DRN-5799152

The complaint

Mrs K complains that Gain Credit LLC trading as Drafty ("Drafty") gave her a line of credit without carrying out the appropriate affordability checks. Mrs K further complains that Drafty didn't consider her vulnerability when dealing with her.

What happened

Mrs K was granted a running credit facility by Drafty on 19 June April 2022. This was for £1,000 and the limit was increased to £1,150 on 7 August 2024.

Mrs K 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 K drew down the entire credit limit once it was approved and continued to make repayments and further drawdowns up until 16 April 2025 when she made her last payment

In May 2025, Mrs K complained to Drafty that it had failed to conduct proportionate checks before granting the facility as she was in a debt management plan (DPM) and failed to consider her vulnerability.

Following Mrs K's complaint, Drafty wrote to her in a final response letter on 17 June 2025 and explained it wasn't upholding the complaint. Drafty explained the information it had gathered from Mrs K before it approved the facility. It concluded given the estimated monthly repayment; Mrs K was likely to be able to afford it. Unhappy with this response, Mrs K referred the complaint to us in June 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 K's complaint.

Mrs K didn't agree with the outcome saying that Drafty hadn't conducted proportionate checks, ignored key warning signs and failed to treat her with forbearance or consider her vulnerability.

The investigator explained why these points hadn't changed her mind and as no agreement could be reached, Mrs K'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 K'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 which Mrs K has made reference to in her communication with us.

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 what compulsory checks needed to be taken 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 K's Drafty facility.

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

What happened when Drafty approved the facility

As explained, Mrs K 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 K was initially granted a facility with a £1,000 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Mrs K. This hypothetical situation assumed Mrs K 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 K repaid what she owed in 12 monthly instalments.

Had Mrs K done that, she'd have repaid Drafty a total of £1,355 meaning twelve monthly repayments of around £112.

So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Mrs K could make the minimum monthly repayments of around £66 at an absolute minimum.

Drafty says it agreed to Mrs K's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Mrs K declared she worked full time and received an income of £2,548 per month. Drafty says this was independently verified with a third party. Mrs K also declared monthly outgoings of £1,200, consisting of £400 for rent and £800 for other expenses. And this would have given Mrs K a disposable income of £1,348.

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

But Drafty didn't just accept what Mrs K said. Drafty used national statistical data to check and then increase the expenditure costs to £1,758 which I consider is a more realistic figure. And with this adjustment, this still meant Mrs K had a disposable income each month of £790 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 Mrs K had 15 active credit accounts, with an outstanding balance of £7,833, made up of £4,775 in loans and instalment credit and £2,057 in revolving credit. The monthly repayments for Mrs K's fixed term accounts were around £447 a month but this didn't include the revolving credit repayments. The credit file also highlighted that Mrs K has six delinquency and default markers but the last default was applied 36 months before the application and to all intense purposes should be considered historic.

Mrs K told us that she was in a DMP at the time she applied for the facility which from the evidence I've seen, Drafty were unaware of. Although the credit file didn't show the details of Mrs K's DMP it showed the total value of it in the last 12 months as being £863. But being on a DMP wouldn't automatically debar a consumer from being provided with further credit, provided the further credit was affordable. And on balance, considering everything I've seen, I think it was. And so even if Drafty had been aware of the DMP, I'm not convinced it wouldn't have still provided the facility as from the information it gathered, the facility appeared affordable.

I accept that Mrs K appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Drafty obtained. Mrs K told us she was struggling financially at the time of the application. However, Mrs K didn't make Drafty aware of this until she contacted it in October 2022 and it agreed the holiday loan which Mrs K had requested. And nor would it have been evident from the information it obtained. I'm sorry to hear about what Mrs K told us was happening in her personal life at the time and I hope her circumstances improve soon.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the monthly repayments, the disposable income that appeared to be left each month and the lack of other obvious indicators of an inability to make the monthly repayments in the information Drafty did obtain, I don't think that reasonable and proportionate checks would have extended into requesting the information such as bank statements.

