

The complaint

Miss B complains that Gain Credit LLC trading as Drafty gave her a credit facility without completing appropriate checks. Miss B also says she didn't receive support from Drafty.

What happened

In May 2021, Miss B applied to Drafty for a running credit facility, she was given a credit limit of £200. The credit limit remained the same and Miss B repaid her outstanding balance on the account in October 2021.

When she complained to Drafty, it didn't uphold her complaint. It said it carried out sufficient checks before lending to her and those checks showed she could afford the credit facility. It also said it monitored her account and there was nothing to suggest she was struggling with the account.

Unhappy with the response, Miss B referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't recommend that Miss B's complaint be upheld. Miss B asked for an ombudsman to review her complaint.

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.

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. The lender was required to gather enough information so that it could make an informed decision on the lending.

Although the regulations don'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 reviewing Drafty's decision to lend to Miss B.

In this case, Drafty's needed to take reasonable steps to check whether Miss B would be able to both service and then repay her facility within a reasonable period. Drafty also needed to monitor Miss B's repayment record for any sign that she may have been experiencing financial difficulties.

Miss B was given an open-ended credit facility. In the event that Miss B used her full credit limit of £200 and repaid it in 12 equal monthly instalments, she'll repay a total of £271.17, this amounts to 12 individual repayments of around £22.59.

Drafty has provided information to show that when Miss B applied for credit, it asked her about her monthly income which she declared as £1,300 and her monthly expenses including credit commitments which she declared as £900. Drafty also searched Miss B's credit file before lending. The search into Miss B's credit file showed she had three active accounts; no defaults or delinquency was recorded at the time. Looking at the circumstances of the lending and what Drafty's checks revealed, I think it was reasonable to conclude that Miss B could afford the facility. I don't think Drafty agreed the facility when it shouldn't have.

Drafty also had a duty to monitor Miss B's account, from what I can see Miss B started withdrawing from the credit facility in May 2021 and repaid it in October 2021. I've seen copies of her account statements and in those months she was using the facility, Miss B was usually repaying more than the minimum payments. Overall, there was nothing in the way Miss B was running the account that should have alerted Drafty to her being in financial difficulties.

Miss B has said she has learning difficulties and didn't fully understand how much she had to repay. Miss B also says she informed Drafty of her learning difficulties. The Financial ombudsman Service has asked Drafty for its communication with Miss B on this issue and it has said it only became aware of this when Miss B complained in July 2023.

While I don't disbelieve Miss B, it is difficult for me to hold Drafty to knowledge of this without seeing some communication to Drafty about this. Also, there's nothing from the time of lending that suggests Drafty ought to have been aware of this. I've seen a copy of the lending agreement which appears was set out in Drafty's standard way. Had it been clear Drafty was aware of Miss B's circumstances, I'd have expected it to make reasonable adjustments for Miss B based on what she'll have told it she needed. It doesn't necessarily mean that Drafty would have been wrong to lend to her even with that knowledge. I appreciate my findings will likely disappoint Miss B but based on the information available here, Drafty hasn't acted unfairly towards her and I won't be asking it to do anything further.

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 B to accept or reject my decision before 11 March 2024.

Oyetola Oduola
Ombudsman