

The complaint

Mrs D says Fairscore Ltd, trading as Updraft, irresponsibly lent to her.

What happened

Mrs D took out a loan for £7,500 over 60 months from Updraft in September 2022. The monthly repayments were £159.48. The loan was for debt consolidation.

She says she was already struggling, and Updraft should have seen this as it used open banking data as part of its checks. The loan was not affordable. She was stuck in a cycle of borrowing. After receiving the loan, she wasn't able to pay off her debts as intended. Instead of helping, the loan made things worse and added to my long-term debt.

Updraft says its checks were proportionate and showed the loan would be affordable for Mrs D.

Our investigator did not uphold Mrs D's complaint. He said Updraft's checks were proportionate and did not show any signs that Mrs D might not be able to repay the loan sustainably.

Mrs D disagreed and asked for an ombudsman's review. She said, in summary:

- Updraft ignored the open banking data – this showed she was using £931.91 of her £1,000 overdraft and was using buy now pay later plans for essential items.
- She had a second overdraft on her joint account, and she was over-limit on one credit card with high utilisation across other credit facilities.
- Her actual disposable income was lower than Updraft calculated, she could not afford this loan.
- The debt consolidation assumptions were flawed, this loan gave no meaningful affordability improvement.
- There were signs of financial distress that were ignored and after this loan she remained overdrawn and still relied on buy now play later plans. This shows the lending was never affordable.

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. Having carefully thought about everything, I think that there are two overarching questions

that I need to answer in order to fairly and reasonably decide Mrs D's complaint. These two questions are:

1. Did Updraft complete reasonable and proportionate checks to satisfy itself that Mrs D would be able to repay the loan without experiencing significant adverse consequences? - If so, did it make a fair lending decision? If not, would those checks have shown that Mrs D would've been able to do so?
2. Did Updraft act unfairly or unreasonably in some other way?

The rules and regulations in place required Updraft to carry out a reasonable and proportionate assessment of Mrs D's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check. The checks had to be borrower focused – so Updraft had to think about whether repaying the loan would cause significant adverse consequences for Mrs D. In practice this meant that the business had to ensure that making the payments to the loan wouldn't cause Mrs D undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Updraft to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mrs D. Checks also had to be proportionate to the specific circumstances of the loan applications. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- 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).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs D's complaint.

Updraft has provided evidence to show that it asked for some information from Mrs D before giving the loan. It asked for her monthly income, her employment status and her housing/living costs. It completed an income verification using open banking data and used national statistics to validate her declared housing and living costs – it increased them both. It carried out a credit check to understand her credit history and her existing credit commitments. Based on the results of these checks Updraft thought it was fair to lend to Mrs D as she would have monthly disposable income of £303 after taking on this loan.

I think these checks were proportionate given the loan value and the monthly repayments relative to Mrs D's income. And I find that Updraft made a fair decision based on the information it gathered. I'll explain why.

Updraft's checks showed that the loan was affordable on a pounds and pence basis. From

its submission I can see it extracted her salary data for the previous 12 months from the open banking link and used this to verify her income. Mrs D argues that the assessment did not accurately reflect her outgoings. But I don't think it needed to review her actuals to sense check what she had told the lender. It was reasonable to rely on national averages – and I note it increased both her living and housing costs versus the figures Mrs D declared. Mrs D has raised that the open banking data would have shown she was using a lot of buy now pay later plans for essential items. But I would not have expected a review of her outgoings at a line-item transaction level, that would not have been proportionate here.

The credit check showed that Mrs D had just under £10,000 of debt. It was well-managed with no payments plans, arrears, overlimit accounts, defaults or CCJs. Her overall credit utilisation was 85%. Mrs D has raised that she was over limit on one credit card account but that did not show on Updraft's credit check. Similarly, her full file showed an arrangement to pay that was not evident in the lender's checks. A lender can sometimes see different data on its credit checks compared to if the customer accesses their full file. This can be for a number of reasons – such as, not all lenders report to all the credit reference agencies and there can be timing lags. I can only reasonably expect Updraft to respond to the data its credit check returned.

Mrs D also raised that Updraft knew she was using an overdraft facility, but as this loan was for debt consolidation I cannot see that should have led it decline her application. This loan would have allowed her to repay it in full, as well as all her revolving debt and her share of the joint overdraft. As this was Mrs D's first loan with Updraft, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mrs D's existing indebtedness in a way that was unsustainable or otherwise harmful. Updraft could only make a reasonable decision based on the information it had available at the time. And as Mrs D didn't have a history of applying for loans with Updraft for debt consolidation purposes and then returning for further funds after having failed to consolidate as she said she would, I think Updraft was reasonably entitled to believe the funds would be used for the stated purpose.

As this is the case, I don't think that Updraft did anything wrong when deciding to lend to Mrs D – it carried out proportionate checks and from what I can see reasonably relied on what it found out which suggested the repayments were affordable.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Updraft lent irresponsibly to Mrs D or otherwise treated her 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

I am not upholding Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 5 January 2026.

Rebecca Connelley
Ombudsman