

The complaint

Mr A complains Bamboo Limited irresponsibly lent to him.

Mr A 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 A for a £1,000 loan in March 2020. The term of the loan was 18 months, with repayments of approximately £90 per month. Mr A says this loan was irresponsibly lent to him. He says Bamboo did not complete proportionate checks before providing the loan; and had it done so it would've realised the loan was unaffordable to him. Mr A says at the time of the loan he was struggling financially and couldn't afford the repayments sustainably.

Bamboo disagreed with Mr A's complaint. It says it completed proportionate checks; and these showed that the loan was likely affordable to Mr A.

Our investigator recommended Mr A's complaint be upheld. In coming to this conclusion they argued:

- Bamboo did not complete reasonable and proportionate checks. This was because the evidence which Bamboo had gathered demonstrated that Mr A had been relying on a large amount of credit to supplement his income in the form of over 100 payday loan accounts in the time leading up to this loan. Our investigator felt this should've prompted Bamboo to complete further checks to verify the information which it had been presented with;
- Further checks would've likely shown the loan was unaffordable to Mr A. This is because the statements which Mr A provided demonstrated he was reliant on credit to supplement his income; and therefore this loan would be unaffordable to him.

Bamboo disagreed with this assessment. It maintained that it had completed proportionate checks. And these checks had shown that the loan was likely affordable to Mr A.

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 A. 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 A'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 A; and sort to verify this information by searching his credit file. Bamboo says these checks showed that Mr A had been maintaining his credit commitments well, including not having any CCJ's or recent defaults. The income and expenditure assessment suggested that Mr A had a disposable income of approximately £980. Bamboo says these checks were proportionate because they enabled it to get a good understanding of Mr A's financial circumstances.

I've considered Bamboo's argument in relation to proportionality, but I disagree it completed proportionate checks in this instance. I say this because the credit file search that Bamboo completed placed sufficient doubt over the information which Mr A had provided during his application; and the assumptions that Bamboo had relied on.

The credit report shows Mr A had taken out a significant number of short term credit over the years and months leading up to this application. The credit report shows over 100 accounts were taken out in a relatively short time considering the volume being used. This demonstrates a pattern of loans being taken out in sequential months suggesting there could be a dependency on this form of credit to settle the previous amount.

Mr A also had 16 active accounts at the time of the application. Included in the active accounts were credit cards and further unsecured lending. The information from the credit file indicates that Mr A was becoming more reliant on his existing credit; such as the spending on his credit card increasing in the months approaching this loan application; heavier use of mail order accounts, reaching his overdraft limits and the value in the unsecured lending increasing too.

When considering this information against the information that Bamboo was relying on; I'm satisfied there were sufficient questions being raised on whether Mr A had the high level of disposable income Bamboo was relying on. And Bamboo ought've completed further checks to verify Mr A's finances and thereby ensure the lending decision it was making was sustainable. As it didn't do this, I'm satisfied that Bamboo didn't complete proportionate checks in this instance.

As Bamboo didn't complete proportionate checks, I have to consider what further information would've likely shown. In this instance Mr A has provided our service with copies of bank statements in the period leading up to this loan. In the absence of other information; I've used this information in coming to my decision on what I believe is more likely than not to have happened.

The bank statements demonstrate that Mr A was still in receipt of large amounts of short term credit. There are multiple entries for traditional short term providers as well as a constant reliance on revolving credit. When taking these amounts into consideration I'm

satisfied that Mr A's finances were such that without these values he would've likely been running a negative balance. Whilst I can see there is a mixture of discretionary expenditure; I'm satisfied that it is not to the level that would mean without Mr A's reliance on credit that this loan would be affordable. Importantly this loan was not being used to clear Mr A's existing debt; and was likely only going to further increase his overall indebtedness. As Bamboo is aware sustainable repayments in this instance means without Mr A incurring financial hardship or having to borrow further to meet repayments. And considering the statements show Mr A was already likely in a cycle of reliance on credit; I'm satisfied that any further lending would've likely been unsustainable to him.

I'm satisfied that had Bamboo completed further checks it would've likely seen Mr A's financial position was such that any further lending was likely unsustainable; and as such ought not to have lent further to him. As it did, I'm satisfied that Bamboo acted unfairly, and it therefore needs to put things right.

Putting things right

Mr A has lost out financially as a result of Bamboo's actions; as he has had to pay additional interest and charges. In order to put things right I require Bamboo Limited to:

- Add up the total amount of money Mr A received as a result of having been given this loan. The repayments Mr A made should be deducted from this amount; as well as any charges or fees associated with the loan.
 - a) If this results in Mr A having paid more than he 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 Mr A.
- After all adjustments have been made and once there is no outstanding balance, Bamboo Limited need to remove any negative information recorded on Mr A's credit file regarding this loan.

† HM Revenue & Customs requires Bamboo Limited to take off tax from this interest. Bamboo Limited must give Mr A a certificate showing how much tax it's taken off if he 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 Mr A to accept or reject my decision before 12 May 2022.

Tom Whittington
Ombudsman