He says that proper checks would have shown that he was in a precarious financial position and the new lending was likely to cause him harm.

What happened

This complaint is about a personal loan agreement that Mr T took out in October 2023. He borrowed £13,000 and he was due to repay this with 48 monthly repayments of £394.90. Mr T had to repay a total of £18,855.20.

Mr T complained to Updraft. Updraft considered this complaint, and it didn't uphold it. It believed its original lending decision was fair and reasonable, based on the information it had available. It didn't think it had lent irresponsibly.

Our Investigator upheld Mr T's complaint. He thought that Updraft hadn't made proportionate checks before lending. And if it had made better checks, then it would have seen that Mr T was unlikely to be able to afford the new loan repayments.

Updraft didn't agree with the Investigator and there was some further correspondence. It said it verified his income using a tax return and looked at some of his bank account information. It thought this was enough to say that the lending was affordable. Updraft thinks this was a better way to check this, than our Investigators 'narrow' use of three months bank statements from shortly before the lending. This is because Mr T's income was variable due to him being self-employed. And three months is too short to encompass this, whereas a tax return covers a whole year.

Because Updraft didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Updraft complete reasonable and proportionate checks to satisfy itself that Mr T would be able to repay the credit in a sustainable way?
 - a. if so, did Updraft make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr T could sustainably repay the borrowing?
2. Did Updraft act unfairly or unreasonably in some other way?

And, if I determine that Updraft didn't act fairly and reasonably when considering Mr T's application, I'll also consider what I think is a fair way to put things right.

Did Updraft complete reasonable and proportionate checks to satisfy itself that Mr T would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

I understand Mr T told Updraft that he was self-employed as part of the loan application process. I've not seen any application form.

Updraft received some information about Mr T's income. It's provided an 'affordability' assessment and under the 'total regular income' section this says that his income was £3,120 a month. It's not clear where this originates from, but alongside this it also has a 'customer declared net disposable income' of -£72.59. So, it's reasonable to say that at least part of Updraft's assessment shows that Mr T couldn't afford this lending.

Updraft did go on to ask Mr T for some further information about his income, and it received his tax return for the 2022 / 2023 tax year. This showed that his income was £67,500 a year which gave a net monthly amount of about £4,050. It used this figure in its assessment. Updraft also said that it looked at some banking data about this, but it's not been able to provide this.

Updraft calculated that Mr T's household expenditures would be about £900 a month. As part of the complaint our Investigator also looked at some of Mr T's bank statements and calculated that this was slightly over £900 but I think it's fair to say it's established that his expenditure was about this amount.

Updraft looked at Mr T's credit reference agency data and found out that he had other credit that totalled £56,000. I've been provided a detailed breakdown of this, but I don't need to reproduce it here. But it was mixture of unsecured loans and credit cards. The important part of this is that Updraft's information showed Mr T was repaying about £2,125 a month to this. About £1,400 was to loans and £725 to credit cards. Again, our Investigators examination of Mr T's bank statements didn't show a materially different amount to this, so I also consider it fair to say that this aspect of Mr T's finances was also established by Updraft.

But looking at all of this, I think it's fair to say that the information Updraft had showed that Mr T's situation was potentially problematic. Even using the income figure that Updraft thinks is accurate, Mr T was already paying over half of his income, and over £2,100 a month to other creditors, and this would rise to about 65% when the new loan was started. This is very high, and I think is potentially a reason on its own to say why the lending was not fair given that all parties to the complaint accept that Mr T's income could vary from month to month.

And of course, if Mr T's income was nearer £3,120 a month then the new loan is clearly unaffordable, using Updraft's own information.

I have considered what all the parties to the complaint have said about the checks that were made. For the avoidance of doubt, I'm not persuaded that the checks Updraft did were reasonable and proportionate.

This is because I don't agree that it was reasonable to predominantly rely on Mr T's tax return for the previous tax year to verify his income. The information on this was up to April 2023 and was around seven months old at the time of lending. And, as all the parties to the complaint have said, Mr T's situation seemed to be very changeable. And Updraft had information that showed his income could be lower, at just over £3,100 a month. Given this, and the size of the loan Mr T applied for and the credit he already had, I think Updraft needed to have a greater degree of certainty about the income figure it was using than it did.

Would reasonable and proportionate checks have shown that Mr T would be able to repay the credit in a sustainable way?

Mr T has provided copies of his bank statements for three months before the lending. I wouldn't have expected Updraft to have asked Mr T for copies of these although it has said it did have visual access to a linked bank account. But I'm satisfied that these statements would give a good indication of what Updraft would likely have taken into consideration had it asked Mr T to provide more information about his income and committed expenditure during that specific period.

Our Investigator used the bank statements to calculate that what Mr T had coming in was about £3,400 a month, in the three months before the lending. No one has said that this amount is incorrect, and I don't think that it is. I think that if Updraft had made further checks it would have found out that his income was lower than it used in its assessment, and this would have meant that it shouldn't have lent.

Updraft has disagreed with this, and it has said that as Mr T is self-employed using the most recent tax return is the fairest, and most accurate, way to assess his income. I can see why it says this, and it's probably right to say that in a lot of cases this might be reasonable. But I don't think this detracts from the fact that it already had information that showed the tax return might not be giving it the full picture, and it should have acted on this.

I've also noted that Mr T's banking data is complex, and Mr T tended to pay himself smaller amounts more frequently. And the amounts he received from various sources, could vary significantly. I've noted the information provided that shows the inflows into his account could bear little resemblance to his income and are very irregular and varied. And there is a possibility that Mr T was 'paying himself' the money he needed, rather than an income as such. Updraft thinks that banking information is unsuitable to use because of this.

But I don't think this helps Updraft by persuading me that it made a fair lending decision. I think, given what it knew about Mr T and the lending, it needed more information that verified or supported that his income remained at the level of his previous year's tax return. I don't think the bank statements clearly show this, and even if this is predominantly due to the factors I've talked about in the preceding paragraph.

Lastly, I note that Mr T did refinance some of his debt, but it seems uncertain to me how this would have reduced his repayments over the minimum repayment amounts on his credit cards. Even if I accept this may have improved his situation over the longer term.

I think these factors make it unlikely that Mr T would be able to sustainably repay the new loan. And Updraft would have seen this if it had made proportionate checks and so it now needs to put things right.

Did Updraft act unfairly or unreasonably in some other way?

I've considered whether the relationship between Mr T and Updraft might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I

have directed should be carried out for Mr T results in fair compensation for him in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Mr T has provided some correspondence about the loan being passed to a third party to collect recently. I don't think I should award any further compensation for this, but Mr T will still need to repay the capital balance of the loan and Updraft should exercise forbearance when arranging this.

Putting things right

Mr T made use of the credit facility. So, it's fair that he pays the amount he borrowed. However, Updraft shouldn't have approved his loan application. So, I don't think it's fair that he should pay any interest and charges. So, Updraft should refund these, with interest. It should now:

- Work out how much Mr T has paid to the loan and deduct this from the capital amount lent.
- If this results in Mr T having paid more than he borrowed, any overpayments should be refunded by Updraft along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).*
- If any capital balance remains outstanding, then Updraft should look to arrange an affordable and suitable payment plan with Mr T.

*HM Revenue & Customs requires Updraft to take off tax from this interest. Updraft must give Mr T a certificate showing how much tax it's taken off if they ask for one. how much tax they've taken off if he asks for one.

My final decision

For the reasons I've explained, I uphold Mr T's complaint. Fairscore Ltd should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 January 2026.

Andy Burlinson
Ombudsman