DRN-5931213

The complaint

Miss B complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to her.

What happened

Miss B was provided with a £7,500 loan by Updraft in February 2023. The loan term was 60 months and Miss B was required to make 59 monthly repayments of £185.06 followed by a final payment of £305.40. She explained that at the time she already had a high amount of unsecured debt and that she has since had to enter a debt management plan. Miss B said this loan has had a negative impact on her credit file and caused her stress.

Updraft issued a final response to Miss B's complaint dated 25 April 2025. It said that before the loan was issued it carried out affordability checks using data from Miss B's application as well as open banking and third-party data. It also undertook a credit search. Based on its checks it said the loan was affordable for Miss B.

Miss B referred her complaint to this service.

Our investigator didn't think that the checks carried out before the loan was provided were proportionate. He reviewed Miss B's bank statements for the three months leading up to the loan application to understand what would likely have been identified had further checks taken place. Based on this he found the loan appeared affordable.

Miss B didn't accept our investigator's view. She agreed that the checks weren't proportionate but said that had her bank statements been reviewed they would have shown the loan to be unaffordable. She said that reviewing her bank statements for a three-month period wasn't sufficient to reflect the volatility of her financial situation. She thought her high level of debt and need for consolidation should have been a red flag and shown that she was dependent on credit. She said there were no systems in place for Fairscore to ensure she used the loan proceeds for debt consolidation and this loan added to her financial burden.

Our investigator responded to the points made by Miss B but as these didn't change his view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss B was provided with a £7,500 loan requiring monthly repayments of around £185. Before the loan was issued, Fairscore gathered information about Miss B's employment and income, asked about her expenses and carried out a credit check. Miss B said that she was employed with an annual income of £30,019 and was living with parents. She didn't declare any payments for rent or household bills and said that the loan was for debt consolidation. Fairscore verified Miss B's monthly income using open banking data and identified an amount of £1,639. The credit check showed Miss B had unsecured debts of around £22,858 and it calculated her credit commitments to be around £1,045 a month.

Miss B's credit check didn't show any recent county court judgments or defaults, and her active accounts were up to date. But given the size of Miss B's existing credit commitments and the portion of her income used to service these, and also considering the size of the Fairscore loan and repayments, I think further checks should have been carried out to verify Miss B's expenses.

As I think further checks should have taken place, I have looked at Miss B's bank account statements for the three months leading up to the loan application (alongside the other information Fairscore received through its checks) to see if this should have raised concerns about the lending. I note Miss B's comment about the time period used for the statement review, but I think it reasonable that three months was used to gain an understanding of her situation and had this raised questions, these could have been followed up.

Looking through Miss B's bank statements, these show Miss B receiving an income from her employer. There were additional receipts in November from a credit union and Miss B also made and received payments from what appears to be family and friends, but for this assessment, I have just included the main income figure. Fairscore recorded an income figure of around £1,639, and based on the statements provided these support the income figure used. The income figure is lower than would be expected based on an annual income of £30,019 and Fairscore discussed this with Miss B. She explained that there were payments for a loan that were taken directly from her salary.

Miss B had several credit commitments shown in her credit report. This loan was intended for debt consolidation and so while I note Miss B's comment about there not being systems in place to ensure this happened, I find it reasonable that Fairscore would rely on the information it received at application, including the purpose of the loan. As this was for debt consolidation, it is reasonable to accept that Miss B's credit costs wouldn't have increased as a result of this loan (and should have decreased) as she would have used the loan to repay higher cost debts.

Fairscore calculated Miss B's credit commitments based on her credit file to be around £1,045, with £978 being loan repayments and the other £67 for credit cards. I think the amount included for Miss B's credit card repayments was reasonable but having looked through Miss B's account statements her payments for loans appear to be less than Fairscore recorded. As noted above, Miss B had said that she had loan repayments made straight from her salary. I have looked at the credit report Miss B has provided and this shows that at the time of this loan application she had two loans outstanding with a credit union linked to her employer. The repayments for these loans were £451 and £29. On the basis these payments came directly from Miss B's salary before she received her net pay, I think it reasonable these amounts were removed from her costs before the affordability assessment. This would reduce the credit payments Miss B was required to make from her net income to around £565.

Deducting Miss B's credit costs from her income would leave around £1,074. Miss B had limited other costs (was living with parents) and was only paying around £100 a month for regular payments such as insurance, communications contracts, car tax and pet costs. Therefore, after her credit cost and other regular outgoings she would have around £974 for her general living costs and any unexpected expenses. Based on this I do not find I can say that further questions would have shown the loan to be unaffordable for Miss B. I further note that even including the full credit commitments (even those noted above that didn't appear on her statements) this loan would still not appear unaffordable.

While I do not find the checks suggested the loan to be unaffordable, I have considered whether there were other reasons why the loan shouldn't have been given. Having looked through Miss B's credit report that she has provided, this doesn't show that she was struggling to manage her commitments at the time the Fairscore loan was provided. However, I note that she had taken out two loans in the previous three months – one with the credit union (November 2022) and one with another provider (December 2022). While this could raise concerns that Miss B was becoming reliant on credit, Miss B had said this loan was for debt consolidation and I note that she did repay the December loan shortly after receiving the Fairscore loan, suggesting this was part of her refinancing. Therefore, on balance, I do not find I have enough evidence to say that there were reasons beyond the affordability that meant this loan shouldn't have been given.

I've also considered whether Fairscore acted unfairly or unreasonably in some other way given what Miss B has complained about, including whether its relationship with Miss B 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 Fairscore lent irresponsibly to Miss B 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

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 December 2025.

Jane Archer
Ombudsman