

The complaint

Mrs P complains that Gain Credit LLC trading as Drafty (“Drafty”) gave her and increased a line of credit without carrying out the appropriate affordability checks which wasn’t sustainable and was detrimental to her financial well-being.

What happened

Mrs P was granted a running credit facility by Drafty on 21 July 2024. This was for £1,430 and the limit was increased to £1,730 in December 2024.

Mrs P 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.

Mrs P drew down the entire credit limit once it was approved and continued to make repayments and further drawdowns up until 31 December 2024 when she made her last repayment and made her last drawdown on 11 January 2025. There is currently an outstanding debt balance which has been passed to a third party debt collection agency.

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

Following Mrs P’s complaint, Drafty wrote to her in a final response letter on 25 March 2025 and explained it wasn’t upholding the complaint. Drafty explained the information it had gathered from Mrs P before it approved the facility. It concluded given the estimated monthly repayment; Mrs P was likely to be able to afford it. Unhappy with this response, Mrs P referred the complaint to us in May 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 Mrs P’s complaint.

Mrs P didn’t agree with the outcome and sent some further information to be considered.

The investigator explained that the information that Mrs P had sent to us had already been considered when reaching her conclusion and as no agreement could be reached, Mrs 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 not uphold Mrs P’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. This includes section 5.2A of CONC which Mrs P alluded to within her complaint form when she told us she considered Drafty were in breach of responsible lending regulations.

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 Mrs P's Drafty facility.

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

What happened when Drafty approved the facility

As explained, Mrs P 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.

Mrs P was initially granted a facility with a £1,430 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mrs P. This hypothetical situation assumed Mrs P 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. Mrs P repaid what she owed in 12 monthly instalments.

Had Mrs P done that, she'd have repaid Drafty a total of £1,967 meaning twelve monthly

repayments of around £164, although Drafty has stated their expected minimum payment was around £81 (but this wouldn't have paid off the hypothetical balance in 12 months).

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Mrs P could make monthly repayments of around £164 at an absolute minimum.

Drafty says it agreed to Mrs P's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Mrs P declared an income of £2,200 per month. Drafty says this was independently verified with a third party. Mrs P also declared monthly outgoings of £1,100 consisting of £425 towards rent, £75 towards utilities, £125 towards food and £475 towards credit expenses. And this would have given Mrs P a disposable income of £1,100.

The information Mrs P 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 Mrs P declared to it about her living costs.

Drafty used national statistical data to increase the expenditure costs to £1,400 which I consider is a more realistic figure. And with this adjustment, although Mrs P had a smaller disposable income each month of £800 in which to pay for the facility, I still consider this to be affordable in these circumstances.

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 Mrs P had 14 active credit accounts, with no mortgage account and that she was paying £556 monthly towards her credit commitments although this excluded any revolving credit accounts. The credit check revealed that Mrs P had a total credit balance of £25,546 and had revolving credit commitments totalling £10,097, using 68% of her credit limits.

According to the results of the credit checks, there were no defaults or delinquency markers on Mrs P's credit file and she had no payday loans nor had she taken any out within the last six months.

Our investigator concluded that she thought Drafty conducted reasonable and proportionate checks prior to granting the facility and then made a fair lending decision based on what Mrs P had told it and from the credit check results. And on balance I agree. There was no adverse information within Mrs P's credit file that would or should have prompted Drafty to conduct a deeper delve and based on the income and expenditure, the facility appeared affordable.

Mrs P told us about a complaint she'd made to another bank after it gave her a £15,000 loan which was upheld as irresponsible and she felt Drafty shouldn't have provided the facility given it was only a few months later. I'm unable to comment on this other matter other to say that it has no bearing on this complaint and that each complaint is considered on its merits.

I appreciate that Mrs P's financial situation may have been worse than Drafty realised but from the evidence I've seen, there was nothing to suggest that Mrs P was struggling financially, regardless of whether she was or not.

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 Mrs P. 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, could be suggestive of potential financial difficulties. In practice, CONC 6.7.2(1)R meant Drafty needed to be mindful of Mrs P'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. Mrs P withdrew the total credit available to her and made her minimum contractual repayments or more, making further drawdowns as the facility reduced.

On 11 December 2024, Drafty increased Mrs P's credit limit to £1,750, which it told us was based on its initial checks. And seeing how Mrs P was managing her account leading up to this increase, not requesting any credit from the facility for the proceeding four months and with the balance reducing with each repayment, I think this was also a fair lending decision. There were no external indicators that Mrs P may have been struggling financially at that time despite the fact that she's told us she was.

Mrs P made her last drawdown on 11 January 2025 but missed her repayment for that month. Drafty soon after suspended Mrs P's account which is what we'd expect a lender to do where there is evidence of financial difficulties and so preventing her from making any further drawdowns and increasing her debt. A repayment holiday was put in place for February 2025 but there were no further repayments made and so Drafty sent Mrs P notice of arrears and then subsequently a default and termination notice.

I understand that the outstanding debt has subsequently been passed to a third party debt collection agency. So, on balance, I'm satisfied Drafty did monitor Mrs P's repayment record and did take appropriate action when she showed signs of financial difficulty when it suspended the account.

I also acknowledge that Mrs P told us she was unhappy that Drafty had passed her debt to a third party debt collection agency as it had a significant impact on her and her family and felt there hadn't been any consideration of her real-world expenditure and vulnerabilities. The decision to pass Mrs P's debt to a third party debt collection agency is a commercial decision that Drafty was entitled to make. I'm satisfied that Drafty gave Mrs P due warning of this eventuality in the default notice it sent Mrs P in April 2025. This notice also advised Mrs P she could contact Drafty to discuss alternative repayment options if she was struggling financially. I want to assure Mrs P that I have considered the information she has told us about her difficult circumstances. But I don't think Drafty has acted unfairly by outsourcing the servicing of her debt to a third-party. Going forwards, Mrs P may wish to speak to the debt collection agency about her current circumstances and what tailored support it can offer going forwards.

Overall, having reviewed the information provided to the Financial Ombudsman I've decided to not uphold Mrs P's complaint. I appreciate she will be disappointed by this, but I hope she

has an understanding of why I've reached those conclusions. Mrs P has shared some sensitive personal information with us which I'm grateful for. I'm sorry to hear of Mrs P's financial difficulties and do hope her financial situation has improved. I would also like to remind Drafty of its ongoing responsibility to treat Mrs P with forbearance and due consideration moving forward.

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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 Mrs P 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 Mrs P's complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 4 September 2025.

Paul Hamber
Ombudsman