

Complaint

Mrs M 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 already had a high amount of credit and high existing repayments.

Background

Updraft provided Mrs M with a loan for £5,700.00 in June 2023. This loan had an APR of 27.94% was due to be repaid in 47 monthly instalments of £187.60 followed by a final instalment of £422.98.

One of our investigators reviewed what Mrs M and Updraft had told us. He thought that Updraft hadn’t done anything wrong or treated Mrs M unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Mrs M disagreed with our investigator 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 Mrs M’s complaint.

Having carefully considered everything, I’m not upholding Mrs M’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 Mrs M 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 Mrs M’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 Mrs M's existing commitments were relatively well maintained at the time.

In Updraft's view all of the information it gathered showed that Mrs M could afford to make the repayments she was committing to. On the other hand, Mrs M has said she already owed a significant amount and couldn't afford this loan.

I've carefully thought about what Mrs M and Updraft have said.

As Updraft asked Mrs M about her income and some information about her expenditure while also carrying out a credit check, it's clear that Updraft did obtain a reasonable amount of information before it decided to proceed with Mrs M's application. Having looked at the credit check, I can't see that Mrs M had experienced any recent significant adverse difficulties such as having defaulted accounts or County Court Judgments recorded against her.

There's no dispute that Mrs M had existing balances which were owed to other lenders. However, the information from Mrs M's application indicates that the funds from this loan were going to be used to consolidate some of her existing debts. So I'm satisfied that Updraft took reasonable steps here to ensure that it wasn't increasing Mrs M's existing indebtedness in a way that was unsustainable or otherwise harmful, as well as taking reasonable steps to ensure Mrs M was able to make the monthly repayments.

I know that this loan might have increased the length of time Mrs M would have to make payments for, compared to some of her existing commitments. But Mrs M would have been able to afford the repayments and would have had an increased monthly disposable income as long as Mrs M repaid her existing commitments and closed the accounts. Equally, this loan with fixed repayments would have allowed Mrs M to make inroads into her revolving credit balances in a way making the minimum monthly repayment would not.

I accept that Mrs M says she experienced difficulty making the payments. And that she's applied for many loans and used her credit cards. The reason why might have been because she did go on to continue using her credit cards and also borrowed again elsewhere. But Updraft could only make a reasonable decision based on the information it had available at the time. It won't have known Mrs M would do this – as I've explained, it was reasonably entitled to believe that Mrs M would consolidate some of her existing debts in the way she said she would.

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

In reaching this conclusion I've also considered whether the lending relationship between Updraft and Mrs M might have been unfair to Mrs M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Updraft irresponsibly lent to Mrs M or otherwise treated her unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this is likely to be very disappointing for Mrs M – 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.

Although I'm not upholding Mrs M's complaint, I would remind Updraft of its obligation to exercise forbearance and due consideration, given what Mrs M has now said, should Mrs M still owe a balance on her loan and she experiences difficulty making her payments.

My final decision

For the reasons I've explained, I'm not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 August 2024.

Jeshen Narayanan
Ombudsman