DRN-5650403

The complaint

Mr M complaints that Gain Credit LLC trading as Drafty ("Drafty") gave him a line of credit without carrying out proportionate checks. Mr M also says, due to the high interest rate, repaying the agreement has been difficult.

What happened

Mr M was granted a running credit facility in October 2024. This had a £3,000 credit limit – which hasn't changed. As of April 2025, an outstanding balance remains due.

Mr M was given a running credit facility 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 M was not given a loan with a fixed repayment term.

In Drafty's final response letter issued in March 2025 it didn't uphold the complaint. Unhappy with this response, Mr M referred the complaint to the Financial Ombudsman, where it was considered by an Investigator.

The Investigator didn't uphold Mr M's complaint saying Drafty had carried out proportionate checks which showed the facility to be affordable. Later the Investigator clarified that Drafty had charged interest at the rate which was outlined in the agreement and so hadn't made an error.

Mr M didn't agree, and I've summarised his responses below.

- Drafty's affordability calculations were incorrect given it knew Mr M had £1,900 of existing commitments.
- The credit was extended to Mr M while he was already in significant financial difficulties.
- Mr M had a high level of existing indebtedness that indicated financial distress and the facility was part of Mr M's ongoing credit dependency.
- At the time Mr M was vulnerable (and he provided details) and so Drafty ought to have considered the risk to him by advancing further credit.
- Mr M has experienced financial harm due to the high interest rate of the facility.
- Mr M has had another complaint upheld by the Financial Ombudsman against another lender where his situation was similar.

The points didn't change the Investigator's mind and as no agreement could be reached, Mr M'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 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 M's Drafty facility.

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

To start with and before I go into the consideration of this case it would be useful to address what Mr M has said about another case at the Financial Ombudsman. Mr M has provided a copy of an assessment sent by an Investigator – which partial upheld his complaint about loans he was granted between 2022 and 2024.

I should point out that each case brought to the Financial Ombudsman, has to be looked at on its own individual merits. The fact that what appear to be similar complaints may have been upheld for similar reasons doesn't create a precedent that I'm bound to follow. The circumstances were different in the other complaint where Mr M had been granted loans and it's not unusual for a proportionate check – whatever that may be to change over time – even for the same consumer.

My remit is to come to a fair and reasonable outcome, based on the information that has been made available to me and in the individual circumstances of this complaint.

What happened when Drafty approved the facility

Mr M was given a facility where there was an expectation 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 M was granted a facility with a £3,000 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mr M. This situation assumed that Mr M 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 M repaid what he owed in 12 monthly instalments.

Had Mr M done that, he'd have repaid Drafty a total of £4,126.94 meaning twelve monthly repayments of nearly £343. So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Mr M could make monthly repayments of around £343 per month.

Drafty says it agreed to Mr M's application after he'd provided details of his monthly income and expenditure and it carried out a credit check. Mr M declared he received an income of £5,700 every four weeks. Drafty says this was independently checked with a third party and it didn't make any adjustments to the figure provided. I think it was fair and reasonable for Drafty to have relied on what Mr M had told it.

Drafty also carried out a credit check with a credit reference agency before the facility was granted, and it has provided the Financial Ombudsman with a summary of the results. But Drafty didn't have to do a credit search let alone one to a specific standard. So, while I've noted Mr M has provided copies of his credit file from the three reference agencies, I've looked at what Drafty was told, because I know it had that information available at the time of the lending decision.

But what I have done is review the information that Drafty received to see whether it showed that Mr M 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 Mr M had 18 active credit accounts owing just over £68,000 to his creditors. Based on the results I've received, Drafty wasn't aware of the types of accounts Mr M had, for example the accounts could've been store cards, credit cards or other loans.

There were no signs of adverse payment information such as defaults or missed payments on the active accounts. But Drafty was told Mr M's commitments were costing at least £1,910 per month.

There were no obvious signs from the credit search results to suggest that Mr M was having difficulties at the time that he has described. And while I think it's fair to say that Mr M had a fair amount of debt, I have to weigh this up against the fact Drafty was told and checked that Mr M received a good monthly wage. As such, the amount of outstanding credit Mr M had, in the circumstances wouldn't have led Drafty to conclude it needed to conduct further checks.

