

## **The complaint**

Miss H has complained that Gain Credit LLC trading as Drafty irresponsibly lent to her. She says she had a lot of debt at the time and couldn't afford further borrowing.

## **What happened**

Drafty provided Miss H with an open-ended credit facility. Miss H could draw funds from the facility up to the limit of £1,400. This wasn't a payday loan where Miss H had to repay all her borrowing within a pay period. Instead, Miss H could make minimum payments to the credit facilities in the same way as a credit card.

When Miss H complained to Drafty, it didn't uphold her complaint. It said its checks were sufficient and they showed Miss H could afford the facility. It also said it monitored her account in line with regulation and hadn't done anything wrong.

Miss H referred her complaint to the Financial Ombudsman Service where it was looked at by one of our adjudicators. Our adjudicator didn't think Drafty was wrong to lend to Miss H. She said Draft conducted what she considered to be reasonable checks that showed Miss H could afford the facility.

Miss H disagreed, she said she had other credit at the time and having complained about those lending decisions, they were upheld, and she doesn't understand why this complaint isn't.

## **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 times.

In practice, all of this meant that a lender 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 a lender could take into account before agreeing to lend. The key thing was that it required a lender's 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 lend Miss H the facility.

As previously stated, Miss H wasn't given a payday loan where she had to repay all of what she borrowed plus the interest due on her next pay day. Miss H was given a facility where there was an expectation that she'd repay what he 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 a reasonable period will always be dependent on the circumstances of the individual case.

Miss H was granted a facility with Drafty with a £1,400 limit. In the credit agreement, a hypothetical situation is laid out to show the potential cost of the facility to Miss H. This situation assumed that Miss H 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. repaid what she owed in 12 monthly instalments. Had Miss H done that, she'd have repaid Drafty a total of £1,898.22 meaning twelve monthly repayments of around £158.18.

Before lending to Miss H, Drafty asked her about her monthly income and expenditure including her credit commitments. It also searched her credit file. Miss H declared her income as £2,500 and although she declared £0 on her application for her monthly expenses, it seems later, she provided a breakdown of her expenses to a total of £900 including her credit commitments.

The results of the credit search showed Miss H had 13 active accounts, no defaults or delinquent accounts and her credit commitments were around £1,024 and not £275 as she'd declared. Taking into account Miss H's income (£2,500) and the results of the credit search and her declared living expenses (£1,649), she was left with sufficient income to make the minimum payments on the facility.

Drafty also had a duty to monitor her account. Drafty has confirmed Miss H's account is in arrears as she hasn't kept up with her repayments. Miss H drew down from the account on three occasions, she initially drew down the maximum, made two repayments and then drew down again. Miss H made two more repayments and then made the final draw down on 30 November 2022. As Miss H struggled to keep up with her repayments, Drafty disabled her ability to draw from the facility and agreed a repayment plan. I can see Miss H was making lower repayments from February 2023.

I think Draft acted reasonably by preventing Miss H from accessing further credit once it became aware of her financial difficulty, I also think it was positive to agree a repayment with Miss H for the debt repayment.

Altogether, I don't think Draft was wrong to lend to Miss H in the circumstances. I appreciate what Miss H has said about her other complaints, but my role is here is to look at the circumstances around the lending decision in this complaint. From what I've seen I don't think Draft did anything wrong.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 20 November 2023.

Oyetola Oduola  
**Ombudsman**