

The complaint

Ms M complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to her. She wants all interest and charges on her loan refunded along with statutory interest.

Ms M is represented by a third party but for ease of reference I have referred to Ms M throughout this decision.

What happened

Ms M was provided with a £5,900 loan by Updraft in June 2024. The loan term was 48 months, and Ms M was required to make monthly repayments of £186.39.

Ms M said that adequate checks weren't carried out before the loan was issued to ensure it would be affordable for her. She said she was in financial difficulty at the time of the application with her credit commitments already accounting for a large proportion of her income. Ms M said that her expenditure was greater than her income and she struggled to make her repayments without further borrowing. She explained she was borrowing from family but still struggled. She said the loan was unaffordable and made her financial problems worse.

Updraft issued a final response dated 2 May 2025. It said that before providing the loan it carried out affordability checks. It noted that Ms M had said the purpose of the loan was debt consolidation. Updraft explained that it used the information provided by Ms M in her application along with open banking data and data from the credit reference agencies and that based on its checks the loan was affordable for her.

Ms M referred her complaint to this service.

Our investigator thought the checks carried out before the loan was issued were proportionate. He noted that based on the checks, Ms M would be left with a very low disposable income after the Updraft loan repayments but also that the loan was intended for debt consolidation. He found that taking this into consideration it was reasonable that Updraft found the loan to be affordable for Ms M.

Ms M didn't agree with our investigator's view. She said that her mortgage and credit commitments totalled around 90% of her net monthly income which meant that Updraft should have undertaken further checks to establish if the loan would be affordable for her.

Our investigator responded to Ms M's comment stating that Ms M confirmed to Updraft that she was only responsible for 50% of the debt repayments and had an additional £300 of income from rent. He said that the credit commitments included in the calculation were from Ms M's credit file. Based on this his view didn't change.

Ms M said it wasn't responsible to rely on her saying that she was only responsible for 50% of her debts and that she didn't recall making this statement. She said the assessment needed to be based on whether the loan repayments were sustainably affordable over the loan term. Given Ms M's existing debts and the repayments required compared to her

income she didn't accept that this loan was affordable.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision upholding this complaint. The details of my provisional decision are set out below.

Ms M was provided with a £5,900 loan repayable over 47 instalments of around £186 followed by a final instalment of around £208. As part of the application process, Ms M provided details of her employment, income and residential status and was asked about the purpose of the loan. Ms M declared that she was employed with an annual salary of £25,500, was a homeowner and intended to use the loan to consolidate multiple loans. Open banking data was used to check Ms M's income, and a credit check was carried out.

Updraft contacted Ms M before the loan was issued to discuss the outcome of its initial checks. These showed Ms M's monthly net income was around £1,776 and her outgoings exceeded this at around £1,939. Ms M was asked about this, and she said that her husband paid half of the mortgage, bills and credit cards and that she received £300 a month rent from another family member. Given the results from the initial checks, I agree that further questions were needed and can see Ms M did provide additional detail. I have therefore assessed, based on the information available to Updraft from its checks and questions, whether this should have raised any concerns that meant further verification was needed.

Ms M's open banking data showed a monthly net income of around £1,776 and this is in line with her declared annual income figure. She has mentioned also receiving £300 a month in rent from a family member but the open banking data didn't identify this, although it did identify transfers from other accounts and individuals. Updraft only considered Ms M's income from her salary in its calculations and given this was what was identified in the open banking data, I think this reasonable and I have used this figure in my assessment.

Ms M's credit file showed an outstanding mortgage with monthly repayments of £626. Ms M said this was shared with her husband and that she paid half. The credit check showed that the mortgage was in joint names, so I think it reasonable that Updraft would include 50% of this as Ms M's contribution to the mortgage, being around £313.

Ms M said that bills and credit cards were paid between her and her husband, so she only paid half of these costs. There was no mention of the loan repayments being split. Based on Ms M's credit results, including her loan repayments in full and half of an amount for her credit card repayments gave credit commitments of around £816 a month. While I accept that this was a reasonable approach based on the information Ms M provided, I also think that Updraft needed to keep in mind that the credit cards weren't in joint names.