In addition, Mr M had declared his monthly outgoings – in total he said these came to £1,725 per month – and this figure is the one Drafty used in the final response letter. This clearly couldn't be accurate, because Drafty was on notice that Mr M had at least £1,941 per month worth of credit commitments.

Drafty says it checked Mr M's information "*…using national averages for these expenses…*". After this check Drafty has shown that it added a further £1,716 to his expenses. Bringing Mr M's total monthly outgoings to £3,441.

This figure, which was contained in Drafty's file submission makes more sense to me, because it clearly took account of the information Drafty received in the credit report and uplifted the £225 per month in credit commitments Mr M had disclosed to Drafty as part of his application. Uplifting this figure was the right course of action.

But nonetheless I'm satisfied that the checks Drafty carried out showed that Mr M had more than sufficient disposable income to be able to afford his monthly repayments. As such, and while I thank Mr M for providing his bank statements, I don't think given everything else Drafty gathered and what it was told. That it needed to make further checks or to have reviewed his bank statements – given the circumstances that would've been disproportionate.

Mr M has also provided details of his vulnerabilities both financial and in respect of his health – I've read what he has told us and I do hope Mr M is receiving the correct help and support he needs.

I've not expanded on what these are here in order to protect his privacy, but I have thought about what he has said. Drafty's checks didn't suggest Mr M was vulnerable or was having wider financial difficulties and it doesn't look like Mr M told Drafty about these when the facility was opened. As such I wouldn't have couldn't have expected Drafty to have known about the health problems Mr M had. And while he disclosed in his letter of complaint about his rent arrears – these weren't visible or known to Drafty at the time and so Drafty couldn't consider them as part of its affordability assessment.

Overall, I'm satisfied that Drafty carried out proportionate checks before it granted the facility to Mr M and these checks demonstrated to Drafty that the agreement was affordable. I therefore do not uphold the complaint about Drafty's decision to grant the lending.

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 M. At the time, Drafty was and is 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 Mr M's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties. And 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.

However, having reviewed the data, including the relationship between when Mr M drawdown and when he made payments I can't see anything that would've given Drafty cause for concern or would've prompted it to step in and offer assistance. Bearing in mind Mr M has only drawdown four times on the facility.

Other considerations

In addition, I've thought about the help and support that Drafty has offered so far. The complaint while providing Drafty the financial difficulties at the time the facility was granted, there wasn't anything with what Mr M said to suggest those difficulties carried on.

And Drafty's final response letter provided the contact team that can assist Mr M with any repayment difficulties he may have. If he hasn't already done so he may to reach out Drafty for support – this is especially important because Mr M says he now has a budgeting plan and has used a debt advice service. I'd remind Drafty of its regulatory obligation to treat Mr M fairly and with forbearance.

But, I'm not satisfied that Drafty has done anything wrong with the way – so far - its treated Mr M with relation to his account.

Mr M has also said that the interest rate is too high and he's finding that despite making payments he still owes a significant sum of money and the high interest rate is compounding his financial difficulties.

Mr M, as I've said above, was given a high-cost flexible credit product – he wasn't given a payday loan or instalment loan which means that the cost cap the Investigator spoke about doesn't apply in this case. But notwithstanding that, I've not seen anything in the statement of account to suggest that Drafty hasn't applied the interest rate that was agreed, and which is outlined in the credit agreement.

As Drafty has explained to Mr M – interest is charged at a daily rate on the balance, so as Mr M reduces the capital balance it therefore follows the amount of interest Mr M will need to pay each month will also reduce.

While I acknowledge the interest is on the high side, given this is a high-cost credit facility I can't say that Drafty has done something wrong here either with the rate of interest charged or how much is applied each month. Of course, as I've said above should Mr M need help and support repaying the balance he should contact Drafty to discuss his options.

Overall, having reviewed the information provided to the Financial Ombudsman I have decided to not uphold Mr M's complaint. I appreciate Mr M will be disappointed by this, but I hope he 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 Mr M 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 am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 August 2025.

Robert Walker
Ombudsman