

Complaint

Mr R has complained about a guarantor loan Bamboo Limited (“Bamboo”) provided to him. He says Bamboo didn’t check his bank statements which would have shown the loan wasn’t affordable.

Background to the complaint and my provisional decision of 19 March 2021

One of our adjudicators reviewed what Mr R and Bamboo had told us. And he thought that Bamboo shouldn’t have provided this loan. So he upheld Mr R’s complaint. Bamboo disagreed and asked for an ombudsman to look at this complaint.

On 19 March 2021, I issued a provisional decision setting out my initial findings on Mr R’s complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that our general approach to complaints about unaffordable and irresponsible lending - including the key rules, guidance and good industry practice – is set out on our website. And I referred to this when deciding Mr R’s complaint.

I explained that Bamboo needed to make sure that it didn’t lend irresponsibly. In practice, what this meant was Bamboo needed to carry out proportionate checks to be able to understand whether Mr R 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.

I set out that Bamboo provided Mr R with a guarantor loan for £3,000.00 in November 2018. It was secured by way of a guarantee and indemnity agreement, had an APR of 49.1% and was to be repaid in 60 monthly instalments of around £118, which meant the total amount to be repaid was £7,095.22.

Bamboo said it agreed to Mr R’s application after he provided details of his monthly income. It said it cross-checked this against information on a credit search it carried out on Mr R and also used Office of National Statistics data to ascertain his monthly expenditure. All of this information showed that Mr R would be able to comfortably make the repayments he was committing to. On the other hand, Mr R has said he was in financial difficulty.

I carefully thought about what Mr R and Bamboo had said. The first thing I pointed out was that this was Mr R’s first loan with Bamboo. The information provided did suggest Mr R was asked to provide details of his income and expenditure and Bamboo didn’t just rely on what it was told.

Our investigator thought that Bamboo needed to do more because Mr R had existing debts of approaching £25,000.00. The credit search Bamboo carried out did show that Mr R owed around this amount. But this was spread over only 5 accounts. Two of these accounts were hire-purchase ones. And while the other three were credit cards, the amount outstanding was only just over £2,000.00 and Mr R said that he was going to consolidate these balances.

So I didn't agree that the information on the credit file was too concerning. And by establishing that the purpose of Mr R's purpose was to consolidate the credit card debt, I was also satisfied that Bamboo took reasonable steps here to ensure that it wasn't increasing Mr R's existing indebtedness in a way that was unsustainable or otherwise harmful, in addition to it taking reasonable steps to ensure Mr R was able to make the monthly repayments.

I did accept that Mr R went on to experience difficulty making the payments. I saw Mr R's income had reduced. But Bamboo could only make a reasonable decision based on the information it had available at the time. I didn't think that it would have known that Mr R's income would decrease.

I also explained that it was only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I couldn't see that Bamboo did do anything wrong when deciding to lend to Mr R - it carried out proportionate checks which suggested the repayments were affordable. Given the circumstances here, and the lack of obvious inconsistencies, I didn't think that reasonable and proportionate checks would have extended into obtaining Mr R's bank statements.

So overall I didn't think that Bamboo treated Mr R unfairly or unreasonably when providing him with this loan. As this was the case, I didn't intend to uphold Mr R's complaint.

Responses to my provisional decision

Bamboo didn't provide anything further for me to think about.

Mr R responded to say that he owed the whole amount for the hire-purchase agreements and he had credit cards which were over their limits and a current account that was overdrawn. All of this meant that he couldn't afford the loan.

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 set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Mr R's complaint.

I've considered Mr R's further points. I'm not disputing what he's told us and I do sympathise with the position he's in. However, Mr R didn't volunteer this information during his application. And crucially none of this showed up in the credit checks Bamboo carried out either. So I can't reasonably say that Bamboo ought to have been aware of this or that the information on the credit file should have led it to decline Mr R's application - especially as Mr R was clear in saying that he would be paying his credit card balances off with the proceeds from this loan.

As this is the case, I'm afraid that I've not been persuaded to alter the conclusions I reached in my provisional decision notwithstanding Mr R's further points. So I'm still not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R. 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 R's complaint, I'd like to remind Bamboo of its ongoing obligation to continue to exercise forbearance in light of Mr R's apparent difficulty repaying this loan, should it choose to collect payments from him.

My final decision

Your text here

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 April 2021.

Jeshen Narayanan
Ombudsman