

## **The complaint**

Mrs V complains that Gain Credit LLC trading as Drafty (“Drafty”) gave her a line of credit and then increased her credit limit without carrying out sufficient affordability checks.

## **What happened**

Mrs V was granted a running credit facility in January 2019. This facility initially had a £450 credit limit, which Drafty increased to £520 in June 2019 and then to £720 in January 2020. The account was closed and repaid in February 2021.

Mrs V 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. To be clear, Mrs V wasn’t given a loan.

In Drafty’s final response letter it explained why it wasn’t going to uphold Mrs V’s complaint. Unhappy with this, Mrs V referred the complaint to the Financial Ombudsman.

The Investigator didn’t uphold Mrs V’s complaint saying the checks were proportionate at the point the facility was granted and for the first credit limit increase. However, while Drafty has set out the sort of checks it carried out when the second credit limit was granted the Investigator didn’t know exactly what Drafty saw. As such the checks weren’t proportionate but based on Mrs V’s credit file and bank statements – there wasn’t enough to say she couldn’t afford the credit limit increase. The complaint wasn’t upheld.

Mrs V didn’t agree and I’ve summarised her response below.

- It wasn’t reasonable for Drafty to have used data supplied by the Office of National Statistics (ONS) to work out her disposable income.
- Had bank statements been used it would’ve seen Mrs V was constantly overdrawn.
- A clear credit file doesn’t mean the facility was affordable.
- It has been acknowledged that for the second increase, there isn’t enough to show exactly what checks were carried out yet the complaint still hasn’t been upheld. At this time Mrs V was persistently reliant on her overdraft and was stuck in a cycle of borrowing.

As no agreement could be reached, Mrs V’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 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 V's Drafty facility.

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

### ***What happened when Drafty approved the facility***

Mrs V was given a facility where there was an expectation she'd repay what she borrowed plus the interest due within a reasonable period. Mrs V was granted a facility with a £450 credit limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost to Mrs V. This hypothetical situation assumed that Mrs V 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 V repaid what she owed in 12 monthly instalments.

Had Mrs V done that, she'd have repaid Drafty a total of £590.49 meaning twelve monthly repayments of around £50. So, in these circumstances, I think Drafty needed to carry out reasonable and proportionate checks to understand whether Mrs V could make monthly repayments of around £50 per month.

Drafty says it agreed to Mrs V's application after she'd provided details of her monthly income and expenditure and it carried out a credit check. Mrs V declared she received an income of just over £1,500 per month.

Drafty says this was independently checked with a third party and following this check it didn't make any changes to Mrs V's declaration because, based on the results of the checks, it thought she had under reported her income. But whether Drafty went with Mrs V's declared income or the amount it was told about doesn't make a difference to its decision to approve the facility. I consider this check to be proportionate.

Drafty also carried out a credit check with one of the credit reference agencies before the facility was granted. Drafty was told there was no adverse payment information such as defaults or recent delinquent accounts. The credit check data didn't indicate Mrs V was having problems managing these existing creditors.

Mrs V says that while her credit file didn't have any missed payments or similar, that doesn't mean the lending was affordable. That could of course be correct, but equally and I think fairly, Drafty would've viewed the lack of adverse payment as a positive indicator of someone who was on top of their finances and wasn't having problems making her existing repayments. As such, there wasn't anything solely from the credit checks to indicate Drafty ought to have carried out further checks or to have declined Mrs V's application.

In addition, Mrs V had declared that her monthly outgoings came to £750 per month. Drafty says it checked Mrs V's information using the credit check data mentioned above as well as taking information from the ONS. The regulations allow a prospective lender to use statistical data when thinking about living costs and I've seen no reason in the circumstances of this complaint why Drafty couldn't have used statical data to cross check what Miss V had declared. I say this bearing in mind Mrs V appeared to be on top of her existing credit repayments.

Following this cross check Drafty increased her total outgoings to £899 per month. Drafty calculated that Mrs V had sufficient disposable income to afford to repay and service the facility – which given everything it had asked for and seen seems a reasonable conclusion to draw.

Overall, I'm satisfied for a facility with a £450 credit limit the checks Drafty did were proportionate and showed it Mrs V would be able to afford her credit facility. I am not upholding Mrs V's complaint about Drafty's decision to provide the credit facility.