Based on Ms M having credit commitments of £816 a month, this accounted for around 46% of her income which is a reasonably large portion. While I appreciate that the Updraft loan was intended for debt consolidation, given Ms M's high level of existing credit commitments (and noting the repayment figure includes only half of the credit card costs) I think that it would have been reasonable for Updraft to have asked for further details of Ms M's regular expenses (or to have verified these through the open banking data) to ensure that the new loan would be affordable over the loan term.

Ms M has provided copies of her bank statements for the months leading up to the loan application. The statements are from her joint account. These show payments for costs such

as council tax, insurances, utilities and media / communications contracts. These averaged around £662 a month. Additionally, there were payments for essentials such as food and transport which were recorded in Updraft's initial figures as around £400 and based on the information I have seen I find this reasonable. Taking half of these payments would give general costs of around £531 which is similar to the amount of around £524 included in Updraft's calculation.

The bank statements also show that additional to the credit identified through the credit checks, Ms M received £7,500 into the joint account in May 2024 which she has said was a new loan and she was making monthly repayments of around £194 for another credit facility. While I accept these weren't included in Updraft's calculations as they weren't identified in the credit check results, I think it possible further checks may have identified these additional costs.

While the bank statements show Ms M's regular income, there is no clear second income aside from a small pension payment, which supports Ms M's comment that her husband wasn't working at the time. There were however transfers in from other accounts and while I note Ms M's comments about these, they were funds she could use for costs.

Taking all of the above into account, using an income of £1,776 and deducting her credit commitments (£816), share of mortgage (£313) and household expenses including food and transport (£531), she would be left with around £116 disposable income before the Updraft loan repayments. This isn't enough to cover the Updraft loan repayments, and while I think it reasonable that the intended purpose of debt consolidation would be factored into the assessment, I still think this should have raised concerns that Ms M wouldn't be left with sufficient disposable income for any unforeseen costs. This is especially the case given the additional credit commitments that might have been identified through further questioning.

So, based on the numbers above, I think the checks should have raised concerns about the sustainability of the loan over its loan term and given this, I intend to 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 unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Ms M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Ms M accepted my provisional decision, but Updraft didn't agree with my provisional conclusions.

Updraft said that while a high debt to income (DTI) ratio was a potential indicator of heightened risk, this shouldn't be taken in isolation and that the guidance required the individual circumstances of each case to be considered. It further noted that it was able to take account of the purpose of the borrowing and noted that Ms M was a first-time customer and the stated purpose of the loan was refinancing, not credit expansion. Updraft stated that while Ms M had existing debt she was managing her commitments with no arrears, missed payments, no persistent overdraft usage, and a clean credit file. She wasn't overextended on her credit lines, and no vulnerabilities were evident or declared. It found that given Ms M's circumstances enhanced checks weren't proportionate.

Updraft noted my calculation of Ms M's expenses and said these were different to the amounts she confirmed at the time. Updraft said it sent Ms M an affordability message on 25 June 2024 which provided a breakdown of its modelled figures and asked her to explain her situation in more detail. Ms M confirmed she was only responsible for 50% of the amounts

stated and received £300 per month rent from a family member, as additional income. It said that this meant Ms M was responsible for 50% of the amounts it had in its affordability breakdown not 50% of actual household outgoings or 50% of all credit commitments in the abstract. Updraft noted that the regulations permit a firm to take into account that a customer may only be responsible for a share of a contractual obligation where that is the reasonable expectation. It didn't accept that the figures included in my provisional decision should be relied on as it believed it correct that it used the information it had received. It said there was nothing in the information it received from Ms M which meant it should have carried out further checks on Ms M's costs and further noted the figure I found for her expenses was in line with the figure it used.

Updraft said it assessed the loan on a standalone basis, but noted it was intended for debt consolidation and taking this into account it said the loan would have had the potential to materially improve Ms M's financial position.

In summary, Updraft said that it was reasonable for it to rely on the information it received at the time the loan was provided and that its checks were reasonable and proportionate. It said its checks didn't suggest that Ms M was struggling to manage her commitments and there was no reason to conclude that refinancing would not be capable of improving her financial position.

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.

In light of Updraft's response to my provisional decision, I have looked again at this case. I appreciate that Updraft doesn't think that further verification was needed, and I accept that Ms M's credit file didn't show any arrears or missed payments or other signs that she wasn't managing her existing commitments at that time. But I do think that the initial check showed signs that Ms M might be becoming reliant on debt and also that she would have very limited disposable income after the loan repayments. Given this I think further checks were warranted.

