

The complaint

Miss M complains that Fairscore Ltd trading as Updraft (Fairscore) acted unfairly by agreeing to lend to her.

What happened

Miss M entered into several Fixed Sum loan agreements with Fairscore as detailed below:

Date	Loan (£)	Purpose	Total Repayable (£)	Period (Mths)	Monthly repayments (£)	Final payment (£)
Aug-22	5,500	Consolidation	7,706.16	48	160.57	159.37
Mar-23	8,000	Consolidation	12,538.32	60	205.95	387.27
Apr-24	7,500	Consolidation	12,096	60	201.91	183.31
Jul-24	7,800	Consolidation	12,619.80	60	209.98	230.98
Nov-24	9,000	Consolidation	14,791.74	60	242.97	213.54

Miss M said the purpose for each loan was either to consolidate multiple loans, credit cards or her overdraft. Miss M said she struggled financially and that had Fairscore properly checked they would have seen her outgoings exceeded her monthly income, and by providing several loans in quick succession Fairscore had caused her financial loss. She complained to them.

Fairscore said their checks were reasonable and proportionate. And as the loans were for consolidation Miss M would have reduced her other outgoings. They said their checks didn't show any financial distress such as Miss M borrowing to pay other borrowing. And based on these checks they'd made fair lending decisions.

Miss M wasn't happy with Fairscore's response and referred her complaint to us.

Our investigator said the checks for Loan One were reasonable and proportionate and that Fairscore had made a fair lending decision. But said proportionate checks would have shown Miss M wouldn't be able to sustain repayments for Loan Two so Fairscore had acted unfairly by lending to her. And by extension they shouldn't have lent further to Miss M. They asked Fairscore to put things right.

Fairscore didn't agree and asked for 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.

Having done so, I've reached the same overall outcome as the investigator, and for broadly the same reasons. Whilst I've read and considered everything, if I don't mention any specific

point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Fairscore offered each of the loans, they needed to complete reasonable and proportionate checks to be satisfied Miss M would be able to repay the debt in a sustainable way. In deciding what was proportionate Fairscore needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments, the cost of credit and the consumer's circumstances.

I've noted Fairscore's comments that they adhered to CONC citing CONC 5.2A.12 and CONC 5.2A.20 and that CONC does not treat rising indebtedness between loans as determinative.

There isn't a set list of the checks a lender must do. But CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out, obtained, where appropriate, from the consumer and where necessary from a credit reference agency (CRA) and the information must enable the lender to carry out a reasonable creditworthiness assessment.

The volume and content of the information that must be taken into account, and the steps that must be taken to evaluate that information and confirm its validity, will depend on the level of affordability risk arising out of the agreement. Potential indicators that the level of affordability risk arising out of the agreement may be high include circumstances where the total value of the consumer's outstanding debts relative to the consumer's income is high.

A lender should take reasonable steps to estimate a consumer's income and non-discretionary spending. And that it's not generally sufficient to rely solely on a statement of current income made by the consumer without independent evidence such as from a CRA or third party. CONC does allow the use of statistical data for the purpose of estimating a consumer's non-discretionary expenditure.

Also, we consider any checks should be borrower focussed, meaning Fairscore need to think about whether repaying the lending sustainably would cause difficulties or adverse consequences for Miss M. In other words, it wasn't enough for Fairscore to think only about the likelihood that they would get their money back without considering the impact of repayment on Miss M herself. I've considered the checks Fairscore did.

August 2022 – Loan One £5,500

Fairscore said they used application data, Miss M's breakdown of her outgoings, open banking and a CRA check. From this they determined Miss M had an average income of £2,213.77, credit commitments of £546.17, housing costs £381.70 (Miss M declared £347), and other outgoings £630.08 (Miss M declared £598). This meant Miss M should have had £655.82 in disposable income before factoring in the new lending which Fairscore considered sufficient to sustain her repayments making the decision to lend. Fairscore's checks showed Miss M had unsecured debt of £8,502 and she'd said the purpose of the loan was to consolidate multiple loans. I haven't seen any evidence that there was any adverse information noted on the credit checks Fairscore did.

So, I'm satisfied the checks Fairscore did were reasonable and proportionate for the type and amount of credit they were providing. And I don't think that there was anything

immediately obvious in the information that they had which meant they shouldn't rely on it. So, I don't think Fairscore needed to have asked Miss M to provide further evidence in support of her income and expenditure before providing her with the loan in this instance. And based on these checks I'm satisfied Fairscore made a fair lending decision.

March 2023 – Loan Two £8,000

Fairscore said they did similar checks for Loan Two. These showed Miss M had an average income of £2,238.15, credit commitments £955.34, housing costs £399.05 and other outgoings £619, which should have left Miss M with a disposable income of £264.76. Miss M's unsecured debt had risen from £8,502 to £20,706 which showed she'd taken out additional debt apart from the August 2022 loan. I can see an additional loan for £5,000 on Miss M's credit check from January 2023.

After factoring in the new lending of £205.95 Miss M's disposable income would have been around £59. Miss M said she used the loan from August 2022 to consolidate multiple loans, and the purpose of this loan was to consolidate her credit cards. Given the length of time Miss M would be indebted for, the low level of disposable income she had prior to any consolidation and that she'd only recently taken out another loan I think Fairscore should have checked further into Miss M's financial situation.

