

Complaint

Mr W has complained about loans Bamboo Ltd (“Bamboo”) provided to him. He says the loans were unaffordable.

Background

Bamboo provided Mr W with a first loan for £1,000.00 in June 2018. This loan was due to be repaid in 23 monthly instalments of £75.96 and a final instalment of £76.05. Mr W repaid this loan early. In July 2020, Mr W was provided with a second loan, this time for £3,200.00. This loan had a 60-month term with 59 monthly repayments of £140.84 followed by a final repayment of £141.06.

One of our investigators reviewed what Mr W and Bamboo had told us. And he thought that Bamboo hadn’t done anything wrong or treated Mr W unfairly. So he didn’t recommend that Mr W’s complaint be upheld. Mr W disagreed and asked for an ombudsman to look at his 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 Mr W’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 Mr W 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 provided Mr W with a loan for £1,000.00 in June 2018 and a further loan for £3,200.00 in July 2020. These loans were due to be repaid in 24 and 60 monthly instalments respectively.

Bamboo says it agreed to Mr W’s applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And all of this information showed Mr W could comfortably afford to make the repayments he was committing to. On the other hand, Mr W has said the loans were unaffordable.

I've carefully thought about what Mr W and Bamboo have said.

The first thing for me to say is that Bamboo has provided a record of the results of its credit searches. Bamboo searches appear to show that Mr W did have some historic difficulties (defaulted accounts from 2013) but his current commitments at the respective times were relatively well maintained. Crucially, according to the credit searches, Mr W's debt total at the time of the applications wasn't unreasonable in comparison to his income.

I've also kept in mind that Bamboo provided a second loan to Mr W and that sometimes repeat borrowing in itself can be an indication of difficulty. But loan 1 was settled early. And while loan 2 was for a larger amount than loan 1, the monthly payments, weren't particularly high.

Furthermore, Mr W said that he was going to use loan 2 to consolidate some of his existing debts. And Bamboo could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr W would go on to re-establish balances on any consolidated accounts – all it could do was take reasonable steps and rely on assurances from Mr W that the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to reduce Mr W's existing credit balances.

Furthermore, as this was a first consolidation loan Bamboo was providing to Mr W, there wasn't a history of Mr W obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. And Bamboo was reasonably entitled to believe that Mr W would be left in a better position.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that Mr W might have taken loan 2 because of the effect loan 1 might have left on his finances. And there isn't anything else obvious in these applications which clearly demonstrates Mr W couldn't have afforded the loans either.

I accept that Mr W's actual circumstances may not have been fully reflected either in the information he provided, or the information Bamboo obtained. And it's clear that his circumstances took a turn for the worse after the pandemic. It's also possible that Bamboo might have reached a different conclusion on the loans had it checked Mr W's bank statements. 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.

But Bamboo won't have known that Mr W's circumstances would change. And given the amounts advanced, the monthly payments and the lack of obvious inconsistencies, I'm satisfied that reasonable and proportionate checks didn't extend into requesting bank statements and Bamboo was reasonably entitled to lend to Mr W based on the information that it did have.

As this is the case, I don't think that Bamboo did anything wrong when deciding to lend to Mr W - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr W's indebtedness didn't appear to be increasing unsustainably.

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

Although I'm not upholding Mr W's complaint, I would remind Bamboo of its continuing obligation to exercise forbearance and due consideration in the event of Mr W has difficulty making payments and it chooses to collect payments from him. I say this while mindful of it accepting that Mr W's circumstances have changed and the gesture of goodwill offer it made in its final response to Mr W's complaint.

My final decision

For the reasons I've explained, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 November 2023.

Jeshen Narayanan
Ombudsman