

Complaint

Miss B has complained about a loan Bamboo Limited (“Bamboo”) provided to her. She says the loan was unaffordable and shouldn’t have been provided to her.

Background

Bamboo provided Miss B with a loan for £7,000.00 in October 2020. This loan was due to be repaid in 60 monthly instalments of just under £245.

One of our adjudicators reviewed what Miss B and Bamboo had told us. And he thought that Bamboo hadn’t done anything wrong or treated Miss B unfairly. So he didn’t recommend that Miss B’s complaint be upheld. Miss B disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss B’s complaint.

Bamboo needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Bamboo needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay before providing this loan.

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 it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And 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.

Bamboo says it agreed to Miss B’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out. In its view all of this information showed Miss B could afford to comfortably make the repayments she was committing to. On the other hand, Miss B has said she should never have been provided with this loan because it was unaffordable. I’ve carefully thought about what Miss B and Bamboo have said.

The first thing for me to say is that Bamboo carried out a credit check on Miss B. So I don’t think that this was a case of Bamboo simply accepting an over-optimistic declaration of monthly disposable income at face value. Bamboo’s credit search shows that Miss B had some existing debts. But this wasn’t excessive when compared to Miss B’s monthly income.

Furthermore, this loan was taken out for the purposes of debt consolidation. I know that it did increase the length of time Miss B would have to make payments for. But there's no doubting that Miss B would have been able to afford the repayments and would have had an increased monthly disposable income as long as Miss B closed her accounts once the balances were repaid rather than spending further on them.

Equally, as this was Miss B's first loan with Bamboo, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing her existing indebtedness in a way that was unsustainable or otherwise harmful. This is especially as there wasn't anything obvious in the information gathered during this application which leads me to think that even further checks would have been reasonable and proportionate here.

I accept that Miss B's actual circumstances may not have been fully reflected either in the information she provided, or the information Bamboo obtained. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that it was unreasonable for Bamboo to lend here.

As this is the case, I don't think that Bamboo did anything wrong when deciding to lend to Miss B - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Bamboo treated Miss B unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss B's complaint. I appreciate this will be very disappointing for Miss B. But I hope that she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind Bamboo of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Miss B's loan and it be the case that she is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 7 August 2023.

Jeshen Narayanan
Ombudsman