

The complaint

Miss C 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 Miss C when talking about her or her representative.

What happened

Miss C was granted a running credit facility by Drafty on 27 April 2022. This was for £430 and the limit remained the same while she held the facility.

Miss C 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.

Miss C drew down the entire credit limit once it was approved and continued to make repayments and a further drawdown up until 13 February 2025. There is currently an outstanding debt balance which has been sold to a third party debt collection agency.

In December 2024, Miss C complained to Draft that it had failed to conduct proportionate checks before granting the facility.

Following Miss C’s complaint, Drafty wrote to her in a final response letter on 13 February 2025 and explained it wasn’t upholding the complaint. Drafty explained the information it had gathered from Miss C before it approved the facility. It concluded given the estimated monthly repayment; Miss C was likely to be able to afford it. Unhappy with this response, Miss C referred the complaint to us in February 2025.

Our investigator thought that the checks Drafty conducted before granting this facility were proportionate and that the decision to lend was a fair one and didn’t uphold Miss C’s complaint.

Miss C didn’t agree with the outcome saying that there were discrepancies with the credit check Drafty had conducted and her own credit report.

The investigator explained why these points hadn’t changed her mind and as no agreement could be reached, Miss C’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 Miss C’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 Miss C 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 Miss C's Drafty facility.

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

What happened when Drafty approved the facility

As explained, Miss C 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.

Miss C was granted a facility with a £430 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Miss C. This hypothetical situation assumed Miss C 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. Miss C repaid what she owed in 12 monthly instalments.

Had Miss C done that, she'd have repaid Drafty a total of £620 meaning twelve monthly repayments of around £50.

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Miss C could make monthly repayments of around £50 at an absolute minimum.

Drafty says it agreed to Miss C's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Miss C declared she worked full time and received an income of £1,419 per month. Drafty says this was independently verified with a third party. Miss C also declared monthly outgoings of £375. And this would have given Miss C a disposable income of £1,044.

The information Miss C 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 Miss C declared to it about her living costs.

However, I find the expenditure to be conservative as Miss C declared she spent £75 on her rent or mortgage, £75 on utilities, £75 on food, £75 on credit commitments and £75 on other payments each month. But Drafty used national statistical data to increase the expenditure costs to £937 which I consider is a more realistic figure. And with this adjustment, this still meant Miss C had a disposable income each month of £482 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 Miss C had 10 active credit accounts, with no mortgage account and that she was paying £173 monthly towards her credit commitments although this excluded any revolving credit accounts.

According to the results of the credit checks, there were no defaults or delinquency markers on Miss C's credit file. However, Miss C has disputed this and highlighted that she had two short term loans, one unsecured loan, had exceeded credit limits 15 times and had three late payment markers prior to the facility being granted. However, from the evidence I've seen, Drafty would have been unaware of this as the credit check that it conducted didn't show this data. And I'm not convinced that Drafty wouldn't have granted the facility even if it had known this information, given that I still consider Miss C still had enough disposable income left each month, after Drafty had made its adjustments, to be able to afford the facility.

Our investigator also concluded that she thought Drafty would've still granted the facility had it known the results. But in any case, we are not a punitive organisation and I can't recommend that Drafty take any further action based on the information it wasn't aware of. And Drafty didn't just rely on the information that Miss C declared about her monthly expenditure as it added an extra amount on top using National statistical data and which I consider was commensurate with the actual financial circumstances of Miss C.

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 Miss C. 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 Miss C’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. Miss C withdrew the total credit available to her and made her minimum contractual repayments or more, making a further drawdown as the facility reduced. Miss C made her last drawdown on 22 May 2022. Drafty soon after suspended Miss C’s account which is what we’d expect a lender to do where there is evidence of financial difficulties

I understand that the outstanding debt has subsequently been sold to a third party debt collection agency. So, on balance, I’m satisfied Drafty did monitor Miss C’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 Miss C’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 Miss C’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 Miss C and Drafty might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the same reasons I’ve set out above, I’ve not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons given above, I’m not upholding Miss C’s complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss C to accept or reject my decision before 15 July 2025.

Paul Hamber
Ombudsman