

The complaint

Mr C complains that Fairscore Ltd trading as Updraft was irresponsible in its lending to him.

What happened

Mr C was provided with three loans by Updraft. He raised a complaint with Updraft about the second and third loans provided in September 2024, and January 2025 respectively. He said that before the loans were provided, Updraft didn't take full consideration of his circumstances including his other credit commitments and the risk that he would fall behind on other essential bills. He said that once taking into account his other costs at the time, these loans weren't affordable. Mr C said he had needed to take on further debt to meet his living costs.

Updraft issued a final response letter dated 15 July 2025. It said that when Mr C applied for the loans, he submitted details of his income and expenditure, linked his main account through open banking and agreed to a credit check. It used this information in its affordability review. Updraft said that based on its checks the September 2024 lending decision was fair and reasonable. However, it found that based on a manual review of Mr C's details, his indebtedness had increased between the September and January loans, and it upheld his complaint in regard to the January 2025 loan. Regarding this loan, it said that all interest and charges on the loan would be removed so that Mr C was only required to repay the amount he borrowed and that any adverse markers would be removed from his credit file.

Mr C agreed with Updraft's decision to uphold his complaint about his third loan and thought the same decision should have been made for his second loan. He said the income and commitment details Updraft included in its response regarding his second loan weren't correct. Mr C referred his complaint to this service.

Our investigator noted that Mr C's complaint about the January 2025 loan had been upheld and so he didn't consider this loan further. His investigation was focused on whether the September 2024 loan was lent responsibly. The September 2024 loan was for £8,000, had a loan term of 60 months and required monthly repayments of £266.09.

Our investigator thought that there could have been further checks undertaken before the loan was provided given Mr C's high debt to income ratio and that Mr C was highly indebted. He requested copies of Mr C's bank statements for the months leading up to the loan being issued to understand what further checks would likely have identified. He completed an income and expenditure assessment and found that Mr C would be left with very limited disposable income after the loan repayments. Given this and that Mr C was overindebted he didn't think that Updraft had made a fair lending decision.

Updraft responded to our investigator's view. It said that there was no prescribed debt to income threshold in the regulations and nor was there a definition that had high debt as a disqualifying factor. Instead, a firm was required to assess the customer's overall financial situation which was what it said it had done. Updraft noted that Mr C's financial position had materially improved between his first and second loans with his unsecured debt reducing by £23,000 and his credit utilisation reducing by 29 percentage points. It said that Mr C was an

existing customer with a proven repayment history. Updraft noted that this was Mr C's second loan in 12 months but said its approach was to advance part of a customer's debt and if the facility was managed well, the customer may be able to reapply for additional refinancing. Updraft also raised concerns about the income and expenditure calculations carried out by our investigator and said that based on its checks the loan was affordable.

Our investigator responded to the points raised by Updraft but as his view didn't change, and 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 the details of which are set out below.

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.

Mr C was provided with three loans by Updraft. His complaint was only in regard to the second and third loans and Updraft upheld the complaint about the third loan. Therefore, this decision relates to the second loan, provided in September 2024. The loan was for £8,000 and required monthly repayments of around £266.

As this was Mr C's second loan, Updraft had information available to it about how he had managed his previous account as well as data from when the initial loan was provided. Additional to this data, Updraft gathered information about Mr C's employment, income and housing costs. It used open banking data to check his income. Mr C was then contacted as based on the identified income and costs he had negative disposable income. Mr C then provided further details of his costs and copies of his tax return.

While I think the information gathered should have given Updraft a good understanding of Mr C's financial situation, and I note that it asked further questions after its initial calculation, I think that given the results of the checks further verification should have taken place. I appreciate that Mr C had managed his previous account well, that his credit file didn't show current issues with how he was managing his existing credit and his total amount of unsecured debt including his revolving credit balances had reduced between his first and second loan applications, however Mr C still had a high level of debt. While I accept that there isn't a prescribed limit for debt to income, based on Updraft's checks, Mr C's credit commitments accounted for around 50% of his income. The disposable income figure after the Updraft loan repayments was around £148 and while this could suggest the repayments to be affordable, I think given Mr C's high level of credit and repayments, and this relatively low disposable income figure, further checks should have been undertaken to get a clear understanding of Mr C's expenses to ensure that the loan would be sustainably affordable over the loan term.

