

The complaint

Fairscore Ltd, trading as Updraft, provided Mr C with a £3,000 debt consolidation loan, with a 48-month term, in July 2023. The monthly repayments were £94.36. Mr C says the loan was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

I reached a different decision to the investigator, so I issued a provisional decision. An extract follows and forms part of this final decision.

Extract from my provisional decision

I've decided the loan was provided fairly because:

- I don't think the checks Updraft did before providing the loan were reasonable and proportionate given it learnt Mr C had taken out four new lines of credit in the two months before. I think Updraft should have done more to check the loan would be affordable and that Mr C could make the repayments sustainably throughout the full term.*
- In the circumstances I think it needed to check his actual housing/living costs, in the same way it had checked his actual income. It did not, however, need to do any more than this.*
- If Updraft had done proportionate checks, I don't think it's likely these would have shown it was unfair to provide the loan to Mr C. I say this as his actual housing/living costs were around £400 a month – so less than Updraft had estimated. He had stated he was living with his parents so this was plausible.*
- The credit check showed Mr C was not over-indebted and had no arrears, defaults or CCJs. It showed he needed to spend £649.78 each month to meet his existing credit commitments.*
- This means a proportionate affordability assessment would have shown Mr C had monthly income of £1,726.61, housing/living costs of around £400 and credit commitments of £649.78 (pre-consolidation) giving a disposable income of £676.83.*
- I don't think Updraft acted unfairly in any other way.*

This means I don't think Updraft did anything wrong when it provided the loan to Mr C.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Updraft lent irresponsibly to Mr C or otherwise treated him unfairly. I haven't seen anything

to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Updraft did not respond to the provisional decision. Mr C disagreed with it. In summary, he said his bank statements for the months prior to the loan show his actual financial position at the time (overdrawn) and include his real day-to-day expenditure. These show his spending was much higher and more variable than the assumption that his living costs were around £400 per month. The disposable income calculation is based on simplified assumptions. Sufficient weight has not been given to the fact he had taken out four new lines of credit in the previous two months. He offered to provide more bank statements if needed.

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.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr C's case.

I have thought carefully about Mr C's reply to my provisional decision but his comments do not change my conclusions, I'll explain why.

This case turns on what level of checks were proportionate. Mr C says the fact he had recently opened four new accounts has not been given enough weight – but that is the very reason I concluded Updraft's checks were not proportionate.

However, I have to take into account that this was a £3,000 loan with a monthly repayment that was only around 5% of Mr C's income. So I remain of the view that the only additional check Updraft needed to carry out was to make sure it understood Mr C's actual housing and living costs. By this I mean any rent/mortgage payments and his non-discretionary fixed living costs (such as council tax, utility bills, travel, insurances, phone).

Mr C had told Updraft he was living with his parents and his bank statements show a monthly £300 payment to cover this. I cannot see any other typical fixed living costs so it would be fair for Updraft to have assumed these were covered in that. Other essential costs such as travel do not appear to exceed £100 a month from Mr C's main (where his salary was paid) bank account.

I accept Mr C's point that he had other day-to-day costs and these varied. But it would not have been proportionate for Updraft to review all his outgoings, or accounts. It would have been reasonable for Updraft to conclude around £675 a month was enough to cover his other variable living costs and this loan. Similarly, I find reviewing his housing/fixed living costs over the last three months would have been sufficient, so I need not review further bank statements now. I would also add that the relevant regulations do not require a lender to consider discretionary spend, lifestyle spend is not the same as living costs.

Mr C also mentioned he was overdrawn and already using credit, but the loan was for debt consolidation and could have cleared Mr C's overdraft in full, as well as some of his other debts. The credit check showed he was not over-indebted or in financial difficulties. Mr C didn't have a history of applying for loans with Updraft for debt consolidation purposes and then returning for further funds after having failed to consolidate as he said he would, so I think Updraft was reasonably entitled to believe the funds would be used for the stated purpose.

It follows I do not think it was wrong for Updraft to lend to Mr C.

I know this isn't the outcome Mr C hoped for. But for the reasons above, I'm not asking Updraft to do anything.

My final decision

I am not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 May 2026.

Rebecca Connelley
Ombudsman