

The complaint

Mr S complains that Bamboo Limited ("Bamboo") lent him a loan he couldn't afford.

What happened

The details of this complaint are well known to both parties, so I won't repeat them all again here.

Bamboo lent Mr S a loan of £5,000 in April 2018, this is not in dispute, so I'll focus on giving the reasons for my decision about this loan.

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.

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Having done so, I agree with the conclusions reached by the investigator for these reasons:

- Bamboo says it carried out proportionate checks before agreeing to lend to Mr S. It says it asked Mr S about his income, used Office of National Statistics (ONS) data to calculate his living costs and carried out a credit search. It says Mr S declared his monthly income as £1100, it used £234.60 as a figure for his living costs and worked out that he had credit commitments of £195. It says after the repayment for this loan, Mr S had £473.31 disposable income each month. It says based on what it gathered the loan was affordable.
- This loan was due to be repaid over 60 monthly instalments of around £197. Given the length of the loan commitment and size of the loan, I would have expected Bamboo to ask Mr S about his monthly expenses in more detail including verifying some of the information he provided. I can also see from the credit search that Mr S had only recently taken most of his unsecured credit out within 2 months of asking for this loan. He obtained a £4000 loan in March 2018 and then used most of an overdraft limit on an account opened by him in February 2018. So, I think on seeing this, it ought to have prompted Bamboo to find out more. I can't see that it did this or verify any of Mr S's expenditure and so I don't think its checks went far enough.
- Mr S has provided copies of his bank statements from around the time of the loan. I've relied on this in the absence of information from Bamboo at the time of the loan as I think his bank statements provide a clear picture about his actual financial circumstances at the time. From what I can see, Mr S was gambling, and a significant amount of his expenditure was going on this. Mr S spent £1900 in January 2018, £600 in February 2018 and £1300 in March 2018. It is clear from seeing this that Mr S was having problems managing his finances. I think if Bamboo had carried out further checks it would have uncovered this and not given him the loan.

- In the circumstances, Bamboo lent to Mr S when it shouldn't have, and it needs to put things right.

Putting things right

While I think Bamboo shouldn't have lent to Mr S, I think it will be fair for him to repay the capital of £5,000 which he borrowed. So, to put things right, Bamboo should:

- add up all the payments made by Mr S, if it exceeds the capital amount of £5,000, then the overpayments plus 8% simple interest* should be paid to Mr S, remove any adverse information recorded on Mr S' credit file as a result of this loan.

*HM Revenue & Customs requires Bamboo to deduct tax from the interest payment referred to above. Bamboo must give Mr S a certificate showing how much tax it's deducted if he asks it for one.

My final decision

My final decision is that this complaint should be upheld and direct Bamboo Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 March 2022.

Mark Richardson
Ombudsman