There are different approaches that can be taken when assessing affordability of a loan. As Mr C provided copies of his joint account statements and these included his and his wife's income and the expenses that we would expect to see for costs such as housing, other living costs and credit commitments, our investigator considered the total income and total expenses going through the joint account and halved these. I think this was a reasonable

approach. Based on this he found Mr C's disposable income to be around £70 which he didn't think was sufficient to say the Updraft loan was sustainably affordable. Our investigator also identified lending that had been taken out shortly before the Updraft loan raising further concerns about Mr C's reliance on credit.

Updraft didn't accept the approach taken by our investigator and so I have considered further the approach taken by Updraft but added in the additional information that I think would likely have been identified had further verification of Mr C's expenses taken place.

Updraft received a copy of Mr C's tax return and used this to verify his income. Mr C's tax return included income from employment and a rental property. His annual employment income was recorded as £66,824 which would give a calculated monthly net income of around £4,000 and I note that Updraft's open banking had identified an income of around £3,846 (which is shown in the account statements Mr C has also provided). Mr C's tax return included an amount of £5,585 for rental income, which Updraft included as additional income, increasing Mr C's monthly net income to £4,260. While I accept that Mr C was receiving monthly rental income, his tax return showed his annual income from the property to be fully offset by the costs associated with the property. As the information about the income and expenses of the rental property were available to Updraft, I think it fair this would be fully considered and the net position included in the assessment, in this case this would mean there was no additional income included from the property rental.

As the costs for housing and other associated costs were paid from the joint account, I find it reasonable that Mr C would be allocated a share of these costs and based on the income going into the account, I think a 50% share would be reasonable. Mr C's joint bank statements, show costs such as council tax, insurances, utilities and communications / media contracts averaging a total of around £1,730 a month. A 50% share would be around £865. Mr C also had joint mortgages which totalled around £1,328 a month, so a 50% share would be around £664. Combining these figures gives an amount of around £1,529. So, while I accept that Mr C had said he paid around £1,150 for housing costs, this may not have included all the costs noted above, such as communications /media costs. I appreciate that Updraft included a higher figure of £1,320 in its assessment, but I think further checks would have shown these regular costs to be around £1,529. Additional to these costs, Mr C was also paying for food, transport and other living costs and having looked through the bank statements I do not find that Updraft's figure of around £387 was unreasonable.

Mr C's credit file showed he had £22,000 of revolving credit and Updraft calculated costs for this as £661. Mr C was also repaying other unsecured borrowing with his monthly repayments based on his credit file being around £2,147 (one account was in joint names so I have included half the cost of this). This resulted in Mr C's monthly credit costs, before the Updraft loan being around £2,808.

As the credit commitments were mainly repaid from Mr C's joint account, the information in the statements could have been used instead of the credit file figures and 50% of the credit costs allocated to Mr C. Had this approach been taken, Mr C's credit costs based on the £661 for revolving credit and 50% of the payments for all other credit commitments (around £1,900 excluding the mortgage payments included in the housing figures above) would total around £2,561.

Based on an income figure of £3,846, deducting the housing and living costs totalling around £1,916 and the credit costs of £2,808, would leave Mr C with negative disposable income before the Updraft loan repayments. Even if the lower credit costs figure was used the disposable income would still be negative.

I have also considered what the outcome would be if Updraft's higher income figure of

£4,260 and its lower figure for the credit commitments of £2,139 were used alongside the other costs identified in the statements for Mr C's housing and living costs (£1,916). This would still not leave sufficient disposable income to cover the costs for the Updraft loan repayments.

So, based on the above, I think the checks carried out by Updraft raised concerns that meant further verification was required. Had this happened, I think that the loan would have been identified as not being sustainably affordable for Mr C. Therefore, I intend to uphold this complaint.

I've also considered whether Updraft acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with Mr C 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 Mr C in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

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.

Mr C accepted my provisional decision, and no further response was received from Updraft. Therefore, as no new information has been provided, my conclusions haven't changed and for the reasons set out in my provisional decision (as noted above) I am upholding this complaint.

Putting things right

As I don't think Updraft ought to have opened the loan account in September 2024, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr C should pay back the amount he borrowed. Therefore, Updraft should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
 - If the rework results in a credit balance, this should be refunded to Mr C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Updraft should also remove all adverse information regarding this account from Mr C's credit file.
 - Or, if after the rework there is still an outstanding balance, Updraft should arrange an affordable repayment plan with Mr C for the remaining amount. Once Mr C has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Updraft to deduct tax from any award of interest. It must give Mr C a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

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 Mr C to accept or reject my decision before 6 March 2026.

Jane Archer
Ombudsman