

## **The complaint**

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

## **What happened**

Miss B was granted a running credit facility in February 2022. This had a £1,000 credit limit – and it remained the same while she held the facility. Miss B has had difficulties repaying her facility and as of February 2025, Miss B owed Drafty just over £262.

In Drafty’s final response letter, it explained the information it had gathered from Miss B before it approved the facility. It concluded given the estimated monthly repayment -Miss B was likely to be able to afford it. Unhappy with this response, Miss B’s representative referred the complaint to the Financial Ombudsman, where it was considered by an investigator.

The investigator didn’t uphold the complaint and explained Drafty had carried out proportionate checks into Miss B’s income and expenditure which showed the facility was likely to be affordable.

Miss B’s representative didn’t agree providing some further information it was able to obtain from Miss B’s actual credit file it had reviewed, which showed new accounts being opened as well as existing credit limits increasing.

There were some further emails between Miss B’s representatives and the investigator about the existing credit commitments, but the investigator wasn’t persuaded to change her mind about the outcome. As no agreement could be reached the 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 also taken into account the law, any relevant regulatory rules and good industry practice at the relevant time.

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 Miss B's Drafty facility.

Miss B 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.

Overall, I think that means the checks Drafty carried out had to provide enough for it to be able to understand whether Miss B would be able to both regularly service and then repay her facility within a reasonable period of time. Drafty also needed to monitor Miss B's repayment record for any sign that she may have been experiencing financial difficulties.

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

Miss B was given a facility where there was an expectation 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.

Miss B was granted a facility with a £1,000 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility. This hypothetical situation assumed the customer did the following:

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

This would have led to a total of £1,355.87 meaning twelve monthly repayments of nearly £113. Although I note Drafty says the minimum was around £62 per month – whether I use Drafty's figures which were outlined in the final response letter or the figures from the credit agreement doesn't make any difference to the outcome that I've reached.

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Miss B could make monthly repayments of around £113 as an absolute minimum.

Drafty says it agreed to Miss B's application after she'd provided details of her monthly income and expenditure and it carried out a credit check.

Miss B declared she received an income of £3,000 per month. However, Drafty says it didn't just rely on what Miss B told it about her income, it says this was independently verified with a third party and having done so no adjustments were made, indicating it was confident the income declared by Miss B was likely to be accurate.

Miss B was also asked questions about her monthly expenditure across a number of different variables, including rent, utilities and existing credit commitments to name a few. Miss B told Drafty that her monthly outgoings came to £1,480.

While the information Miss B gave to Drafty showed the facility to be affordable, Drafty used statistical data to cross reference the expenditure information Miss B had provided as part of her application. Having done so it increased Miss B's monthly outgoings by £493 – bringing the total expenditure figure it used for the affordability assessment to £1,973. This was

proportionate and the correct course of action to have taken and even with larger monthly outgoings, the facility still appeared affordable.

Before the facility was approved Drafty carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although Drafty carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard.

But what I have done is review the information that Drafty received to see whether it showed that Miss B was having, or likely to be having, financial difficulties. And if so, was there enough to have prompted Drafty to have either carried out further checks or to have declined the application.

The results showed that Miss B had 14 active credit accounts according to the results of the credit checks, none of Miss B's active accounts were in delinquency and she hadn't any defaults recorded against her either. Drafty was also told that Miss B's existing monthly credit commitments were around £585.

The credit checks also get to the crux of the matter in this case. Miss B's representative says in the six months before the credit facility was approved, she'd opened a new line of credit at the start of January 2022, as well three more accounts likely to be either loans / credit/ store cards in August 2021.

It isn't clear to me whether Drafty knew about these accounts, but considering it knew that Miss B had 14 active accounts – and given when the other accounts mentioned by the representatives were opened, it's likely Drafty did know about them and they formed part of the active accounts data.

However, that doesn't mean Drafty was wrong to not have carried out any further checks before granting the facility. Part of my consideration is that the monthly repayments Miss B had to make were relatively small compared to her income, and Drafty was told there was no adverse payment information. Overall, the information Drafty obtained from the credit search wouldn't have facilitated any further investigation into Miss B's circumstances beyond what it carried out.

Overall, I'm satisfied Drafty conducted proportionate checks before it granted the facility which demonstrated Miss B would be in a position to afford the monthly repayments. As such, I'm not upholding Miss B's complaint about Drafty's decision to lend to her.

### ***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 Miss B. At the time, Drafty was regulated by the Financial Conduct Authority, 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”*

In practice, CONC 6.7.2(1)R meant Drafty needed to be mindful of Miss B's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties.

However, having reviewed the data, I don't think Drafty would've been overly concerned by the way Miss B used the facility. Miss B initially drew down the full available credit limit on the day it was granted, before making her payments between February and April 2022. Miss B then made two further withdrawals in May and June 2022. After which time the payments stopped and so did the withdrawals.

I can then see Drafty sent a number of letters to Miss B letting her know that her account was in arrears before terminating the agreement in November 2023 – this prevented further interest, fees and charges from being added to the account.

While payments had since been made, I don't think Miss B's pattern of drawdowns or repayments would've led Drafty to look into her circumstances more closely or undertake action beyond what it did. So a closer look at the way Miss B used the facility hasn't changed the outcome I've reached.

Overall, having reviewed the information provided to the Financial Ombudsman I have decided to not uphold Miss B's complaint. I appreciate Miss B will be disappointed by this, but I hope she has an understanding as to why I've reached those conclusions.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Drafty lent irresponsibly to Miss B 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 am not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 April 2025.

Robert Walker  
**Ombudsman**