DRN-5816299

The complaint

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

What happened

Mrs S took out a loan for £10,800 over 61 months from Updraft in November 2023. The monthly repayments were £279.56 with one final repayment of £69.30. The loan was for debt consolidation.

Mrs S says this was her second loan from Updraft. The first, for £3,000 in March 2022, was intended to help pay down her credit cards. Although that loan was repaid in full with no missed payments, it didn't improve her financial position. Her unsecured debt had grown to £14,000 by the time she applied for a second loan. She was on a low income, with much of it from benefits.

Mrs S doesn't believe that Updraft properly considered whether this level of borrowing was sustainable. Although she again intended to use the loan to repay credit cards, she didn't manage to use all the funds that way, and even if she had, the repayment burden is far too high and has left her struggling.

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

Our investigator did not uphold Mrs S's complaint. She said Updraft's checks were not proportionate, but Updraft could fairly have made the same lending decision had it completed better checks.

Mrs S disagreed and asked for an ombudsman's review. She said, in summary, she still believes Updraft did not conduct the necessary checks. Proper checks would have made clear that this loan wasn't affordable. She had no room for emergencies, unexpected bills, or even all the essentials due to the rising cost of food and energy. Although she used some of the loan to clear debts, she had to use part of it for car repairs and Christmas. She has managed to keep up with repayments so far, but it's getting harder creating constant stress and anxiety. This loan has caused foreseeable harm that Updraft should have spotted when it agreed to lend.

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 S's complaint.

These two questions are:

1. Did Updraft complete reasonable and proportionate checks to satisfy itself that Mrs S 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 S 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 S'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 S. In practice this meant that the business had to ensure that making the payments to the loan wouldn't cause Mrs S 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 S.

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 S's complaint.

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

I am not persuaded these checks were proportionate given it was Mrs S's second loan in relatively short space of time. I think Updraft needed to check Mrs S's actual non-discretionary outgoings before lending.

In cases like this we look at bank statements from the three months prior to application to understand fixed incomings and outgoings. I am not saying Updraft had to do exactly this, but it is a reliable way for me to recreate what better checks would most likely have shown. It could equally have accessed the data using open banking, as it did to verify her income. On that, I agree with the investigator that it would have been reasonable for Updraft to include all of Mrs S's benefits and maintenance payments. This means it could fairly have used a net monthly income of £2,379.

The statements show Mrs S's housing and living costs averaged £1,192 a month. Updraft knew from the credit check that Mrs S's existing commitments were £764 a month, though her statements show she was spending £914. It maybe she was repaying more than the 5% of balance on her revolving debt each month (a level that this service and many lenders use to allow for the sustainable repayment of debt).

This means better checks would have shown Updraft Mrs S had £273 disposable income remaining, or £423 based on its credit check. The repayment on this loan was just over the first amount. But I have to take into account that this loan was taken out to repay Mrs S's credit card debt. This stood at £11,132 so it would clear most of it, reducing her existing monthly credit commitments and freeing up additional disposable income.

It meant she could take on this new loan, repay 97% of her credit card debt and have around £500 disposable income (income of £2,379 minus housing/living costs of £1,192, minus the repayment of this loan at £279.56, her other loan at £108, her car finance at £275 and £16 for her remaining credit card debt of £332).

I have thought carefully about the fact this was Mrs S's second loan for debt consolidation from Updraft. But proportionate checks would have shown it was affordable, as set out above. And her credit check did not show any signs of financial strain (no defaults, CCJs, delinquent accounts, late payments, returned direct debits or payday lending). She had repaid the first loan in line with the agreement. Mrs S argues her debt had increased but it had not changed significantly, going from £12,857 in March 2022 to £14,139 in November 2023.

As this loan would allow her to clear a much more substantial percentage of her debt, I think it was reasonable for Updraft to support her aim of reducing her monthly cost of credit. She has confirmed she did not use all the loan for debt consolidation as intended, which it seems created financial strain. But in the circumstances, I cannot fairly find it was unreasonable for Updraft to assume the loan would be used for its stated purpose. I may have reached a different conclusion had Mrs S taken out multiple consolidation loans from Updraft prior to this one.

It follows that I do not think Updraft was wrong to lend to Mrs S.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Updraft lent irresponsibly to Mrs S 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 S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 18 February 2026.

Rebecca Connelley
Ombudsman