

The complaint

Mr S complains that Gain Credit LLC, trading as Drafty, lent to him irresponsibly.

What happened

In March 2024, Drafty agreed to provide a line of credit to Mr S; he was given a limit of £810. The following year, in January 2025, Mr S complained to Drafty and argued that he shouldn't have been given the facility. He says he was overindebted with existing credit commitments and was heavily and consistently utilising his overdraft; Mr S held the view that if Drafty had completed proportionate checks, it would have seen that he couldn't afford to repay the credit.

In response, Drafty didn't uphold Mr S' complaint. Ultimately, it defended its decision to lend and said it had carried out suitable checks in the circumstances. Unhappy with that, Mr S contacted this Service for an independent review and an Investigator here looked at what had happened.

Our Investigator thought Mr S' complaint should be upheld. She said, in short, that Drafty ought to have carried out further checks – and if it had, it would've seen that Mr S was indeed heavily using his overdraft. Moreover, the Investigator said Mr S' credit report showed a growing reliance on credit; he had several credit cards, utilising around 95% of their limit, and an unsecured loan amongst other things. So, in summary, the Investigator thought Drafty had lent irresponsibly here.

Drafty disagreed, and it maintained that the checks it carried out were proportionate; it still viewed its decision to lend as a fair one. As no agreement had been reached, Mr S' complaint was passed to me to decide.

I issued a provisional decision, which said:

“When making a lending decision, Drafty needed to make sure that it didn't provide loans irresponsibly. In practice, what this means is that Drafty needed to carry out proportionate checks to be able to understand whether any lending was sustainable; it had to do so taking into account Mr S' specific circumstances, before providing any credit.”

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. That said, we might think a lender needed to do more if, for example, a borrower's income was low, or the amount lent was high. Additionally, the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue

to lend to a customer irresponsibly.

Here, for Mr S, Drafty has said it took what he declared as his regular income and expenditure; it carried out an income and expenditure assessment, and it completed a credit search too. Drafty has said it checked Mr S' expenditure declarations against averages compiled by the Office of National Statistics ("ONS") data, and it increased them accordingly. Essentially, it added a "buffer" in case Mr S' expenses were higher than he'd declared.

The results of those checks appeared to suggest that Mr S had enough disposable income to afford the repayments for the credit being provided here. That said, our Investigator didn't think Drafty's checks went far enough; that's because Mr S had other credit commitments at the time, some of which he'd taken out quite close to applying to Drafty, and he was utilising a significant majority of the available credit. Moreover, our Investigator considered Mr S' debt-to-income ratio to be quite high – at around 44%. All of which meant, in the Investigator's opinion, that Drafty's checks weren't proportionate.

I don't see things in quite the same way, though; and I take a different view of the level of checks carried out here. In my view, the checks Drafty carried out were proportionate to the amount being lent and the information gleaned from those checks. Looking at what Drafty uncovered, it didn't find any recent defaults nor missed payments for Mr S' other commitments; no County Court Judgments, or Individual Voluntary Arrangements, were recorded either. The income and expenditure assessment it carried out showed no significant cause for concern, even after Drafty revised the figures declared by Mr S to be more conservative, and it suggested that Mr S had enough to repay the credit over a reasonable period of time.

My conclusion then, is that Drafty's checks did go far enough here; I don't think it would've had reason to go further when looking, holistically, at all of the data before it. Of course, Mr S' situation wasn't perfect; he did indeed have outstanding borrowing elsewhere, and he had taken out some other credit facilities fairly close to the time of applying to Drafty. It's also true to say he was utilising a lot of the available credit. But simply having existing debt elsewhere doesn't automatically mean that a creditor shouldn't lend. That's particularly true if nothing in the checks Drafty did carry out suggested Mr S wasn't managing his finances; or if he seemed to be struggling with his existing commitments, which isn't the case here. In fact, Drafty had already taken steps within its checks to understand more about Mr S' income and expenditure, taking into account his commitments elsewhere. Essentially, the bigger picture here suggested someone with existing commitments who – on the face of it – was managing them well.

It follows that if I think Drafty's checks went far enough, then it likely would never have uncovered the true position of Mr S' finances. I know now that Mr S was heavily utilising his overdraft, but the fact is that I can't use hindsight here; instead, my view is that Drafty was entitled to rely upon the information available at the time – and I don't think, on balance, that it had reason enough to carry out further checks, or to request more information, or evidence, from Mr S before the credit application was approved.

To be absolutely clear, I'm not saying that Mr S wasn't – or isn't now – under some level of financial pressure. We know he was. It's just that here, in these circumstances, I think Drafty was entitled to rely upon the results of the checks it did. As I've said above, I find that the level of checks were indeed proportionate – particularly when keeping in mind the modest amount being lent, the lending relationship, and the results of those checks.

In closing, and to sum up, my provisional view of this dispute is that Drafty did carry out proportionate checks in the circumstances. I don't think anything it discovered within those checks, at the time, ought to have given it cause for concern enough to not lend; nor that it should've been prompted to entirely verify Mr S' wider financial situation. That finding will, no doubt, disappoint Mr S; I am sorry for that, and I'll remind him here that there is still time to submit further arguments and evidence if he wishes to do so. Overall, though, for the reasons I've explained, my provisional decision is that I don't uphold this complaint.

