

The complaint

Mr P has complained that Fairscore Ltd, trading as Updraft, offered him an incorrect APR for his loan agreement.

What happened

Mr P was offered a loan with Updraft. However, it has explained that due to a system error, some customers were given an incorrect APR in the issued paperwork, of under 1%, and Mr P was one of the customers affected by this. However, it explained that the documentation was correct in all other respects – including showing the correct interest rate of 15.9% per year. It explained that the mistake would have been clear, because the interest rate is included in the APR, so it would have been impossible to calculate an APR under 1%.

Updraft contacted Mr P as soon as it could, to explain that the incorrect APR also caused the total amount he would have to repay, and as a result his monthly repayments, to be too low. It said he could either cancel the loan without penalty, or to reapply for a loan with a lower APR of 7.9%, which it said was significantly lower than it would usually offer.

One of our investigators looked into what had happened. She thought that Updraft's offer for putting things right was fair. But, she was mindful that the matter had caused Mr P significant distress and inconvenience, and thought Updraft should pay Mr P £300 compensation, in recognition of this.

Mr P disagreed. In summary, he said the documentation was misleading, and that Updraft should honour the agreement which it entered into.

The complaint's now been passed to me.

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 can well understand Mr P's frustration and feelings about what's happened. However, for me to tell Updraft to abide by the erroneous paperwork wouldn't help matters, because that paperwork contained conflicting information, such that it wouldn't make sense.

I disagree with Updraft that it would have been immediately obvious that the APR was incorrect, given other figures set out in the paperwork. I don't agree that an average consumer would immediately see this. But, I can see that it contacted Mr P as a matter of urgency.

So, I've thought about how to put things right. And I agree that the offer Updraft made regarding a new loan was broadly fair. However, Mr P suffered significant disappointment and upset, including needing to change his budgeting unexpectedly.

Putting things right

I think, given the significant trouble caused, that Updraft should pay Mr P £400 in recognition of this – which is slightly more than proposed by our investigator.

My final decision

It's my final decision to uphold this complaint. I require Fairscore Ltd, trading as Updraft, to pay Mr P £400 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 September 2024.

Elspeth Wood
Ombudsman