

Complaint

Miss C 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 credit and high repayments.

Background

Updraft provided Miss C with a loan for £8,000.00 in August 2023. This loan had an APR of 36.35% was due to be repaid in 60 monthly instalments of £266.12 followed by a final instalment of £247.44.

Miss C was provided with a second loan by Updraft in March 2024. As Updraft upheld this complaint and sought to compensate Miss C in the way that we would normally seek to do so if we upheld a complaint, we’ve not looked at Miss C’s complaint about this loan.

One of our investigators reviewed what Miss C and Updraft had told us. She thought that Updraft hadn’t done anything wrong or treated Miss C unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Miss C 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 Miss C’s complaint.

Having carefully considered everything, I’m satisfied that what Updraft has already done to put things right for Miss C is fair and reasonable in all the circumstances of this case and I’m therefore not upholding the 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 Miss C 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 be able to show that it didn't continue to provide loans to a customer irresponsibly.

Updraft says it approved Miss C's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out which showed Miss C's existing commitments were relatively well maintained at the time.

In Updraft's view all of the information it gathered showed that Miss C could afford to make the repayments she was committing to. On the other hand, Miss C has said she already owed a significant amount and couldn't afford this loan.

I've carefully thought about what Miss C and Updraft have said.

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

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

I know that this loan might have increased the length of time Miss C would have to make payments for, compared to some of her existing commitments. But Miss C would have been able to afford the repayments and would have had an increased monthly disposable income as long as Miss C repaid her existing commitments and closed the accounts. Equally, this loan with fixed repayments would have allowed Miss C to make inroads into her revolving credit balances in a way making the minimum monthly repayment would not.

I accept that Miss C says she experienced difficulty making the payments. The reason why might have been because she did go on to continue using her credit cards and also borrowed again elsewhere. But Updraft could only make a reasonable decision based on the information it had available at the time. It won't have known Miss C would do this – as I've explained, it was reasonably entitled to believe that Miss C would consolidate some of her existing debts in the way she said she would.

I've noted that Miss C has now provided further evidence of actual income at the time in support of her argument that she didn't have sufficient funds to make the monthly payments for this loan. The first thing for me to say is that Miss C's analysis has been carried out with the use of payslips, which Updraft wasn't required to obtain. Secondly, this doesn't alter the fact that Miss C declared receiving a higher monthly income at the time, which, given its cross checking suggested was plausible, Updraft was entitled to rely on.

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

In reaching this conclusion I've also considered whether the lending relationship between Updraft and Miss C might have been unfair to Miss C 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 Miss C 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 what Updraft has already done to put things right for Miss C is fair and reasonable in all the circumstances and I'm not upholding this complaint. I appreciate this is likely to be very disappointing for Miss C – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 31 December 2025.

Jeshen Narayanan
Ombudsman