

The complaint

Ms M complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to her. She wants all interest and charges applied to the loan refunded along with statutory interest and any negative information removed from her credit file.

What happened

Ms M was provided with a £500 loan by Updraft in January 2022. The loan term was nine months, and Ms M was required to make monthly repayments of £62.60.

Ms M said that she was struggling financially at the time the loan was provided with multiple debts outstanding. She explained that as well as the loans that would be seen on her credit file, she also owed money to family members. Ms M said that her credit file showed her reliance on payday loans and that she was at the limit on her credit cards and overdraft and had taken out two previous consolidation loans.

Ms M believes that had proper checks been carried out before the loan was given then Updraft would have rejected her application. She said the Updraft loan made her financial situation worse.

Updraft issued a final response to Ms M dated 22 April 2025. It said that it undertook proportionate affordability checks before the loan was provided. It noted Ms M had said the loan was intended to clear her overdraft. It said it verified Ms M's income and used information from Ms M and third-party data to estimate her expenses. It also undertook a credit check. Updraft said that based on its checks the loan wasn't lent irresponsibly.

Ms M referred her complaint to this service.

Our investigator thought that the checks carried out before the loan was provided were proportionate. As these didn't raise concerns about the affordability of the loan, she didn't uphold this complaint.

Ms M didn't accept our investigator's view. She said the extent of the checks failed to reflect her vulnerability at the time. She noted the other credit she had taken out shortly before this loan and said this gave clear indicators of financial distress and instability. She said she then had to consolidate her debts by taking out another large loan. She said the Updraft loan wasn't affordable, and she had to borrow more to make the repayments.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint. While I came to the same outcome to that given in our investigator's view, I included additional reasoning for this. The details of my provisional decision are set out below.

Ms M was provided with a £500 short term loan requiring monthly repayments of £62.60. While this was a relatively small loan, Updraft still needed to ensure that adequate checks were undertaken to be confident that Ms M would be able to afford to make the repayments.

Before the loan was provided, Updraft gathered information about Ms M's employment, income, housing costs and the purpose of the loan. Ms M said she was employed with an annual income of £48,000 and Updraft used open banking data to verify this. Based on the information received a net monthly income of around £3,163 was included in the calculation. Ms M's housing costs were noted as £925 a month and her credit commitments taken from her credit file and estimates used for her other costs. Based on these figures, Updraft calculated Ms M's net disposable income to be around £1,276.

A credit check was conducted, and this didn't show any delinquent or defaulted accounts, or county court judgements. While Ms M had other debts outstanding, she was up to date with her commitments.

Given the size of the loan and the repayments compared to Ms M's income, I find the initial checks were proportionate. However, this doesn't necessarily mean that I think, based on the results of the checks, further questions shouldn't have been asked or the loan not given. To assess that I have looked at the information received through the checks to see if this should have raised concerns.

Ms M's income was verified using open banking data and the results were in line with the amount she had declared. Ms M's housing costs were noted as £925, and she declared other costs of £420 but a higher amount of £556 was included. Ms M's credit file showed she had £10,636 of unsecured debt of which £8,377 was credit card debt. Ms M had two loans outstanding (one had a payment freeze) and two current accounts with overdrafts.

Updraft calculated the cost of Ms M's credit commitments as around £406, but using a repayment amount of 5% on credit card and mail order debt and the payment amount for her loans (excluding the payment for her account that had a payment freeze) would result in monthly credit repayments before the Updraft loan and excluding her overdrafts of around £558. This would leave over £1,100 for Ms M's other expenses. So, even if payments towards her overdrafts and the loan with the payment freeze (£199) were included, I still do not find I can say the information received through Updraft's checks suggested its loan repayments of £62.60 would be unaffordable for Ms M.

As I find the loan appeared affordable, I have then considered whether there were other reasons identified through the checks that meant the loan shouldn't have been provided.

Ms M's credit report showed she had five active credit card accounts which were all at or near their limits. She also had two overdrafts one of which was at its limit and the other close to the limit. I appreciate that Ms M said she wanted the loan to consolidate her overdrafts, but given the size of the Updraft loan, it would only have repaid one overdraft. I have also considered that given Ms M's monthly net income and her calculated disposable income she should have been able to clear her overdrafts each month, but this didn't appear to be happening.

