

The complaint

Mr M complains that Bamboo Limited (“Bamboo”) lent him two loans 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 M £3000 on 4 September 2018. He repaid this on 29 November 2018. He then went on and asked for a second loan with Bamboo. This time Mr M asked for £5000 on 26 June 2019. This loan has also been repaid. These facts are not in dispute, so I’ll focus on giving the reasons for my decision about these loans.

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.

The investigator concluded Bamboo did not make a fair lending decision on either occasion that it lent to Mr M. I agree with the investigator’s findings for these reasons:

- Bamboo says it carried out proportionate checks before agreeing to loan 1 and 2. It says it asked him about his income and accommodation costs. It says it carried out an online verification check of Mr M’s income. In addition, it carried out a credit check. It also used Office of National Statistics (ONS) data to estimate his living costs. It used the information it gathered to assess the affordability of each loan for Mr M.
- Loan 1 was due to be repaid over 2 years at £207.29 a month. Loan 2 was due to be repaid over 3 years at £243.48 a month. When I look at Bamboo calculations on both occasions, I can see that, on the surface of it, it had worked out that Mr M would have enough disposable income to afford both of the loan repayments proposed. But like the investigator, on balance I don’t think Bamboo made fair lending decisions with what it had in front of it.
- I say this because when I look through the credit search results on both occasions, I can see that Mr M was already committed to quite a high proportion of credit repayment in relation to the income figure Bamboo was using in its assessment. This being the figure it had verified using an online verification tool in 2018 for loan 1 and in 2019 for loan 2.
- Bamboo would have been aware that Mr M had taken over £20,000 in unsecured credit through loans and credit cards at the time he applied for loan 1 with it. Bamboo had calculated that Mr M would need to pay a monthly amount of £2510 in servicing this debt. And Mr M’s situation did not improve when he applied for loan 2. His unsecured debt pile had increased to around £34,000 in only 8 months since loan 1

had been repaid. Bamboo had calculated that he was due to pay around £1700 a month servicing debt. In both instances, Mr M's monthly debt repayment represented a large and significant part of his monthly income.

- Mr M was paying a significant proportion of his monthly income on credit repayments at the time he applied for loans 1 and 2. I think Bamboo ought to have realised it was unlikely that he would be able to sustainably repay his loans over the terms agreed . And, in these circumstances, Bamboo should reasonably have concluded that it was not fair to lend to Mr M.
- So, it follows that I uphold Mr M's complaint. Bamboo now needs to put things right.

Putting things right

I think it is fair and reasonable for Mr M to repay the principal amount that he borrowed, because he has had the benefit of that lending. But as I have concluded Bamboo shouldn't have provided the loans, so it should look to remove the interest and fees from the principal amount.

Bamboo should:

- Remove all interest, fees and charges on loans 1-2 and treat all the payments Mr M has made as payments towards the capital for each of these loans.
- If reworking Mr M's loan accounts results in him having effectively made payments above the original capital borrowed, then Bamboo should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Remove any adverse information recorded on Mr M's credit file in relation to loans 1-2.

*HM Revenue & Customs requires Bamboo to deduct tax from this interest. Bamboo should give Mr M a certificate showing how much tax it's deducted, if he asks 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 M to accept or reject my decision before 25 April 2022.

Mark Richardson
Ombudsman