

## **The complaint**

Mrs R complains that Gain Credit LLC trading as Drafty (“Drafty”) gave her a line of credit without carrying out the appropriate affordability checks.

For ease, in my decision I will refer to Mrs R when talking about her or her representative.

## **What happened**

Mrs R was granted a running credit facility by Drafty on 5 May 2022. This was for £500 and the limit remained the same while she held the facility.

Mrs R was given a running credit account where she could either request funds up to her agreed credit limit in one go or could take multiple drawdowns up to the limit. She was also able to borrow further, up to the credit limit, as and when she repaid what she owed.

Mrs R drew down the entire credit limit once it was approved and continued to make repayments and further drawdowns up until June 2023. There is currently an outstanding debt balance of £582.

In November 2024 Mrs R complained to Drafty that it had failed to conduct proportionate checks before granting the facility.

Following Mrs R’s complaint, Drafty wrote to her in a final response letter on 8 January 2025 and explained it wasn’t upholding the complaint. Drafty explained the information it had gathered from Mrs R before it approved the facility. It concluded given the estimated monthly repayment; Mrs R was likely to be able to afford it. Unhappy with this response, Mrs R referred the complaint to us in January 2025.

Our investigator thought that although the checks Drafty conducted before granting this facility needed to go further, the decision to lend was a fair one and didn’t uphold Mrs R’s complaint.

Mrs R didn’t agree with the outcome saying that bank statements should have been checked and that she had provided Drafty with incorrect income and expenditure details.

The investigator explained why these points hadn’t changed her mind and as no agreement could be reached, Mrs R’s complaint has been passed to me 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 looked at everything I’ve decided to not uphold Mrs R’s complaint for the same reasons as the investigator and I’ve explained why below.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the relevant time – which includes section 5.2A of CONC which Mrs R had highlighted.

Drafty had to take proportionate steps to ensure a consumer would have been able to repay what they were borrowing in a sustainable manner without it adversely impacting on their financial situation. Put simply the lender had to gather enough information so that it could make an informed decision on the lending.

Although the guidance didn't set out compulsory checks it did list a number of things Drafty could take into account before agreeing to lend. The key thing was that it required the checks to be proportionate.

Any checks had to take into account a number of different things, such as how much was being lent and when what was being borrowed was due to be repaid. I've kept all of this in mind when thinking about whether Drafty did what it needed to before agreeing to Mrs R's Drafty facility.

As explained, Mrs R was given an open-ended credit facility. Overall, I think that means the checks Drafty carried out had to provide enough for it to be able to understand whether Mrs R would be able to both service and then repay her facility within a reasonable period of time. Drafty also needed to monitor Mrs R's repayment record for any sign that she may have been experiencing financial difficulties.

#### *What happened when Drafty approved the facility*

As explained, Mrs R wasn't given a payday loan but provided with a facility where there was an expectation that she'd repay what she borrowed plus the interest due within a reasonable period. What constitutes a reasonable period is laid out in the regulations but it's important to note that this will always be dependent on the circumstances of the individual case.

Mrs R was granted a facility with a £500 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mrs R. This hypothetical situation assumed Mrs R did the following:

1. drew down her maximum credit limit on the first day of the facility being provided,
2. she kept to the terms of the agreement, and
3. Mrs R repaid what she owed in 12 monthly instalments.

Had Mrs R done that, she'd have repaid Drafty a total of £677 meaning twelve monthly repayments of around £56.

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate

checks to understand whether Mrs R could make monthly repayments of around £56 at an absolute minimum.

Drafty says it agreed to Mrs R's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Mrs R declared she worked full time and received an income of £1,600 per month. Drafty says this was independently verified with a third party. Mrs R also declared monthly outgoings of £300. And this would have given Mrs R a disposable income of £1,300.

The information Mrs R declared to Drafty, showed she had enough disposable income each month in which to service and repay the facility. For the start of this relationship, I think it was entirely fair and proportionate for Drafty to have relied on the information Mrs R declared to it about her living costs.