Ms M has noted her reliance on short term borrowing and provided details of loans taken out shortly before the Updraft loan. However, it takes time for credit to be recorded on a credit file and based on the credit results Updraft received these didn't show the December 2021 loans. The results did report a loan taken out for £500 in November 2021 and this had a payment freeze recorded on it which I think should have raised concerns that Ms M may be experiencing difficulties. The credit file also showed a recent history of short-term loans with

one taken out in August 2021 and two in June 2021. While these had been settled, I think this could suggest that Ms M might be reliant on short term debt.

As the information received through the credit check showed Ms M to be at her credit limits on several accounts, a possible reliance on short term lending and noting the loan was for an amount that was less than her monthly calculated disposable income, I think that Updraft should have asked further questions to fully understand Ms M's financial circumstances.

Updraft wasn't required to request copies of Ms M's bank statements but as I think it needed to get a better understanding of her situation, I have looked at the information these contain to see what further questions would likely have identified.

Having looked through Ms M's statements these support the income figure used. They show that Ms M was making regular payments for costs such as utilities, communications and media contracts and insurances which averaged around £525 a month, so I think the £556 included by Updraft was reasonable.

Ms M was making payments towards her existing credit commitments, and these did include short term loans. I think the further checks would have shown that Ms M had additional credit commitments, including buy-now pay later accounts and other short-term loans. Taking these into account meant she was paying around £1,010 a month for her credit commitments.

While Ms M's credit commitments were higher than Updraft had recorded, I note the Updraft loan was for consolidation and so shouldn't have increased these further. The credit report didn't show that Ms M was struggling to manage these commitments. Deducting the higher credit costs, along with Ms M's other costs of £566 and rent of £925 would give disposable income of around £672, to cover the costs of the Updraft loan and Ms M's general living costs such as food and fuel. Based on this, I do not find that I can say that further checks would have shown the loan to be unaffordable. Therefore, I do not find I can uphold this complaint.

I've also considered whether Updraft acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M might have been viewed as unfair by a court 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 Ms M 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.

Ms M didn't accept my provisional decision. She noted that I had said Updraft should have investigated further and she thought that had this happened Updraft would have seen the payday loans on her bank statements. She said it was clear she was reliant on credit and was unable to manage her debts and the loan Updraft provided wasn't enough to cover the repayments of her other loans. She said that the Updraft loan proceeds didn't go towards paying her overdraft but instead to repay numerous payday loans and she thought Updraft should have confirmed what the loan was being used for.

Ms M said that she was only able to repay the Updraft loan early because she needed to consolidate her debts. She said that Updraft would have seen other loans on her credit file and thought that having at least three payday loans in the run up to this loan was proof that she was struggling and shouldn't have been given further credit.

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.

I appreciate that Ms M was disappointed by my provisional decision, and I am sorry that she feels her financial circumstances haven't been fully understood. I would like to assure Ms M that I have fully considered all the information that has been provided in this complaint and I do not underestimate the stress she has experienced. But my decision is based on what I consider fair and reasonable given the evidence provided and in this case, while I have considered Ms M's comments, my conclusions haven't changed.

As I set out in my provisional decision, given the size of the loan and the repayments compared to Ms M's income, I find the initial checks were proportionate. However, Ms M's credit report showed she had five active credit card accounts and two overdrafts which were all at or near their limits. The Updraft loan was only large enough to repay one overdraft and I noted that Ms M's calculated disposable income should have meant she was able to clear her overdrafts each month, but this didn't appear to be happening. Therefore, I think that further questions should have been asked to get a better understanding of Ms M's circumstances.

I note Ms M's comment that had Updraft looked through her bank statements it would have seen her other payday loans (including those that weren't yet reported on her credit file), but as I set out, I do not think that Updraft was required to request copies of Ms M's bank statements and it could have asked further questions about her expenses. I used the bank statements to assess what Updraft would likely have identified had further questions been asked.

In this case, I found the additional checks wouldn't have raised issues with the income figure that Updraft has used, or the payment for Ms M's regular costs. But I thought it likely that additional credit commitments would have been identified. However, I found that had these additional credit costs been included in the affordability calculation they still wouldn't have shown the Updraft loan to be unaffordable.

I note Ms M's comment about her reliance on credit, but as her credit report didn't raise concerns about how she was managing her existing commitments, she didn't appear to be overindebted and the Updraft loan was for debt consolidation and appeared affordable, I do not find I can say Updraft was wrong to provide this loan.

I know this will be disappointing for Ms M, but for the reasons set out above and in my provisional decision, I do not find I can uphold this complaint.

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 Ms M to accept or reject my decision before 12 December 2025.

Jane Archer
Ombudsman