

The complaint

Miss F complains that Fairscore Ltd trading as Updraft irresponsibly lent to her. Miss F said the credit shouldn't have been given to her.

What happened

Updraft approved three loans for Miss F between May 2023 and July 2024. The details of the loans are as follows:

Loan number	Start date	Loan amount	Term	Highest repayment
1	22/05/2023	£8,000*	60 months	£221.13
2	23/04/2024	£10,000	60 months	£281.33
3	31/07/2024	£7,200*	60 months	£208.63

*There were fees added to these loans.

When Miss F complained to Updraft, it said it didn't do anything wrong by lending loans 1 and 2 but accepted it shouldn't have lent loan 3. It agreed to remove interest, fees and charges from the loan.

Miss F wasn't satisfied with what Updraft said so she referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think Updraft was wrong to lend loan 1 but thought Updraft's checks for loan 2 showed Miss F couldn't sustain the repayments on that loan throughout its term.

Updraft agreed with the investigator's findings on loan 1 but didn't accept that it was wrong to lend loan 2. It referred to the regulator's rules on what should be considered when making a lending decision. It said the investigator hadn't taken into account all the circumstances of the lending decision.

As the complaint remains unresolved, it has been passed to me, an ombudsman to decide.

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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a

number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A lender should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

The investigator didn't think loan 1 should be upheld, Miss F hasn't disagreed with this and having reviewed the lending decision here, I agree that Updraft wasn't wrong to lend Miss F loan 1. Updraft has agreed to uphold Miss F's complaint about loan 3 so the only dispute that remains is about loan 2. This is what I've focussed my decision on.

Updraft has provided information to show that when Miss F applied for loan 2, she was topping up loan 1 – she hadn't fully repaid loan 1 before loan 2 was approved. So, by the time of loan 2, Miss F has been in a lending relationship with Updraft for over a year. Loan 2 was increasing Miss F's borrowing and in effect, her monthly repayments to Updraft.

When Miss F applied for loan 2, she declared she was employed and lived with her parents. Updraft worked out Miss F's income as being around £2,700 and used Office of National Statistics (ONS) figures to work out Miss F's living costs (£772) and searched her credit file for her credit commitment (£1,587). When Updraft calculated Miss F's affordability taking into account her monthly income and expenditure, it found Miss F was left with around £90 per month.

I think Updraft's checks went far enough and the results of those checks showed it that Miss F couldn't afford the loan as I don't think £90 disposable income over 60 months is sustainable. As I stated above Miss F had loan 1 for over a year and loan 2 was increasing her borrowing. The credit check showed Miss F's credit utilisation had increased from loan 1. In essence Miss F appeared reliant on credit from the information Updraft found on her credit file.

Given the circumstances here in addition to the small disposable income Miss F was left with, Updraft should have been aware she would likely struggle to keep up with her repayments. The term of the loan was five years and given the small disposable income Miss F was left with, I don't think the lending was sustainable.

Updraft will be aware that its obligation to lend responsibly isn't just about a pound and pence calculation, but it needed to satisfy itself that the lending wouldn't be detrimental to Miss F's financial circumstances and I don't think it has done that here. So, it needs to put things right as I don't think Updraft should have lent loan 2.

Putting things right

As Updraft has lent loans 2 and 3 to Miss F when it shouldn't have, it needs to take steps to put things right for Miss F. To do this, Updraft should;

- Add up the total repayments Miss F has made and deduct these from the total amount of money she received for both loans.
 - a) If this results in Miss F having paid more than she received, any overpayment should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement) †.
 - b) If any capital balance remains outstanding, then Updraft should work with Miss F to agree an affordable and suitable payment plan.
- Updraft should remove any adverse information in relation to loans 2 and 3 from Miss F's credit file once she has fully repaid the capital borrowed.

† HM Revenue & Customs requires Updraft to take off tax from this interest. Updraft must give Miss F a certificate showing how much tax it's taken off if she asks for it.

Did Updraft act unfairly/unreasonably in some other way?

I've also considered whether Updraft acted unfairly or unreasonably in some other way, including whether its relationship with Miss F might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, I'm satisfied that the redress I have directed above results in fair compensation for Miss F 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.

My final decision

For the reasons given above, I uphold Miss F's complaint in part and direct Fairscore Ltd trading as Updraft to put things right as stated above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 13 April 2026.

Oyetola Oduola
Ombudsman