

The complaint

Miss B complains that Gain Credit LLC trading as Drafty (“Drafty”) gave her a line of credit without carrying out sufficient affordability checks. Had Drafty made better checks it would’ve seen she couldn’t afford the repayments.

What happened

Miss B was granted a running credit facility in December 2023. This had a £200 credit limit. Drafty increased the limit on four occasions taking the limit to £1,440 by May 2025. As of July 2025, an outstanding balance remains due.

Miss B was given a running credit facility 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.

In Drafty’s final response letter issued in July 2025 it partly upheld the complaint and offered to refund all interest, fees and charges from 18 April 2025. Drafty then said it would use this refund to reduce Miss B’s outstanding balance. Unhappy with this offer, Miss B referred the complaint to the Financial Ombudsman, where it was considered by an Investigator.

The Investigator didn’t uphold Miss B’s complaint and Miss B didn’t agree, saying.

- Miss B’s income wasn’t as high as what Drafty used for its assessment and her disposable income figure was incorrect.
- She was using her overdrafts and was taking out new credit.
- At the time of the first credit limit increase, Miss B was making minimum payments on 20 accounts and was having to borrow to make ends meet.
- Over her time of using the Drafty facility her overall debt increased by more than £10,000.
- Miss B has had other complaints upheld for other lending taken around the same time she was using her Drafty facility.
- Miss B had prolonged and repeat lending and she wasn’t using the account as Drafty intended.

The Investigator explained, why these points hadn’t changed their mind and as no agreement could be reached, Miss B’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. 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 could 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 B's Drafty facility.

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

Drafty has already accepted it should uphold the complaint from 18 April 2025, which is before the fourth and final credit limit increase. As such, I won't look at or review what happened after April 2025. But I have set out at the end of this decision what Drafty needs to do and what it has already agreed to do in order to put things right for Miss B.

What happened when Drafty approved the facility

Miss B was given a facility where there was an expectation she'd repay what she borrowed plus the interest due within a reasonable period. Miss B was granted a facility with a £200 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Miss B. This hypothetical situation assumed that Miss B 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 B repaid what she owed in 12 monthly instalments.

Had Miss B done that, she'd have repaid Drafty a total of £275.13 meaning twelve monthly repayments of around £23. So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Miss B could make monthly repayments of around £23 per month.

Drafty says it agreed to Miss B's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Miss B declared she received an income of £1,510 per month from full time employment.

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 Miss B had told it.

Drafty carried out a credit check with one of the credit reference agencies before the facility was granted. The results showed that Miss B had 18 active credit accounts owing just over £13,200.

There was no adverse payment information such as defaults or recent delinquent accounts. Thinking about that then I do agree with Drafty's comments that the credit search didn't indicate Miss B was having problems managing these existing creditors. There wasn't anything from these checks to indicate Drafty ought to have carried out further checks or to have declined Miss B's application.

In addition, Miss B had declared that her monthly outgoings came to £675 per month. Drafty says it checked Miss B's information with national averages. Drafty calculated Miss B's monthly outgoings came to £1,108. Drafty calculated that Miss B had sufficient disposable income to afford to repay and service the facility – bearing in mind the small credit limit that she was initially granted.

Overall, I'm satisfied for a facility with a £200 credit limit the checks Drafty did were proportionate and showed it Miss B would be able to afford her credit facility. I am not upholding Miss B's complaint about Drafty's decision to provide the credit facility.

The credit limit increases

As I said above, I won't look at the fourth and final increase because Drafty has already agreed to uphold the complaint from before the increase occurred. But the credit limit was increased on three occasions in 2024 – in March, August and December. I've looked at the checks Drafty carried out and they seem broadly similar for each credit limit increase.

Periodically during the course of the relationship Drafty asked Miss B about her income and outgoings for example in May and October 2024. And when looking at each credit limit increase Drafty used the most recent income declaration for its assessment. So, for the first credit limit increase in March 2024, it used Miss B's declared income (which had been crossed checked) when she opened the facility in December 2023.