However, I find the expenditure to be very conservative given she disclosed she spent just £25 on utilities, £25 on food, £75 on credit expenses and £175 towards other payments. But Drafty used national statistical data to increase the expenditure costs to £1,236 which I consider is a more realistic figure. And with this adjustment, this still meant Mrs R had a disposable income each month of £363 in which to pay for the facility. And even with this smaller disposable income the facility still looked affordable

Drafty also carried out a credit check before the facility was granted, and it has provided us with a summary of the results.

The results showed that Mrs R had 10 active credit accounts, with no mortgage account, owing £12,080 to her creditors and that she was paying £369 monthly towards this debt. According to the results of the credit checks, Mrs R had defaulted on 10 accounts with a default balance of £7,735 and she had 13 delinquent accounts with delinquency balances totalling £11,920. The last default had been applied 29 months before her application and her last delinquency marker was applied one month before.

Our investigator concluded that she thought Drafty should have looked at Mrs R's credit commitments in more detail but that had it done so, it still would have concluded that the credit facility was affordable for Mrs R, and I agree. I say this as from checking Mrs R's credit file which she provided this service, the last delinquency marker was about eight months before the application but this had been brought up to date a month later. The default markers related to accounts that had historically defaulted and there was no other missed repayments or adverse information reported just before her application.

Mrs R told us that Drafty should have obtained bank statements before Drafty granted the facility to confirm she could afford it. But I don't agree. The Financial Conduct Authority (FCA) guidelines are not prescriptive about what checks a business has to complete before it makes a lending decision, so long as it is reasonable and proportionate.

Drafty told us that it verified her income and expenditure and that Mrs R had enough disposable income left over each month to be able to sustainably afford the facility after it had made the appropriate adjustments to her expenditure highlighted above. And so whilst Mrs R also said that some of the income and expenditure details she provided were incorrect, lenders have a right to rely on the information they find during these checks. However, Drafty didn't just rely on the information that Mrs R declared about her monthly expenditure as it added an extra amount on top using National statistical data.

Mrs R said that she had only made minimum payments to her revolving credit accounts six times in the last 12 months but consequently, that means she also paid over the minimum amount on six occasions. So, I think it would have been reasonable for Drafty to have

concluded, from the credit check results that Mrs R wasn't likely experiencing any financial difficulties when it approved the facility.

Overall, I think Drafty made a fair and reasonable decision to provide the facility.

### *Monitoring the facility*

Although I don't think Drafty was wrong to have initially provided the facility, that wasn't the end of its obligations to Mrs R. At the time, Drafty was regulated by the FCA, and it issued guidance on this type of lending and what it says should be expected from lenders when granting these types of loans. Within the Consumer Credit Sourcebook (CONC) section 6.7.2R says:

*"(1) A firm must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties"*

CONC 1.3 provides a non-exhaustive list of some indicators, which when present in a consumer's circumstances, which could be suggestive of potential financial difficulties. In practice, CONC 6.7.2(1)R meant Drafty needed to be mindful of Mrs R's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties.

Having reviewed the transaction data, I think Drafty did this. Mrs R withdrew the total credit available to her and made her minimum contractual repayments or more, making further drawdowns as the facility reduced. Mrs R made her last drawdown on 19 May 2023 and made her last payment on 20 June 2023. Drafty soon after suspended Mrs R's account which is what we'd expect a lender to do where there is evidence of financial difficulties. Drafty also monitored Mrs R's income and expenditure noting that in October 2022 her income had increased to £1,900, in January 2023 there was no change to her income and expenditure and in March 2023, her income had increased to £2,200 per month.

I understand that Mrs R has subsequently entered into a debt relief order. So, on balance, I'm satisfied Drafty did monitor Mrs R's repayment record and did take appropriate action when she showed signs of financial difficulty when it suspended the account.

Overall, having reviewed the information provided to the Financial Ombudsman I have decided to not uphold Mrs R's complaint. I appreciate she will be disappointed by this, but I hope she has an understanding of why I've reached those conclusions. I'm sorry to hear of Mrs R's financial difficulties and do hope her financial situation has improved.

### *Did Drafty act unfairly in any other way*

I've also considered whether Drafty acted unfairly or unreasonably in any other way, including whether the relationship between Mrs R and Drafty might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Drafty lent irresponsibly to Mrs R or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons given above, I'm not upholding Mrs R's complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 26 May 2025.

Paul Hamber  
**Ombudsman**