

The complaint

Miss J 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 J was granted a running credit facility by Drafty on 30 June 2022. This was for £800 and the limit remained the same while she held the facility.

Miss J 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 J drew down the entire credit limit shortly after it was approved and continued to make repayments and take further drawdowns, with periods of inactivity in between. There is currently an outstanding debt balance which is the subject of a proposed repayment plan.

In February 2025, Miss J complained to Drafty that it had failed to conduct proportionate checks before granting the facility.

Following Miss J's complaint, Drafty wrote to her in a final response letter ("FRL") on 7 April 2025. Under the cover of this FRL, Drafty explained the information it had gathered from Miss J before it approved the facility. It concluded given the estimated monthly repayment; Miss J was likely to be able to afford it but upheld her complaint from 4 December 2024, offering to return fees and set up a repayment plan.

Unhappy with this response, Miss J referred the complaint to us in April 2025.

Our investigator thought that Drafty made a fair lending decision and that the settlement Drafty offered was fair.

Miss J didn't agree with the outcome as she felt the credit check revealed she had a high level of existing indebtedness and financial vulnerability.

The investigator explained why these points hadn't changed her mind and as no agreement could be reached, Miss J'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 Miss J'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.

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 J's Drafty facility.

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

What happened when Drafty approved the facility

As explained, Miss J was 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 J was granted a facility with a £800 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Miss J. This hypothetical situation assumed Miss J 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 J repaid what she owed in 12 monthly instalments.

Had Miss J done that, she'd have repaid Drafty a total of approximately £1,085 meaning twelve monthly repayments of around £90 although the monthly minimum Drafty estimated was in the region of £68 .

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Miss J could make monthly repayments of around £90 at an absolute minimum.

Drafty says it agreed to Miss J's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Miss J declared she worked full time and received an income of £1,635 per month. Drafty says this was independently verified with a third party. Miss J also declared monthly outgoings of £625. And this would have given Miss J a disposable income of £1,010.

However, I find the expenditure to be conservative as Miss J declared she spent £175 on her rent or mortgage, £25 on utilities, £175 on transport, £225 on credit commitments and £25 on other payments each month. But Drafty used national statistical data to increase the expenditure costs by £521 to more like £1,146 which I consider is a more realistic figure. And with this adjustment, this still meant Miss J had a disposable income each month of £489 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 J had nine active credit accounts, with no mortgage account and that she was paying £362 monthly towards her credit commitments although this excluded any revolving credit accounts. The outstanding balances on her active accounts amounted to £20,088.

According to the results of the credit checks, there were no defaults or delinquency markers on Miss J's credit file and no recent missed payments. Given the information Miss J provided Drafty, along with the adjustments it made, our investigator concluded after making reasonable assumptions based on the balance of her revolving credit, that the repayments still appeared affordable for Miss J. And I agree.

There was no adverse information that would have given Drafty cause for concern. And Drafty didn't just rely on the information that Miss J 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 J.

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 J. 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 J'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 J withdrew the total credit available to her and made her minimum contractual repayments or more, making further drawdowns as the facility reduced. Miss J made her last drawdown on 4 December 2024. Throughout the lending relationship, Drafty confirmed the income and expenditure figures with Miss J noting during some months an increase in income and expenditure albeit still with a healthy disposable income left each month in order to pay the facility.

In August 2024, Miss J started to borrow again from Drafty after the previous month she'd informed Drafty that her income had increased to £2,391 and her expenditure had increased to £800 per month. Based on these figures, this would have given Miss J a disposable income of £1,591 per month.

However there is a discrepancy between the figure that Drafty quoted as Miss J's updated expenditure in its FRL (£800) and what Drafty subsequently told us was Miss J's declared expenditure in July 2024. Drafty told us that Miss J declared that she was now paying £75 on food, £25 on utilities, £275 on rent, £25 on other expenses with no credit payments, which we know wasn't correct and this totals £575 and not £800.

Drafty conducted further credit checks at this juncture and established Miss J held 21 active accounts with balances totalling £36,025, with £15,215 of that amount being revolving credit. The credit checks also showed the repayments to Miss J's fixed-term credit accounts to be £797 and that there were no delinquencies, defaults or other adverse information on Miss J's credit file.

Drafty adjusted Miss J's declared expenditure, using national statistical data to £154 on food, £160 on utilities, £325 on rent, £31 on other expenses, £175 on travel expenses and £225 on credit expenses and this totalled £1,070.

However, we know that Miss J's fixed-term credit expenses alone were £797 on top of the revolving credit payments she had to make. So taking into consideration the adjustments Drafty made together with what we know was Miss J's fixed-rate credit commitments, her total expenditure, factoring the revolving credit payments at 2% (£304) would be around £1,898 a month, leaving a disposable income of around £493 to pay this facility.

So, despite the discrepancy in the total amount of credit expenditure Miss J was paying each month, I still think the facility appeared affordable and sustainable and so I don't think Drafty acted unfairly by allowing Miss J to continue to borrow on the facility from 3 August 2024.

I also note that Miss J paid off the outstanding balance in February 2024 and didn't use the facility again until about six months later which doesn't appear to indicate an over reliance on the facility.

Miss J told us she felt that the fact she held 21 active accounts with an overall debt of £36,025 indicated a high level of existing indebtedness and financial vulnerability. But given that there was no adverse information recorded on her credit file and that from the information Miss J declared and the adjustments Drafty made, I'm not satisfied that is the case.

In December 2024, Drafty noticed that Miss J wasn't reducing the debt by much each month and offered to refund interest from this date, offered a repayment plan of £30 a month and to

remove any adverse credit information after this date. And this is what I'd expect a business to do if it suspected a customer may have been struggling financially.

So, on balance, I'm satisfied Drafty did monitor Miss J's repayment record and did take appropriate action when it identified potential financial difficulty in December 2024. And I think that how Drafty have proposed to settle the complaint is fair and reasonable.

So overall, having reviewed the information provided to the Financial Ombudsman I have decided to uphold Miss J's complaint from December 2024. I appreciate she may be disappointed by this and the fact that I've not upheld her complaint from an earlier date, but I hope she has an understanding of why I've reached those conclusions. I'm sorry to hear of Miss J's financial difficulties and I appreciate that they may have been worse than Drafty realised but I'm satisfied there wasn't any obvious signs that Drafty should have picked up on before it did. I do hope Miss J's financial situation improves moving forward and would like to remind Drafty of it's obligation to treat her with forbearance and due consideration.

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 J and Drafty might have been unfair under Section 140A of the Consumer Credit Act 1974. However, because Drafty have made an offer that I think is fair and reasonable and results in fair compensation for Mrs J in the circumstances, I don't think I need to make a finding on this.

Putting things right

Drafty should:

- Rework the account removing all interest, fees, and charges (not already refunded) that have been applied since December 2024.
- If the rework results in a credit balance, this should be refunded to Miss J 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 Miss J's credit file.
- Or, if after the rework there is still an outstanding balance, Drafty should arrange an affordable repayment plan. Once Miss J 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 Miss J 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 Miss J's complaint against Gain Credit LLC trading as Drafty.

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

Paul Hamber
Ombudsman