Fairscore said they'd linked Miss M's main bank statement through open banking. Miss M has provided her bank statements for the three months prior to the second loan which should show what Fairscore would have seen. From these I can see the new loan for £5,000 being paid into Miss M's account in January 2023. I can also see Miss M across the three months was making transactions of a compulsive nature. While these started in late December 2023, in January 2023 she spent more than £2,000 on such transactions and in February 2023 the activity amounted to more than £1,700. The statements show Miss M was having to borrow to continue with this compulsive activity as she'd used part of the January loan and by early March 2023 she was using her overdraft facility. Given the low level of Miss M's disposable income I think had Fairscore checked further into Miss M's outgoings I don't think they would have lent to her as the repayments were unsustainable. So I don't think their lending decision was fair.

April 2024 – Loan Three - £7,500

I can see Miss M settled both Loan One and Two in February 2024 after she had a loan of £25,000 paid into her account the same month. But sought a further loan from Fairscore two months later.

Fairscore's checks showed Miss M had an average income of £2,545.71, credit commitments £1,224.57, housing £360.53 and other expenditure of £606. This should have left Miss M with a disposable income after factoring in the new lending of around £153. Fairscore's checks showed Miss M unsecured debt had more than doubled in the preceding year to £41,223. Fairscore's CRA check showing she'd borrowed £6,000 in January 2024 and £25,000 in February 2024. I can see Miss M settled the £6,000 loan and Loan One and Loan Two in February 2024. But Miss M within two months was seeking another loan with Fairscore which she said was to clear her overdraft.

I think the increased level of Miss M's indebtedness should have been an indicator that Miss M was an affordability risk, and that Fairscore should have checked further.

From Miss M's bank statements I can see across the three months prior to the new lending there was still signs of compulsive spending showing on Miss M's bank statements. In January 2024 the transactions amounted to around £1,800.

So, I think Fairscore acted irresponsibly in lending to Miss M. I say this as Miss M's unsecured debt was high and had increased from 8,502 to £41,223 in less than two years with Miss M's credit commitments being around 50% of her monthly income. I take on board Fairscore's comment that Miss M did consolidate some of her debt when she had the monies from loans. But I think there is a clear pattern that shows Miss M was becoming more and more indebted despite this as after settlement she again needed further funds to manage her finances. And the compulsive nature of her spending shows why despite consolidation Miss M was falling further and further into debt. So I don't think Fairscore made a fair lending decision.

July 2024 – Loan Four - £7,800

Fairscore did similar checks which showed Miss M's average income to be £2,338.43. She'd credit commitments £1,044.65, housing £360.53 and other expenditure £669.25, this meant Miss M should have had a disposable income after factoring in the new lending of around £55. Miss M had unsecured debt of £36,647. And I can see a loan for £4,500 was now showing on Miss M's credit file from March 2024.

The low level of disposable income I think was enough to show that the lending was unsustainable. Miss M said the loan was to consolidate her credit cards which if she had ought to have increased her disposable income. But Miss M had previously entered into a loan to settle her credit cards with Fairscore and their checks show while she may have done this, she then went on a few months later around September 2023 to take out another credit card that had a £10,000 credit limit. So, I think Fairscore's checks showed Miss M didn't have sufficient disposable income to sustain the repayments and that she was heavily reliant on credit to manage her finances. Added to Miss M's continued compulsive spending I don't think Fairscore made a fair lending decision.

November 2024 – Loan Five - £9,000

Fairscore did similar checks which showed Miss M's average income to be £2,589.80. She'd credit commitments £1,230.31, housing £360.53 and other expenditure £669.25, this meant Miss M should have had a disposable income after factoring in the new lending of around £86. Miss M had unsecured debt of £38,400. Miss M said the purpose of the loan was to consolidate multiple loans. Given the low level of disposable income and Miss M's monthly credit commitments increasing despite the purpose for all her previous loans being consolidation, I think showed the lending wasn't sustainable.

Fairscore had access to Miss M's main bank account through open banking, having reviewed Miss M's bank statements I can see she was financially vulnerable due to her compulsive spending. Having considered what Fairscore ought to have seen I don't think the lending was sustainable, so I'm satisfied the lending decision made by Fairscore was unfair.

I've also considered whether Fairscore acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Miss 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.

Putting things right

When a business has done something wrong, I'd look for the business to put the complainant in the position they would be in now if the mistake they'd made hadn't

happened, as far as is reasonably practical. But Miss M has had the monies from Loan Two, Three, Four and Five and used the money, so it's right that she should repay what she borrowed as she has had the benefit of those funds. But I don't think it's fair and reasonable that Fairscore should apply any interest fees and/or charges incurred because of the credit unfairly extended to her.

My final decision

I uphold this complaint. And ask Fairscore Limited trading as Updraft to:

To rework Loans Two, Three, Four and Five removing any interest and charges that have been applied. Add up the total repayments Miss M has made towards Loans Two, Three, Four and Five and deduct these from the total amount of money she received.

- a) If this results in Miss M having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † And remove all adverse information from Miss M's credit file in relation to the unfair lending.
- b) If any capital balance remains outstanding, then Fairscore should arrange an affordable and suitable payment plan with Miss M. Once Miss M has cleared the balance, any adverse information in relation to the unfair lending should be removed from her credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 May 2026.

Anne Scarr
Ombudsman