

The complaint

Ms M complains Bamboo Limited irresponsibly lent to her.

Ms M is represented by a claims management company; but for ease I'll refer to all submissions as if they were made by her directly.

What happened

Bamboo approved Ms M for a £3,500 loan in March 2019. The term of the loan was 24 months; with repayments of approximately £230.

Ms M says at the point of the loan she was experiencing financial hardship; and had Bamboo completed reasonable and proportionate checks it ought to have realised the loan was unaffordable to her. She says she has lost out financially as she has had to pay additional interest and charges.

Our investigator recommended the complaint be upheld. He felt Bamboo had completed reasonable and proportionate checks. This is because the checks it did complete gave Bamboo insight into Ms M's finances. He also felt that given the high level of debt that Ms M already had; it should not have lent as further lending was always likely unsustainable to her.

Bamboo disagreed with our investigator. It felt it had completed proportionate checks. It maintained it was reasonable to rely on the information that had been used at the point of application. It also says that Ms M used this loan to consolidate some of her existing debt. It therefore maintained it had lent responsibly to Ms M.

As a side note; prior to the assessment of our investigator; Bamboo had offered Ms M to refund her four months of payments as a gesture of goodwill with no admission of liability. Ms M has declined this offer.

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 Ms M. 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 Ms M's ability to afford the loan and repay it sustainably over its term without causing her 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.

All parties agree that Bamboo completed sufficient checks in this instance. This is because the information it was provided with, including the application Ms M made and her credit file; gave Bamboo a sufficient insight into her finances in order to make a reasonable lending decision. However; whilst that may be the case; I disagree that Bamboo's decision to lend was fair in this instance.

The credit file search which was completed at the time of the application demonstrated that Ms M's financial situation was showing signs of hardship; and in particular a reliance on credit. Ms M's total debt at the point of the application was approximately £42,000. Ms M had declared that her monthly income was a total of £3,100 (this was made up of salary and a secondary income). This meant that her debt to income level was incredibly high. She also had a credit utilisation of around 80%.

The credit was made up of a number of different products including unsecured loans; credit cards, mail orders and payday loans. Ms M also had a history of taking cash advancements. There were also signs of distress in the form of missed and late payments; as well as her exceeding her agreed credit limits on a number of occasions.

As Bamboo is aware it needs to ensure any lending is sustainable to Ms M. It needs to ensure the lending isn't going to increase her financial hardship; without leading her to having to borrow further to make repayments. Looking at the information which was provided I'm satisfied that was always likely to be the case with Ms M; and Bamboo ought reasonably to have come to this conclusion.

It is clear from the credit file that she was struggling financially; and was reliant on credit to maintain her finances. The reliance on credit cards (including exceeding her limits at times); as well as using payday loans suggest that Ms M was not in a position to take on any further lending sustainably. Whilst Bamboo says Ms M was using this loan to consolidate debt, considering the sheer the volume of debt she had and the relatively low level of this loan; I'm not persuaded that it would've likely been of such benefit to Ms M that she would've been able to sustainably repay the amount.

And considering this; I'm satisfied that Bamboo's decision to lend was therefore unfair.

Putting things right

I'm satisfied that Ms M has lost out financially as a result of Bamboo's actions. And as such it needs to put things right.

In order to put things right, I require Bamboo Limited to:

- Add up the total amount of money Ms M received as a result of having been given this loan. The repayments Ms M made should be deducted from this amount; as well as any charges or fees associated with the loan.
 - a) If this results in Ms M having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from

the date the overpayments were made until the date of settlement). †

- b) If any capital balance remains outstanding, then Bamboo Limited should attempt to arrange an affordable/suitable payment plan with Ms M.
- After all adjustments have been made and once there is no outstanding balance, Bamboo Limited need to remove any negative information recorded on Ms M's credit file regarding this loan.

† HM Revenue & Customs requires Bamboo Limited to take off tax from this interest. Bamboo Limited must give Ms M a certificate showing how much tax it's taken off if she asks for one.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 24 June 2022.

Tom Whittington
Ombudsman