For each of the credit limit increases, Miss B's income was no more than £1,600 per month – given what Miss B declared at the start of the relationship, I think it was reasonable for Lending Stream to have used the amounts she had declared.

For each credit limit increase, it also took account of what Miss B had said about her outgoings when the facility was granted and at each time Lending Stream asked Miss B about them.

For each credit limit increase Drafty carried out a credit search and it has provided the results it received. For each credit limit increase there were no new missed payments or defaults recorded.

I accept that the credit file does show that Miss B's overall indebtedness was growing with each credit limit increase and by the time of the December 2024 her overall debt was around £6,000 greater than it was when she started borrowing in December 2023. But Lending Stream has considered the monthly repayments to her existing debts within the affordability assessment – and even taking that into account the payments for each credit limit increase, they looked affordable.

Indeed, when thinking about the monthly repayments that the increased credit limits could attract, along with the calculations that Lending Stream carried out into Miss B's monthly living costs there was sufficient disposable income left over to afford the repayments.

And while Miss B's credit limit had increased to £1,140 by December 2023, that still nonetheless only produced a monthly repayment of around £150 which given the proportionate affordability assessment Drafty carried out, looked affordable.

Taking account of the affordability assessment for each credit limit increase, they were proportionate to the amount the proposed monthly repayment and as such I don't think Drafty was wrong to have increased Miss B's credit limit.

I've thought about what Miss B says about her overall financial situation at the time, but that information wasn't reflected in what Drafty was told and as I think the checks were reasonable there was no need for example verifying the information it was using for its affordability check. I am therefore not upholding the complaint about Drafty's decision to increase Miss B's credit limits in 2024.

Monitoring the facility

Although I don't think Drafty was wrong to have initially provided the facility or the credit limit increases, that wasn't the end of its obligations to Miss B. At the time, Drafty was 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”

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 B's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties.

I've reviewed the transaction data to look at how Miss B managed her facility and to take account of the relationship between when Miss B made payments and when she re-drew down again on the facility.

I don't think Drafty would've been overly concerned in the manner that Miss B used the facility that ought to have led it to either stop lending or to have investigated Miss B's circumstances more closely than it did.

Overall, up to April 2025 – so in the 17 months Miss B had the facility - she had drawdown on the account on 11 separate occasions and had made at least the minimum monthly repayment each time. There isn't anything as far as I can see that would've led Drafty to conclude that Miss B wasn't using the facility in the manner that it had intended – up to the point that Drafty has already upheld the complaint.

An outstanding balance remains due, and I would remind Drafty of its obligation to treat Miss B fairly and with forbearance when discussing a way forward with Miss B.

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 Miss B or otherwise treated her unfairly in relation to this matter up to April 2025. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

What follows is the redress paragraphs for the part Drafty has agreed it needs to put right.

Putting things right

Drafty, in the final response offered to pay compensation from 18 April 2025 and I think that is a fair outcome for the complaint. So, If Drafty hasn't already done so then it will need to do the following;

- A. Lending Stream should refund all interest, fees and charges applied to the facility

from 18 April 2025.

- B. It should then calculate 8% simple interest* on the individual amounts calculated as part of "A" – calculated from the date Miss B originally made the payments, to the date the complaint is settled.
- C. Drafty can then use the above refund to offset this against any outstanding balance that is owed.
- D. Drafty will update remove any adverse information recorded on Miss B's credit file in relation to the facility from 18 April 2025.

*HM Revenue & Customs requires Lending Stream to deduct tax from this interest. It should give Miss B a certificate showing how much tax has been deducted, if she asks for one.

My final decision

Gain Credit LLC trading as Drafty has already made an offer to settle the complaint from 18 April 2025 and I think this offer is fair in all the circumstances.

So, my decision is that Gain Credit LLC trading as Drafty should pay this offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 25 February 2026.

Robert Walker
Ombudsman