

## **The complaint**

Mr O complains that Gain Credit LLC trading as Drafty ("Drafty") gave him a line of credit without carrying out the appropriate affordability checks at a time of desperation and financial pressure for him.

## **What happened**

Mr O was granted a running credit facility by Drafty on 6 August 2024. This was for £1,820 and the limit remained the same while he held the facility.

Mr O was given a running credit account where he could either request funds up to his agreed credit limit in one go or could take multiple drawdowns up to the limit. He was also able to borrow further, up to the credit limit, as and when he repaid what he owed.

Mr O withdrew the agreed credit limit once the facility was approved and made a further four drawdowns. Mr O kept up with his repayments each month up until 29 November 2024, when he made his last payment.

In December 2024, Mr O complained to Drafty about the lending as he felt it hadn't conducted proper affordability checks before approving the lending.

Following Mr O's complaint, Drafty wrote to him in a final response letter on 28 January 2025 and explained it wasn't upholding the complaint. Drafty explained the information it had gathered from Mr O before it approved the facility. It concluded that given the estimated monthly repayment, Mr O was likely to be able to afford it. Drafty also explained what Mr O should do if he was experiencing trouble repaying the outstanding amount. Mr O subsequently took up a repayment plan arrangement with Drafty. Unhappy with this response, Mr O referred the complaint to us in January 2025.

Our investigator was satisfied that Drafty had conducted proportionate checks and didn't uphold Mr O's complaint.

Mr O didn't agree with the outcome and as no agreement could be reached, Mr O'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 Mr O's complaint for broadly 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. Drafty had to take proportionate steps to ensure a consumer would've 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 Mr O's Drafty facility.

As explained, Mr O 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 Mr O would be able to both service and then repay his facility within a reasonable period of time. Drafty also needed to monitor Mr O's repayment record for any sign that he may have been experiencing financial difficulties.

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

As explained, Mr O was provided with a facility where there was an expectation that he'd repay what he 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.

Mr O was granted a facility with a £1,820 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mr O. This hypothetical situation assumed Mr O did the following:

1. drew down his maximum credit limit on the first day of the facility being provided,
2. he kept to the terms of the agreement, and
3. Mr O repaid what he owed in 12 monthly instalments.

Had Mr O done that, he'd have repaid Drafty a total of £2,503 meaning twelve monthly repayments of around £208.

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Mr O could make monthly repayments of around £208 at an absolute minimum (although this figure is based on the hypothetical situation above where the facility is repaid in 12 months).

Drafty says it agreed to Mr O's application after he'd provided details of his monthly income and expenditure and it carried out a credit check. Mr O declared he worked full time

and received an income of £2,800 per month. Drafty says this was independently verified with a third party. Mr O also declared monthly outgoings of £1,400. And this would have given Mr O a monthly disposable income of £1,400.

The information Mr O declared to Drafty, showed he 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 Mr O declared to it about his living costs.

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

The results showed that Mr O had 21 active credit accounts owing £26,614 to his creditors and that he was paying £380 monthly towards this debt - although this didn't include any mortgage or revolving credit payments. According to the results of the credit checks, Mr O didn't have any defaults or delinquency markers.

Drafty provided a breakdown of how they calculated Mr O's monthly expenditure and it explained how it had relied on statistical data when considering this which it's allowed to do under lending guidelines. This gave Mr O an estimated disposable income of about £1,400 which I'm satisfied was enough to meet his existing credit commitments and the repayments to Drafty. I say this even though the figures used may not have been completely accurate and Mr O's financial situation was worse than Drafty were aware of.

Mr O told us that the expenditure figures on his application weren't a true reflection of his outgoings. He thought that Drafty should have completed further checks and had it done so, it would have seen that on top of his other commitments, he also had borrowed from and was paying back family members. Mr O also told us Drafty would have seen elements of compulsive spending. However, I don't think from the information Drafty held about Mr O, there were any prompts to have delved deeper into Mr O's finances. I think Drafty can rely on the information that Mr O provided about his income and expenditure and which they confirmed through a third party.

The checks that Drafty had to conduct before providing the lending isn't prescriptive. But given the information Drafty had, the lending appeared affordable, and there were no other factors that may have prompted further checks, such as looking at Mr O's bank statements. So, I'm satisfied the checks that Drafty conducted were proportionate and commensurate with the amount lent and with the circumstances they were presented with.

### *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 Mr O. 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, could be suggestive of potential financial difficulties. In practice, CONC 6.7.2(1)R meant Drafty needed to be mindful of Mr O's repayment record and how he used the facility and step in if and when he showed signs of possible repayment difficulties.

Having reviewed the transaction data, I think Drafty did this. Mr O withdrew the credit available after the facility was approved and made four further withdrawals, the last being on 3 December 2024. And Mr O stopped making repayments to the account with his last payment being on 29 November 2024. But I haven't seen any evidence to suggest that Drafty needed to step in and take action such as suspending the facility to prevent him from borrowing further. Up until the time Mr O made his last payment, he had been paying his contractual monthly repayments each month and there were no increases to his credit limit or missed repayments. And Mr O made his complaint to Drafty shortly after making his last withdrawal.

So, on balance, I'm satisfied Drafty did monitor Mr O's repayment record and did take appropriate action when he complained and it was able to offer repayment support that ultimately resulted in an agreed repayment plan.

Overall, having reviewed the information provided to the Financial Ombudsman I've decided to not uphold Mr O's complaint. I appreciate he will be disappointed by this, but I hope he has an understanding of why I've reached those conclusions. I'm sorry to hear of Mr O's financial difficulties and do hope his 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 Mr O 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 Mr O or otherwise treated him 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 Mr O's complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 13 May 2025.

Paul Hamber  
**Ombudsman**