At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mrs K's regular living costs. And I don't think that conducting a full financial review – which was really the only way that it might have been able to find out the full extent about Mrs K's circumstances - was the only way that Drafty could have done this. But I think going as far as this would have been disproportionate given the circumstances. And given the fact that Mrs K wanted this facility, I'm not sure she would have disclosed her full financial situation in the knowledge that if she had, the loan may not have been approved.

As this is the case, I don't think that Drafty did anything wrong when deciding to lend to Mrs K - it carried out proportionate checks (albeit I accept that Mrs K doesn't agree that these went far enough) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall, I think Drafty made a fair and reasonable decision to provide the facility.

Monitoring the facility and Drafty's decision to increase the limit to £1,150 on 7 August 2025

Although I don't think Drafty was wrong to have initially provided the facility, that wasn't the end of its obligations to Mrs K. 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 Mrs K's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties. But from the evidence I've seen, I don't think there were any signs that would have indicated that Mrs K was in financial difficulty although I appreciate that might not have been the case.

But when Mrs K did contact Drafty in October 2022 to highlight her financial difficulty, Drafty granted a one month holiday loan that she had requested. And after this, I've not seen any further evidence that Mrs K complained of financial difficulty nor would it have been evident from how she managed her account and the updated income and expenditure information she provided Drafty.

By the time that Drafty increased Mrs K's limit to £1,150 on 7 August 2024, it had been able to monitor Mrs K's use of the facility for over two years and had regularly reviewed her income and expenditure. In January 2024 it noted that Mrs K's income had increased to £2,800 along with an increase to her expenses, going from her declared £800 a month to £1,000. But this increase in expenses payment was offset by her increase in pay and so the facility would have still appeared affordable. And from the information I've seen, Mrs K appeared to be managing her account well. Mrs K also finished her DMP in May 2023 and so on the face of it, there didn't appear to be any cause for concern to Drafty when it increase the credit limit by a small amount of £150.

Drafty conducted further checks prior to the increase and from the information it saw, there was no adverse credit information with the last default being applied 37 months before the application.

Mrs K withdrew the total credit available to her and made her minimum contractual repayments or more, making further drawdowns as the facility reduced. So it appeared that Mrs K was managing her Drafty account well and in line with how it would have expected the facility to be used. So I think Drafty also made a fair lending decision when it increased the limit. Mrs K made her last drawdown on 16 April 2025 and Drafty closed her account the following day.

Overall, having reviewed the information provided to the Financial Ombudsman I have decided to not uphold Mrs K'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 Mrs K's financial difficulties and do hope her financial situation has improved.

Did Drafty act unfairly in any other way

Mrs K told us that she contacted Drafty about her vulnerability in October 2022. Drafty on the other hand said that it wasn't aware of Mrs K's vulnerability until she complained to it in May 2025.

Drafty has told us Mrs K contacted it by its chat option in October 2022 and we've been provided with the transcript notes from that chat. We shared this with Mrs K. From the chat notes, I can see that Mrs K mentioned that she was facing financial difficulty and requested a loan repayment holiday of one month which Drafty agreed to. The notes detail that the implications of the loan holiday were fully explained to Mrs K which I'd expect but I'm unable to see any evidence that Mrs K made Drafty aware at that time of any vulnerabilities.

So on balance, I can't say that Drafty were aware of Mrs K's vulnerability until she made her complaint in May 2025. I appreciate that Mrs K was vulnerable at the time she contacted Drafty in October 2022 and has shared some sensitive personal information with us which I'm grateful for. But considering all the evidence, I'm not convinced that Drafty were made aware at that time .

I've also considered whether Drafty acted unfairly or unreasonably in any other way, including whether the relationship between Mrs K 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 K's complaint against Gain Credit LLC trading as Drafty.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 6 October 2025.

Paul Hamber
Ombudsman