

## **The complaint**

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

For ease, in my decision I will refer to Mr S when talking about him or his representative.

## **What happened**

Mr S was granted a running credit facility by Drafty on 15 October 2021. This was for £500 and the limit was increased to £730 on 5 March 2022 and it remained at this limit while he held the facility.

Mr S 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 S drew down the entire initial credit limit of £500 by 6 November 2021 and after making repayments, withdrew another £500 on 30 November 2021. Mr S continued to make repayments until the last increase of credit limit to £750 on 5 March 2022 and again, he withdrew up to the limit. Mr S continued to make repayments up to his last one on 30 December 2022. Mr S’s outstanding debt has since been passed to a third party debt collection agency which he is paying £5 a month towards.

In December 2024, Mr S complained to Drafty that it had failed to conduct proportionate checks before granting the facility.

Following Mr S’s complaint, Drafty wrote to him in a final response letter on 23 January 2025 and explained it wasn’t upholding the complaint. Drafty explained the information it had gathered from Mr S before it approved the facility. It concluded given the estimated monthly repayment; Mr S was likely to be able to afford it. Unhappy with this response, Mr S referred the complaint to us in January 2025.

Our investigator thought that Drafty needed to conduct further checks before granting this facility due to a delinquency marker applied to Mr S’s credit file the month before the facility was granted. But upon inspection of Mr S’s credit file, which he kindly supplied, our investigator was satisfied that Drafty had made a fair lending decision and didn’t uphold the complaint.

Mr S didn’t agree with the outcome saying the default and delinquency markers on his credit file were concerning. The investigator explained why these points hadn’t changed her mind and as no agreement could be reached, Mr S’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.

I've decided to not uphold Mr S'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 Mr S had highlighted. 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 S's Drafty facility.

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

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

As explained, Mr S was given 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 S was granted a facility with a £500 initial credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mr S. This hypothetical situation assumed Mr S 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 S repaid what he owed in 12 monthly instalments.

Had Mr S done that, he'd have repaid Drafty a total of £678 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 Mr S could make monthly repayments of around £56 at an absolute minimum.

Drafty says it agreed to Mr S's application after he'd provided details of his monthly income and expenditure and it carried out a credit check. Mr S declared he worked full time and received an income of £2,400 per month. Drafty says this was independently verified with a third party. Mr S also declared monthly outgoings of £750. And this would have given Mr S a disposable monthly income of £1,650.

The information Mr S 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 S 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 S had 17 active credit accounts, owing £8,498 in debt and that he was paying £653 monthly towards this debt - although this didn't include any mortgage or revolving credit. According to the results of the credit checks, Mr S had six default markers with default balances amounting to £907 and seven delinquency markers with delinquent balances totalling £2,859. The last default had been applied to Mr S's credit file 19 months before the facility was granted and the last delinquency marker applied one month before.

Drafty checked Mr S's declared income with credit reference agencies and found it to be less than he had declared and so adjusted it to more like £2,160 per month. Drafty also checked Mr S's declared monthly expenditure figures against national statistical data and found it to be more in the region of £1,676. But that still left Mr S with approximately £484 to meet the Drafty repayments.

And Drafty used this information when Mr S applied for and was granted a further credit limit increase to £730 on 5 March 2022

Our investigator thought that given the recent delinquency marker on Mr S's credit file, Drafty should have delved a bit deeper into why this had been added and requested a copy of Mr S's credit file which he kindly provided. Our investigator found that the delinquency marker was likely to have been applied due to a previous default where Mr S was now paying £10 a month towards. This default was in relation to an unsecured loan which had defaulted in February 2017. So whilst the delinquency marker had been applied the month before the application, it was in fact in relation to a historical default from 2017.

There were no other missed repayments or adverse information on Mr S's credit file, with the last default added in March 2020. So on balance, I agree with our investigator that the information from Mr S's credit file tallied with what Drafty told us they found and that it would have considered any adverse data as historic. I also agree that as Drafty verified Mr S's income and adjusted his expenditure accordingly, it made a fair lending decision when it granted the facility and subsequently increased it.

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 Mr S. 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 Mr S'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 S drew down the entire credit limit after the March 2022 increase and continued to make repayments but stopped after the last payment made on 30 December 2022. Drafty soon after suspended Mr S's account which is what we'd expect a lender to do where there is evidence of financial difficulties.

So, on balance, I'm satisfied Drafty did monitor Mr S's repayment record and did take appropriate action when he showed signs of financial difficulty when it suspended the account. The outstanding amount owed is now with a third party debt collection agency.

Overall, having reviewed the information provided to the Financial Ombudsman I have decided to not uphold Mr S'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 S'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 S 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 S 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 S's complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 June 2025.

Paul Hamber  
**Ombudsman**