

The complaint

Mr R says Fairscore Ltd, trading as Updraft, irresponsibly lent to him.

What happened

Mr R took out six loans from Updraft over a four-year period. After he complained to the lender about irresponsible lending, it upheld his complaint about the last loan. So he asked this service to consider the five earlier loans that are set out below.

loan	date	value	term in months	monthly repayment
1	Aug-20	£4,000	36	£147.90
2	Jul-21	£5,000	36	£179.90
3	Mar-22	£6,000	48	£178.25
4	Sep-22	£9,000	60	£226.85
5	Mar-23	£10,900	60	£268.95

Mr R says at the time Updraft provided the loans he was stretched financially. He was constantly living in his overdraft. He had multiple loans and credits cards and was continuously recycling debt.

Updraft says it carried out adequate checks and made fair lending decision for loans 1 to 5. It upheld Mr R's complaint for loan 6 and resolved this in the way this service would have instructed.

Our investigator upheld Mr R's complaint in part with regards loan 4 and 5. He said whilst Updraft's checks were proportionate, it did not make fair decisions for loans 4 and 5. By then Mr R's overall debt was increasing and his disposable income was decreasing showing an increasing reliance on credit. The repeat lending by this point showed signs of possible financial harm.

Updraft disagreed with this assessment and asked for an ombudsman's review. It said it was concerned that some of the facts of this case may have been misapplied or not fully understood by the investigator. In summary:

- there was not an increasing reliance on credit – rather it was a measured replacement of old borrowing with a more affordable and structured repayment plan;
- it had built in cushions for unexpected expenses, based on Mr R's declared figures he would have significantly more disposable income and the loans were affordable in their own right – no benefit from consolidation was needed to justify the lending decisions;

- the number of loans issued over two and a half years does not indicate dependency, rather Mr R was progressing through a structured consolidation journey with clear signs of improvement; and
- using its loans Mr R settled all his revolving debt and so made a structural shift in borrowing risk, away from persistent debt and towards a stable, reducing balance arrangement.

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 Mr R's complaint.

These two questions are:

1. Did Updraft complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the loans without experiencing significant adverse consequences? – If so, did it make fair lending decisions? If not, would those checks have shown that Mr R 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 Mr R'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 Mr R. In practice this meant that the business had to ensure that making the repayments wouldn't cause Mr R 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 Mr R. 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 Mr R's complaint.

Did Updraft complete proportionate checks?

Updraft gathered certain information before lending. It asked Mr R for his income and a breakdown of his outgoings. It linked his main bank account via open banking and ran a credit check. It checked his declared income using the open banking data and for his outgoings used data from his credit file and estimates provided by the ONS (Office of National Statistics). It also asked about the purpose of each loan and reviewed his repayment history across all his credit agreements. From the results of the checks combined Updraft concluded Mr R could afford each loan.

I am satisfied these checks were proportionate given the nature of the lending.

Did Updraft make fair lending decisions?

I have summarised below an extract of some of the key data that Updraft reviewed before lending. In addition, on each occasion the credit check showed that Mr R was up-to-date with all his active agreements.

loan	monthly income	monthly credit commitments	monthly housing costs	monthly living costs	monthly disposable income	total debt (rounded)	total revolving debt (rounded)
1	£2,708.26	£1,527.12	£250	£323.82	£607.32	£41,500	£18,400
2	£2,957.84	£1,236.11	£250	£552	£919.73	£33,700	£14,600
3	£2,771.84	£1,045.34	£250	£627.28	£849.22	£27,200	£6,800
4	£2,829.86	£1,352.80	£275	£613.71	£588.35	£49,600	£1,200
5	£2,878.85	£1,653	£287.50	£601	£337.35	£51,000	£0

I agree with the investigator that it was wrong to give loans 4 and 5 to Mr R. I'll explain why.

Updraft's defence of its lending decisions focuses on the fact Mr R was using its loans to settle more expensive, open-ended agreements (i.e. revolving debt like credit cards). I accept that would be a sound strategy, and the table above shows he cleared all such debt over the life of the five loans. But that was not all that was going on and Updraft needed to look at Mr R's overall use of credit to be fair.

Loans 1 to 3 support Updraft's classification of the lending relationship as a 'structured consolidation journey'. But the data shows that there was a point at which the overall pattern of his borrowing changed and the trend of declining debt and lower monthly credit commitments shifted. When Mr R applied for loan 4 his debt had increased by 82% in just six months, exceeding what it had been when he started borrowing from Updraft. The increase was significantly more than the value of loan 3, and he was looking to borrow more than the amount of revolving debt he still had left (£1,200) which negates Updraft's defence somewhat.

I am not saying the fact he intended to use loan for other debt repayments was in itself an issue. But his monthly commitments were creeping back up and by giving loan 4 Updraft put Mr R back in the position where he would need to spend over 50% of his income of credit, even after taking into account he was settling the revolving debt. At this level, and given the direction in which Mr R's overall debt was going, I think Updraft ought to have seen there

was a high-risk Mr R would not be able to sustainably repay this loan – so either without borrowing to repay, or suffering some other financial harm.

I think there were clear signs Mr R was in a cycle of debt. And Updraft did not have the assurances it needed that the borrowing would not be harmful before lending. It can see from his position at the time of loan 5 that he was by then spending an even greater percentage of his income on credit.

I have considered Updraft's separate point that it had increased Mr R's declared outgoings to be prudent so he likely had more disposable income than it calculated, but this does not change my conclusion. It had to check the loans were affordable on more than a pounds and pence basis, it had to know they were sustainably affordable. And as explained above I cannot see it knew that here.

It follows I find Updraft was wrong to give loans 4 and 5 to Mr R.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr R in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right for loans 4 and 5

As I don't think Updraft ought to have opened the loans 4 and 5, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr R should pay back the capital amounts he borrowed. Therefore, Updraft should:

Add up the total repayments Mr R has made and deduct these from the total amount of money Mr R received from loans 4 and 5.

a) If this results in Mr R having paid more than he received, 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 these accounts from Mr R's credit file.

b) If any capital balances remain outstanding, then Updraft should try to arrange affordable and suitable payment plans with Mr R. Once Mr R has cleared the balances, any adverse information in relation to the accounts should be removed from his credit file.

*HM Revenue & Customs requires Updraft to deduct tax from this interest. Updraft should give Mr R a certificate showing how much tax it's deducted, if he asks for one.

My final decision

I am upholding Mr R's complaint in part. Fairscore Ltd, trading as Updraft, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 January 2026.

Rebecca Connelley
Ombudsman