Based on Updraft's initial affordability checks Ms M had negative disposable income and hence it asked for further details. In response to this Ms M said she received a further £300 of income from a family member for rent. Updraft used open banking data to check Ms M's income and found her regular salary. While there were payments into the account from other accounts, it wasn't clear what these were for and so I agree with Updraft's decision not to include this amount in the income figure for the calculations.

Ms M also noted in her response to Updraft's affordability questions that the mortgage, bills and credit cards were paid jointly by her husband and so she only paid half. Updraft had calculated Ms M's credit card payments as £345 and adding this to her instalment loan payments (which she hadn't said were shared with her husband) gave monthly credit commitments of around £816, equivalent to around 46% of her income. This doesn't include

the repayments towards a loan Ms M had taken out in May 2024 which didn't appear in the credit check (hence I haven't included in my calculation) but this might have been identified through further checks.

While I note Updraft's comment that Ms M was managing her existing credit commitments, and the loan was intended for debt consolidation, given the high portion of Ms M's income being used for credit commitments, and noting that the credit card accounts were only in her name although she said she was only responsible for half the payments, I think it would have been proportionate to have asked further questions.

As I set out in my provisional decision, I found that further questions would have resulted in a similar figure being used for Ms M's share of her general expenses (£531 against Updraft's figure of around £524). Deducting Ms M's declared share of her credit commitments and the living expenses from her income would leave around £429 to cover her housing costs and the Updraft loan repayments.

Updraft used a figure of £200 for Ms M's housing costs. Her credit report showed a joint mortgage with monthly repayments of £626. I agree that it is reasonable in certain circumstances to accept costs are shared (and I have reflected this in the costs noted above). Ms M said in her response to Updraft that she shared the mortgage with her husband, and it appeared she had previously declared a cost of £350 a month. I note Updraft's comment that it included the £350 figure in the question to Ms M about her costs and she said she paid half the amounts for the mortgage, bills and credit card, but I think in this case, it was reasonable to accept that Ms M paid half the mortgage payment of £626, and that she was confirming this in her response. Deducting Ms M's share of the mortgage of £313 would leave around £116. This is less than the account due for the Updraft repayments.

While I note loan was intended for debt consolidation, Updraft assessed the loan on a standalone basis which I find reasonable. I haven't seen any details of discussions between Updraft and Ms M about the debts she intended to consolidate. I note that Updraft used in its response to my provisional decision a calculation based on a partial repayment of a loan. This didn't happen, and based on her post loan actions, I think that had this been questioned then she would likely have said she would repay her credit cards. As the affordability calculation only included 50% of the credit card repayments, the loan repayments wouldn't have resulted in a reduction in Ms M's outgoings.

Taking everything into account, I think it would have been proportionate to have carried out further verification before the loan was given. However, even without this, Updraft's figures showed Ms M to have disposable income after her credit costs and essential living costs of around £436. Deducting 50% of the mortgage from this would not leave sufficient income to cover the Updraft repayments and even deducting Updraft's mortgage figure of £200 would only leave around £51 for any unforeseen or increases in costs. Therefore, in this case, I think that reasonable checks would have raised concerns that this loan wouldn't be sustainably affordable for Ms M.

Putting things right

As I don't think this loan should have been provided, I do not think it fair that Updraft is able to charge interest or charges on the credit agreement, however as Ms M had use of the loan proceeds I think it fair she is required to repay these.

So, to resolve this complaint, I find that Updraft should:

- Remove all interest, fees and charges from the balance on the outstanding loan, and

treat any repayments Ms M made towards the loan as though they had been repayments of the principal loan amount of £5,900.

- If that means that Ms M would have made overpayments, then it must refund these overpayments with 8% simple interest* calculated from the date the overpayments would have arisen, to the date the complaint is settled.
- Alternatively, if there is still an outstanding balance following the account restructure, then Updraft should try to agree an affordable repayment plan with Ms M.
- Updraft must remove any adverse information recorded on Ms M's credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires Updraft to deduct tax from this interest. It should give Ms M a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that I uphold this complaint. Fairscore Ltd trading as Updraft should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 30 January 2026.

Jane Archer
Ombudsman