### ***The first credit limit increase***

Although I am not upholding Drafty's decision to provide the facility, that wasn't the end of its obligations. Drafty initially increased Mrs V's credit limit in June 2019 to £520 – so an increase of £70 over the original credit limit that was granted in January 2019.

The regulations at the time in CONC 5.2A4(3) and CONC 5.2A6 allowed for further checks if either the increase in the credit limit was significant or whether the accumulative effect of a number of credit limits was significant.

In the circumstances of this complaint, Mrs V declared at the end of May 2019 – so only weeks before the increase came into effect that her income had increased. Taking account of the fact that I think a £70 limit increase isn't significant and would've likely added at most another £10 a month or so to the estimated monthly payments then I'm satisfied that what Drafty did before the first credit limit increase was reasonable and proportionate.

I do not uphold Mrs V's complaint about Drafty's decision to increase her credit limit in June 2019.

### ***The second credit limit increase***

In January 2020, a further credit limit was granted taking the limit to £720 and Drafty has said that at the time it would've carried out a credit check as well as an income and expenditure check. It also said there wasn't anything in how Mrs V had used the facility to indicate she was struggling.

The results of these checks aren't available, but I do know that in March 2020 – albeit I accept that this was after the credit limit increase – Mrs V said her income was £2,300 per month and her outgoings had decreased to £350 per month.

I don't think it's plausible that only a matter of months later Drafty was told that Mrs V's outgoings had decreased. The Investigator concluded that as Drafty couldn't demonstrate the results of any checks that may have been carried then the checks weren't proportionate. I'm minded to agree with this.

However, just because the checks Drafty may have carried out weren't proportionate that alone doesn't mean Mrs V's complaint is successful. I would also have to be satisfied that

had Drafty carried out a proportionate check it would've seen it was unaffordable to extend the credit limit.

Mrs V has provided a copy of her credit file and bank statements from the time. Drafty didn't need to review Mrs V's credit file or bank statements there were other ways that it could've gone about checking her income and expenditure. But as I have that information to hand I don't think it's unreasonable to consider what it shows.

I also want to be clear, that while I may have used the bank statements to look at Mrs V's outgoings this wasn't a line-by-line review of her transactions data – in my view that would've been wholly disproportionate given the size of the credit limit Drafty was proposing to grant her.

Firstly, I think had Drafty taken steps to look at Mrs V's income it would've seen she received around £1,450 per month. The bank statements show payments towards some creditors, living costs such as fuel, car insurance and road tax. The bank statements also don't show any sign that Mrs V may have been having financial difficulties.

I also don't think that even if Drafty knew about Mrs V's overdraft usage that it would be enough for it to not have approved the credit limit increase.

Had Drafty had sight of the bank statements I'm not persuaded that it would've likely though Mrs V couldn't afford the credit limit increase. bearing in mind the monthly repayments to pay and service the facility would've been, based on a similar projection for when the facility was approved, around £75 per month.

I've also looked at the copy of the credit file Mrs V has provided, and there wasn't anything that I can see from around that time which would've led Drafty to have thought she couldn't afford the increase in her credit limit for example County Court Judgements or defaults. Mrs V based on the credit file data didn't have significant amounts of existing debt or appeared to have any problems repaying it.

For the second credit limit increase, while Drafty may not have carried out a proportionate check, further checks wouldn't have led to a different outcome. I do not uphold Mrs V's complaint about this increase.

### ***Monitoring the facility***

Although I don't think Drafty was wrong to have initially provided the facility or increased the credit limits, that wasn't the end of its obligations to Mrs V. 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 Mrs V's repayment record and how she used the facility and step in if and when she showed signs of possible repayment difficulties.

I've looked at the transaction data to see how Mrs V managed her facility and to take account of the relationship between when Mrs V made payments and when she re-drew down on the facility.

I don't think Drafty would've been overly concerned in the manner that Mrs V used the facility. And there weren't any factors that ought to have led it to either stop lending or to have investigated Mrs V's circumstances more closely than it did. There wasn't any indication Mrs V was struggling to repay the facility.

There isn't anything as far as I can see that would've led Drafty to conclude that Mrs V wasn't using the facility in the manner that it had intended and so I'm not able to uphold Mrs V's complaint for this reason.

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 Mrs V 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.

### **My final decision**

For the reasons I've set out above, I do not uphold Mrs V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V to accept or reject my decision before 7 May 2026.

Robert Walker  
**Ombudsman**