

Complaint

Mr L has complained about a loan Bamboo Limited (trading as “Bamboo”) provided to him. He says that the loan was not affordable.

Background

Bamboo provided Mr L with a loan for £5,000.00 in November 2021. The total amount to be repaid of £6,962.23, which included interest, fees and charges of £1,962.23, was due to be repaid in 24 monthly instalments of around £290.

One of our investigators reviewed what Mr L and Bamboo had told us. And he thought that Bamboo hadn’t done anything wrong or treated Mr L unfairly. So he didn’t recommend that Mr L’s complaint be upheld. Mr L 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 L’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr L’s complaint. I’ll explain why in a bit more detail.

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 L could afford to repay before providing this loan. The fact that there was a borrower didn’t change or alter this.

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 L with a loan for £5,000.00 in November 2019. This loan was due to be repaid in 24 instalments of around £290. Bamboo says it agreed to Mr L’s application 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 information on how much Mr L received into his bank account each month. And all of this

information showed Mr L could comfortably make the repayments he was committing to. On the other hand, Mr L has said the loan was unaffordable.

I've carefully thought about what Mr L 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's searches appear to show that Mr L didn't have any significant recent difficulties with credit. He did have a defaulted account but this was from 2019 and had been settled. Mr L also had an arrangement to repay an overdraft balance.

Crucially, Mr L's debt total at the time of the application was also low in comparison to his declared income. It's also worth noting that Mr L took this loan for debt consolidation purposes and the amount he'd receive would have allowed him to consolidate all of his debts into a single monthly payment. As this was a first loan it was providing to Mr L in these circumstances, Bamboo was reasonably entitled to believe that it would be leaving him in a better position going forward.

That said, given the presence of a defaulted account and a live arrangement to pay on the credit searches carried out, I think that there is a reasonable argument for saying that it would have been reasonable and proportionate for Bamboo to have found out more about Mr L's actual regular living expenses, rather than rely on estimates of this which were based on statistical data.

Where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I need to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. So I've looked at the information Mr L has provided to get an idea of what Bamboo is likely to have learned had it carried out further enquiries into Mr L's living expenses.

However, Mr L hasn't provided us with all of the information we've asked him for in order to be able to assess what his circumstances were like at the time he was provided with this loan. And without this information I'm unable to ascertain whether Mr L's actual living expenses were more than the estimates Bamboo used and most importantly whether this would have shown the monthly payments to this loan to have been unaffordable.

I've seen that Mr L has said that his position ended up deteriorating after this loan was provided too. But despite having given a period of time to do so Mr L hasn't provided copies of his bank statement either. So it's not as if I have the information required to be able to say better information would have prevented Bamboo from lending in this instance.

I accept that Mr L's actual circumstances may not have been fully reflected either in the information he 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 compared to what was on the credit searches, the money going into Mr L's account and Mr L's actual living expenses compared to the estimates Bamboo used, I'm satisfied that Bamboo was reasonably entitled to lend to Mr L.

As this is the case, I don't think that Bamboo did anything wrong when deciding to lend to Mr L. So I'm not upholding Mr L's complaint. I appreciate this will be very disappointing for Mr L. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 June 2024.

Jeshen Narayanan
Ombudsman