

Complaint

Mrs O has complained about a personal loan Fairscore Ltd (trading as “Updraft”) which she says was unfairly lent to her. She says the loan was unaffordable as she already had a high amount of existing credit.

Background

Updraft provided Mrs O with a loan for £9,200.00 in February 2023. This loan had an APR of 21.77% and a 60-month term. This meant that the total amount to be repaid of £14,421.77, which included interest, fees and charges of £5,221.77, was due to be repaid in 59 monthly instalments of £241.58 followed by a final instalment of £168.55.

One of our investigators reviewed what Mrs O and Updraft had told us. He thought that Updraft hadn’t done anything wrong or treated Mrs O unfairly when it provided this loan and so didn’t recommend that the complaint be upheld. Mrs O disagreed with our investigator and asked for an ombudsman to review the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 Mrs O’s complaint. Having carefully considered everything, I’m not upholding Mrs O’s complaint. I’ll explain why in a little more detail.

Updraft needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Updraft needed to carry out proportionate checks to be able to understand whether Mrs O could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to show that it didn’t continue to provide loans to a customer irresponsibly.

Bearing in mind Mrs O’s responses to our investigator’s assessments, it may also help for me to explain that Updraft’s information perhaps not matching what a review of her bank statements would show doesn’t mean that it was irresponsible for it to lend. I say this as it is for a lender to determine the checks that it wishes to carry out. There is no requirement to obtain bank statements from a prospective borrower before a lender lends to them.

Updraft says it approved Mrs O's application after she provided details of her monthly income, which it cross checked against information from credit reference agencies on the amount of funds going into her main bank account each month and some information on her expenditure. It says it cross-checked Mrs O's expenditure declaration against some statistical data and information on a credit search that it carried out which also showed that her existing commitments were reasonably maintained.

In Updraft's view all of the information it gathered showed that Mrs O could afford to make the repayments she was committing to. On the other hand, Mrs O has said she already owed a significant amount and couldn't afford this loan. I've carefully thought about what Mrs O and Updraft have said.

As Updraft asked Mrs O about her income, information about her expenditure and also carried out a credit check, it's clear that Updraft did obtain a reasonable amount of information before it decided to proceed with Mrs O's application. Having looked at the credit check, I can't see that Mrs O had experienced any recent significant adverse difficulties such as having defaulted accounts or County Court Judgments recorded against her.

There's no dispute that Mrs O had existing credit balances with other lenders. However, the information from Mrs O's application indicates that the funds from this loan were going to be used to consolidate some of her existing credit card debt. So I'm satisfied that Updraft took reasonable steps here to understand that it wouldn't be increasing Mrs O's existing indebtedness in a way that was unsustainable or otherwise harmful, as well as taking reasonable steps to ensure Mrs O was able to make the monthly repayments.

I accept that Mrs O may have had difficulty making her payments. The reason why might have been because she went on to re-establish a balance on the credit card she cleared. Mrs O has also said that while she told Updraft her husband paid half of their mortgage payments and living costs, this wasn't the case as he only paid the household bills.

I've thought about what Mrs O has said. But Updraft could only make a reasonable decision based on the information it had available at the time. Mrs O's explanation of having shared mortgage and household costs was not only reasonable, it was plausible. So while Mrs O may disagree with this, I do think that Updraft was entitled to rely on what was said – irrespective of Mrs O's reasons for making an incorrect declaration in the first place.

Furthermore, as I've explained Updraft was entitled to rely on Mrs O clearing one of her credit cards and won't have known that she would go on to re-establish a balance in the way that she says she did. This loan had the potential to crystallise Mrs O's credit card balance and provide fixed monthly payments for it to be repaid over a defined period. This wouldn't have been a possibility without the credit card balance being cleared in this way.

Equally, as Updraft wasn't Mrs O's credit card provider it couldn't close the credit card and could only rely on Mrs O clearing the balance in the way that she said she would. I would also add that I don't think the fact that the loan was insufficient to consolidate all of Mrs O's existing debts doesn't mean that it was unreasonable for Updraft to provide it.

Indeed, this was a first consolidation loan Updraft was providing, so there wasn't a history of Mrs O returning to Updraft for further funds after taking out a previous consolidation loan. Updraft was reasonably entitled to conclude that this loan had the potential to improve Mrs O's position and I don't agree that the funds being insufficient to clear all of Mrs O's existing balances meant that it was irresponsible for it to lend.

Finally, I don't think that the monthly repayment perhaps taking up around 80% of the disposable income Updraft calculated Mrs O having means that it was irresponsible for it to lend to her either. I say this because the disposable income amount was arrived at in circumstances where Updraft's calculation increased provision for Mrs O's living costs, included the full amount of her monthly mortgage payment and also repayments to the credit card debt that was going to be repaid with this loan.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the further than what Updraft did do here. As this is the case, I don't think that Updraft did anything wrong when providing this loan to Mrs O - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

In reaching this conclusion I've also considered whether the lending relationship between Updraft and Mrs O might have been unfair to Mrs O under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Updraft irresponsibly lent to Mrs O or otherwise treated her unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm satisfied that Updraft didn't treat Mrs O unfairly. I accept that Mrs O says that the information Updraft had was inaccurate. However, I'm satisfied that it carried out reasonable and proportionate checks and as the information gathered showed that the repayments were affordable, it was reasonable for it to lend to her. I appreciate this is likely to be very disappointing for Mrs O. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs O's complaint, I would remind Updraft of its obligation to exercise forbearance and due consideration, given what Mrs O has now said, should she experience difficulty making her payments over the remainder of the loan.

My final decision

For the reasons I've explained, I'm not upholding Mrs O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 9 February 2026.

Jeshen Narayanan
Ombudsman