

The complaint

Mr L complains Bamboo Limited irresponsibly lent to him.

Bamboo approved Mr L for two loans; one of which it agreed to refund on. So, this decision just covers the remaining loan in dispute.

Mr L is represented by a claims management company, but for ease of reference I'll refer to all submissions as if they were made directly by him.

What happened

Bamboo approved Mr L for a £2,000 loan in February 2018. The term of the loan was 18 months, with repayments of approximately £165.

Mr L says Bamboo did not complete reasonable and proportionate checks before the loan was approved. He says further checks would've shown the loan was always unaffordable to him. Mr L says he has lost out financially as a result of Bamboo's actions, as he has had to pay additional interest and charges. This loan was settled by the second loan which Bamboo has since agreed to settle on.

Bamboo did not accept Mr L's complaint in relation to this loan. It says it completed proportionate checks; and made a fair decision to lend to him.

Our investigator recommended that this complaint be upheld. In reaching their conclusion they argued:

- Bamboo didn't complete proportionate checks. She felt the checks which Bamboo had completed ought've led it to conducting further checks. This was because Mr L's credit file showed he had a large number of active credit accounts; including one short term loan which had been taken out very recently. Our investigator felt this placed some of the information Bamboo had on Mr L's affordability assessment in doubt; and should've led to further checks;
- That further checks would've shown the loan was always likely unaffordable to Mr L. This was because bank statements which Mr L provided demonstrated that his outgoings were higher than he had declared; and in particular that he was spending a substantial amount of his income on online gambling websites.

Bamboo disagreed with this assessment. It maintained that it completed proportionate checks; and the information gathered from these checks did not demonstrate Mr L was in financial difficulties. It maintained the information it had, demonstrated that the loan was likely affordable to Mr L. Therefore, its decision to lend was reasonable.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Bamboo needed to take reasonable steps to ensure it responsibly lent to Mr L. The relevant rules, regulations and guidance at the time Bamboo lent required it to carry out reasonable and proportionate checks. These checks needed to assess Mr L's ability to afford the loan and repay it sustainably over its term without causing him financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's circumstances.

And it isn't sufficient for Bamboo to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably. Sustainably in this instance means making payments without incurring financial difficulties such as having to borrow further or failing to meet other financial commitments in order to meet this repayment.

In this instance Bamboo completed an income and expenditure assessment on Mr L; and checked his credit file. It used a third-party verification tool to gauge whether Mr L's self-declared income was within a reasonable range; and used national average statistics to help inform Mr L's likely outgoings. Bamboo says these checks enabled it to get a good understanding of Mr L's finances, including his major outgoings and existing credit commitments. It therefore says the checks were proportionate.

I've considered what Bamboo has said about the proportionality of its checks, and in this instance, I disagree with it.

The affordability assessment which Bamboo completed demonstrated that Mr L had an income of approximately £1,750 per month, and expenses of roughly £860 per month. This left him with a declared disposable income of around £880 per month.

However, the credit file search which was also completed placed some doubt on this. This showed that Mr L had very recently taken out an advance against income and had a large number of active credit accounts. This existing credit was made up of various products including credit cards and store cards. The minimum payments, and regular schedule payments for these products combined was significantly higher than the expenses that had been used in Mr L's affordability assessment. In addition to this, the credit report demonstrated that Mr L was exceeding one of his current account overdraft limits and was very close to reaching his credit limits on some of his credit cards and other overdrafts.

This information combined placed considerable doubt on the accuracy of the affordability assessment that Bamboo completed; and in particular whether Mr L likely had the disposable income that Bamboo was relying on. Considering this information, I'm satisfied that Bamboo ought've completed further checks to verify the information it had been provided. As it didn't do this, I'm satisfied that it did not complete proportionate checks in this instance.

As Bamboo didn't complete proportionate checks; I have to consider whether further checks would've likely shown if the loan was affordable for him. Mr L has provided our service with copies of his bank statements for the period leading up to the loan application. In the

absence of other evidence, I've used this information to help me decide what I think further checks would've likely shown.

The bank statements show that Mr L's finances were not in line with the figures listed in his affordability assessment. In particular from looking through these statements, it is clear Mr L is using other forms of high cost credit to supplement his income. Without these incoming forms of credit, it is very likely Mr L would be running a negative balance. The statements also show that Mr L's outgoings are higher than those used in the affordability assessment, in part because of the higher number of unsecured loans being used, but also because there are a large number of transactions being completed to online gambling websites.

When looking through these statements it is clear Mr L does not have the level of disposable income which had been listed, and when factoring in all of his outgoings (including the likelihood of continued transactions to online gambling websites); I'm satisfied it is more likely than not, that Mr L did not have sufficient income to meet the repayments for this loan sustainably. And I'm satisfied that Bamboo completed proportionate checks in this instance it ought've come to the same conclusion. As it didn't do this, I'm satisfied it acted unfairly in providing this loan to Mr L.

Putting things right

Mr L has lost out financially as a result of Bamboo's actions, as he has had to pay out additional interest and charges. As such Bamboo needs to put things right. I therefore require Bamboo Loans Limited to:

- Refund any interest and charges which Mr L paid as a result of this loan;
- Pay Mr L 8% simple interest on the refunded interest and charges from the date they were paid to the date of settlement*;
- Remove any adverse information on his credit file in relation to this loan.

*HM Revenue & Customs requires Bamboo Loans Limited to take off tax from this interest. Bamboo Loans Limited must give Mr L a certificate showing how much tax it has taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint against Bamboo Loans Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 6 May 2022.

Tom Whittington
Ombudsman