Drafty accepted my provisional decision, and it had nothing further to add.

Mr S disagreed with my provisional findings. To summarise, he questioned whether I'd carried out "due diligence"; he referenced another loan, taken before this line of credit, which had been found to have been lent irresponsibly, and Mr S said the information Drafty had relied upon – when granting credit – hadn't been accurate. Mr S also told us of the increasingly difficult personal circumstances he is, and has been, experiencing.

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.

At the outset, I'll say that I know, without doubt, just how strongly Mr S feels about what's happened here – he's made that very clear, and I'm truly sorry to read of the difficulties he's faced. There's no question he is, and has been, in a difficult financial situation. So, before I cover anything else, I'd certainly encourage Mr S to reach out to organisations which can provide support and advice; our Service will be happy to pass on contact details of such groups.

Given Mr S' strength of feeling here, I also think it significant to explain that my role is to look at things objectively – and holistically – to determine what is a fair and reasonable resolution to this dispute. Put simply, I must step back from the emotion and, instead, remain impartial. With that explained, while I know what I say here will disappoint Mr S, I haven't departed from my provisional conclusions; and I don't think his complaint here should be upheld. I'll explain why.

The central point to clarify, I think, is proportionality. As I explained in my provisional decision, Drafty's checks had to keep Mr S' individual circumstances in mind; any assessment, though, didn't need to be exhaustive. Drafty had no obligation, at all, to request bank statements or payslips, for example. Particularly if the results of the checks it did carry out (as long as *they* were proportionate – which, for completeness, I think they were) revealed no cause for concern strong enough to warrant the request of such supporting evidence.

What that means, in practice, is that a customer may very well have been experiencing some difficulty but also, on the face of it, getting by and managing their finances. In such a scenario a lender might not discover that something was indeed wrong under the surface, and that isn't necessarily a failing.

If there *were* indicators of difficulty then, of course, a lender ought to go further to determine affordability – but I don't think that's the case here. The checks Drafty carried out showed no recent defaults or missed payments for Mr S' other commitments; and no County Court Judgments, or Individual Voluntary Arrangements, were recorded. Drafty's income and expenditure assessment showed the credit to be affordable for Mr S. Drafty used revised figures when it carried out that assessment, amending amounts to be more conservative; and it built in data from the Office of National Statistics ("ONS") too. That was within Drafty's gift to do, if it wished, and the results of all of that didn't suggest immediate cause for concern that the credit provided here was, or would become, unaffordable.

Mr S does, no doubt, see things differently. He's questioned the figures used by Drafty in its checks – highlighting that some seem low for an individual such as himself, with three children to help support. As I've referenced above, though, Drafty wouldn't have needed to know about *everything* he was spending; especially if, on the face of it, Mr S' financial affairs appeared to be being managed. Simply put, there was no requirement for it to forensically review his outgoings or current account conduct.

I know that Mr S had taken out two other credit cards reasonably close to the time of applying to Drafty, from which he was utilising a lot of the available credit, and I know too that he's referenced a loan – taken out before his credit with Drafty – which was found to be irresponsibly lent. Neither of those points, though, change my mind here. Plenty of customers have other debt when they apply for more credit, and that doesn't mean lenders elsewhere are prohibited from offering more in the right circumstances. Mr S' debt-to-income ratio wasn't insignificant, but it wasn't alarming either; and as I've referenced earlier, the data available to Drafty at the time suggested he was managing it – even if the reality may have been, or would later become, different. And in any case, as I've mentioned, Drafty didn't just rely on that information; it carried out an income and essential expenditure assessment which suggested the credit was affordable.

I'll add too that I understand why Mr S would think our Service should determine that Drafty's line of credit was irresponsibly provided if a complaint about another loan, taken earlier with a different lender, was upheld in his favour. But I'm not bound by the outcome of any other complaint, or indeed the findings of an Investigator in resolving another complaint at an informal stage, which as I understand it is what happened with that other dispute that Mr S has referenced.

All of this will, of course, significantly disappoint Mr S; that's entirely understandable, and I'm well aware his situation was much worse than it appeared. I know too that things are very difficult for him now. But as I said in my provisional decision, the fact is that I can't use hindsight. Drafty was entitled to rely upon the information available *at the time*, and I think that it did carry out checks which were proportionate to Mr S' circumstances here. Consequently, it would've never reviewed Mr S' bank statements – which isn't unreasonable in the circumstances of this case – or asked for any other verification measures before agreeing to lend; never discovering the true picture. For the reasons I've explained, that's

not an inherent failing on Drafty's part.

Fundamentally, as with any complaint, the key point to remember here is that it's only fair and reasonable for me to uphold a complaint in circumstances where I can conclude a business did something wrong. Here, I don't think Drafty could have known – or ought to have known – that the payments for this credit facility were, or were likely to become, unaffordable at the time of lending. So, for the reasons I've already given, I can't fairly conclude that Drafty acted irresponsibly or otherwise treated Mr S unfairly in relation to this matter; and it follows that I don't uphold the complaint. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 November 2025.

Simon Louth
Ombudsman