

The complaint

Mr P complains that Gain Credit LLC trading as Drafty (“Drafty”) gave him a line of credit which he couldn’t afford.

What happened

Mr P was granted a running credit facility by Drafty on 13 August 2022 for £2,200. This was increased to £2,600 on 29 July 2023 and to its final increase of £3,000 on 2 December 2023. The account was closed on 17 January 2025 after Mr P made his last payment.

Mr P 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.

In January 2025, Mr P complained to Drafty that it had lent him the facility irresponsibly as he couldn’t afford it.

Following Mr P’s complaint, Drafty wrote to him in a final response letter on 4 March 2025 and explained it wasn’t upholding the complaint. It concluded given the information it had gathered about Mr P’s financial circumstances, he was likely to be able to afford it. Unhappy with this response, Mr P referred the complaint to us on the same day.

Our investigator didn’t think the checks Drafty conducted before granting this facility were proportionate and that if Drafty had conducted further checks it would have concluded that the facility wasn’t affordable for Mr P and consequently upheld Mr P’s complaint.

Drafty didn’t agree with the outcome and supplied further information for the investigator to consider which should have been disclosed initially. In light of this new information, the investigator reviewed Mr P’s complaint again and concluded that Drafty’s own checks showed the facility was unaffordable.

Drafty disagreed, and as no agreement could be reached, Mr P’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 uphold Mr P’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 P's Drafty facility.

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

What happened when Drafty approved the facility

As explained, Mr P wasn't given a payday loan but 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 P was granted an initial facility with a £2,200 credit limit and this subsequently increased to £2,600 and then £3,000. But in looking at the initial decision to lend, in the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mr P. This hypothetical situation assumed Mr P 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 P repaid what he owed in 12 monthly instalments.

Had Mr P done that, he'd have repaid Drafty a total of £2,982. Drafty told us Mr P would have to make a minimum monthly repayment of approximately £54 but using the hypothetical scenario Drafty use, over 12 months that would in fact equate to 12 monthly repayments of around £249.

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

checks to understand whether Mr P could make monthly repayments of around £249 at an absolute minimum on top of all his other credit commitments and expenditure.

Drafty says it agreed to Mr P's application after he'd provided details of his monthly income and expenditure and it carried out a credit check. Mr P declared he worked full time and received an income of £3,750 per month. Drafty says this was independently verified with a third party. Mr P also declared monthly outgoings of £1,900. And this would have given Mr P a disposable income of £1,850.

Drafty 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 P had 29 active credit accounts with over £78,000 of debt and there were no default or delinquency markers on his credit file. Also, that Mr P's monthly repayments totalled £1,070 for his existing fixed-term agreements.

Mr P informed Drafty that his expenditure amounted to £1,900 and with this information and the statistical information Drafty used, it made adjustments which increased Mr P's expenditure from £1,900 to £2,655. This left Mr P with around £1,095 of disposable income from which to pay the facility. So the facility may have looked affordable.

But, Drafty told us that the credit checks that it had conducted showed Mr P was paying £1,070 towards his debts but this didn't include his revolving credit accounts. Drafty also assessed Mr P was paying £325 towards his mortgage.

From the additional evidence I've seen provided by Drafty after our investigator issued her view which it previously withheld, Drafty were aware that Mr P had around £36,000 of revolving debt from ten credit cards, had £2,058 of mail order debt and also had overdraft debts of £9,408. And I think it's important at this point to remind Drafty of their responsibility to disclose all the information it has at the time we first request it as providing additional information, which should have been provided initially, can delay the process. I would also like to highlight the following under the DISP (1.4.4) rules of the FCA Handbook:

Where a complaint against a respondent is referred to the Financial Ombudsman Service, the respondent must cooperate fully with the Financial Ombudsman Service and comply promptly with any settlements or awards made by it.

I'm concerned about the fact that Drafty initially withheld information which it gathered about Mr P's affordability assessment. Drafty have a responsibility to provide **ALL** information to assist the investigation that it has in its possession. It's clear Drafty were aware of the makeup of the revolving credit commitments that Mr P held in addition to the information it initially told us. But didn't disclose this information until after our investigator issued her view.

And whilst the credit checks didn't reveal any defaults or delinquency markers, it did reveal that Mr P owed a considerable amount of money to various lenders and also had three significant overdraft balances. I think in these circumstances, Drafty should have conducted further checks before agreeing to lend as their initial checks didn't go far enough.

Drafty has told us it considered Mr P's monthly repayments for his credit commitments to be £1,070. But Drafty was also aware that this figure was solely for Mr P's fixed-term accounts and excluded any revolving credit agreements that he held. And from the evidence I've seen, had it done so and taken into consideration the existing running credit accounts and overdrafts that Mr P held, it would have realised that Mr P was reliant on hardcore borrowing and in a spiral of debt and the facility wasn't affordable for him.

Whilst I think it's reasonable for Drafty to rely on the statistical information to verify his income, I think, given the evidence I've seen, that Mr P had understated his monthly expenditure considerably. And had Drafty taken into consideration all his credit commitments, it would have realised that the facility wasn't affordable for Mr P.

Overall, I don't think Drafty made a fair or reasonable decision to provide the facility . And as I don't think Drafty should have granted the facility in the first instance, it follows that I also consider the two subsequent increases granted by Drafty were also irresponsible.

Did Drafty act unfairly in any other way

I've also considered whether Drafty acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether its relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, because I am upholding Mr P complaint already for the reasons I have explained, I believe the redress I have suggested results in fair compensation for Mr P in the circumstances of his complaint.

Putting things right

Drafty should:

- Rework the account removing all interest, fees, and charges (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr P along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Drafty should also remove all adverse information regarding this account from Mr P's credit file.
- Or, if after the rework there is still an outstanding balance, Drafty should arrange an affordable repayment plan. Once Mr P has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Drafty to deduct tax from any award of interest. It must give Mr P a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons given above, I'm upholding Mr P's complaint against Gain Credit LLC trading as Drafty

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 July 2025.

Paul Hamber
Ombudsman