

## **Complaint**

Miss D has complained about a personal loan Fairscore Ltd (trading as “Updraft”) which she says was unfairly lent to her. She says the loan was unaffordable as she was in a constant cycle of borrowing and hardship.

## **Background**

Updraft provided Miss D with a loan for £3,500.00 in September 2022. This loan had an APR of 25.7% was due to be repaid in 36 monthly instalments of around £145.

One of our investigators reviewed what Miss D and Updraft had told us. He thought that Updraft hadn’t done anything wrong or treated Miss D unfairly when it provided this loan and so didn’t recommend that the complaint be upheld. Miss D disagreed and asked for an ombudsman to review the complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss D’s complaint.

Having carefully considered everything, I’m not upholding Miss D’s complaint. I’ll explain why in a little more detail.

Updraft needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Updraft needed to carry out proportionate checks to be able to understand whether Miss D could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Updraft says it approved Miss D’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out which showed Miss D’s existing commitments were relatively well maintained at the time – as far as it was concerned there was only an issue with a single account which had been defaulted a number of years previously.

In Updraft's view all of the information it gathered showed that Miss D could afford to make the repayments she was committing to. On the other hand, Miss D has said she was already in difficulty and couldn't afford this loan.

I've carefully thought about what Miss D and Updraft have said.

As Updraft asked Miss D about her income and expenditure and also carried out a credit check, it's clear that Updraft did obtain a reasonable amount of information before it decided to proceed with Miss D's application.

Having looked at the credit check, it's clear that Miss D had some existing debts. However, while I accept that Miss D might not agree with this, I don't think that these were excessive in comparison to her income. Furthermore, the information from the time shows that Miss D said she was going to use the funds from this loan to reduce what she owed on her credit cards.

I don't know whether Miss D did go on to do this. But Updraft could only make a reasonable decision based on the information it had available at the time. It won't have known whether Miss D would still have the same balances on her credit cards – all it could do was take reasonable steps and rely on assurances from Miss D that the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to clear Miss D's existing credit card balances in the way that she committed to.

And as this was a first loan Updraft was arranging for Miss D, there wasn't a history of Miss D obtaining funds and then failing to consolidate debts elsewhere in the way she committed to either. So Updraft was reasonably entitled to believe that Miss D would be left in a better position after being provided with this loan.

I accept that Miss D's actual circumstances may not have been fully reflected either in the information she provided, or the information Updraft obtained. But it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Miss D is suggesting. As this is the case, I don't think that Updraft did anything wrong when providing this loan to Miss D - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I'm satisfied that Updraft didn't treat Miss D unfairly or unreasonably when lending to her. And I'm not upholding Miss D's complaint. I appreciate this is likely to be very disappointing for Miss D – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 5 December 2023.

Jeshen Narayanan  
**Ombudsman**