

The complaint

Mr A complains that Bamboo Limited (“Bamboo”) lent to him in an irresponsible manner.

What happened

Mr A was given 2 loans by Bamboo. The details of these are as follows:

Number	Date taken	Amount	Term	Repayment
1	03/03/2017	£1500	12 months	£154.47
2	17/12/2019	£6000	60 months	£223.30

Mr A paid off loan 1 in March 2018 and then applied for loan 2 around 21 months later.

I issued two provisional decisions on this complaint. The first was in May 2021 and then a second in November 2021. Both parties have received copies of the provisional decisions, but for completeness I include an extract from the two decisions below.

Provisional Decision from May 2021:

“Loan 1

Bamboo gathered some information from Mr A before it agreed to loan 1 in March 2017. It asked him for details of his income and his normal housing costs. It then checked Mr A’s credit file to determine how much he was paying to other lenders. It also verified his income by asking for a payslip and it used Office of National Statistics (ONS) data to determine how much Mr A would more likely spend on living expenses.

I think it is right that Bamboo wanted to gather, and independently check, some detailed information about Mr A’s financial circumstances before it agreed to lend to him. I think that the checks it did achieved that aim. I’m currently minded to think that its checks for loan 1 were proportionate.

But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information those checks show. So, I’ve looked at the information Bamboo gathered from Mr A to check whether I agree it was appropriate for him to be given this loan.

Mr A says his level of income at this time was £1845 and this was verified by Bamboo. It also recorded down a rent payment of £100 (as he was living at home), credit commitments of £297 and arrived at an estimated figure for living expenses of £397. It then calculated Mr A’s disposable income as £1069 before it took into consideration the repayment from loan 1. I can see the credit search that it conducted at this time and there is nothing in it that ought to have caused Bamboo any concerns. When I look at the credit search results and also Bamboo’s assessment, I think on balance, it made a fair lending decision. The loan looked comfortably affordable for Mr A.

Loan 2

Mr A repaid loan 1 early in March 2018. It wasn't for another 21 months that he contacted Bamboo again to ask for his second loan. This was for a larger amount this time and he was also asking to repay over a significantly longer amount of time. Bamboo says it conducted similar checks. It recorded down Mr A's income, normal housing costs and asked Mr A about his credit commitments. It also carried out a credit check. On the surface of it, with the information Bamboo had in front of it, I can see how it would think the loan was affordable for Mr A based on the information it had gathered. But I don't think the checks it carried out when Mr A applied for loan 2 were proportionate.

Mr A was looking to consolidate debt and was asking for a lot more than he had asked for when he applied for loan 1. I would have at this stage expected Bamboo to conduct a complete review of Mr A's finances to ascertain whether he would be able to sustainably make the repayments over the 60 months loan term. So, I think, as well as verify Mr A's income, Bamboo should have also looked to verify his expenditure too. This is so it could assure itself of Mr A's true financial position and that he could make the repayments in a sustainable way.

In addition, it would've seen from the credit search that it carried out that Mr A had missed a payment on a loan and had been in arrears with this for around six months. So, I think at this stage, it ought to have wanted to assure itself that Mr A could meet the repayments over the relatively long term of the loan in a sustainable way.

As I can't see that it did carry out the further checks that I have described above for loan 2, I need to consider what it would have seen if it had.

Our investigator has recently asked Mr A through his representatives, to provide bank statements from around the time he applied for loan 2. I'm not suggesting here that this is the check that Bamboo should have done. But I think looking at his bank statements over a period such as three months would give me the best picture of what the lender should have seen.

Mr A has not been able to provide our service with bank statements from before and around when he took out loan 2 though. So, I haven't been able to see what Bamboo would have most likely seen if it had carried out further checks. So, because of this, I am unable to safely conclude that Mr A was given a loan that was unaffordable for him.

So, for the reasons set out above, I'm currently not upholding Mr A's complaint."

Provisional Decision from November 2021:

"Neither party has disputed my findings for loan 1, so I won't look into this loan again other than to repeat the conclusion I made in my first provisional decision. That is that I am currently minded to think that the checks Bamboo made for loan 1 were proportionate and it made a fair lending decision.

I also drew the conclusion in my first provisional decision, that Bamboo hadn't carried out proportionate checks when it agreed to loan 2. I said this because I could see that Mr A was asking for a lot more capital, the loan was scheduled to be over a much longer term and I felt at this stage that Bamboo should have been looking to verify Mr A's expenditure to assure itself that he could make the loan repayments in a sustainable way.

So, I needed to go on to see what, on balance, Bamboo would have seen if it had carried out further checks. Initially, when our service asked Mr A for copies of his bank

statements, he was unable to provide them to us. So, I concluded that I was unable to safely conclude that Mr A was given a loan that was unaffordable for him. This is because I was unable to see what Bamboo more likely would have seen if it had carried out further checks.

Mr A has now submitted bank statements to our service. These are from several weeks before loan 2 was granted and gives me a good idea as to what would have most likely been uncovered. I have in particular looked at a months' worth of transactions leading up to the granting of loan 2 from 17/11/19 to 17/12/19. In doing this, I can see that Mr A was heavily using short term credit. In the month leading up to the loan application, Mr A's bank statement revealed 8 short term loans either with money being paid in or a repayment going out. These transactions, all with different finance providers were shown on 18/11/2019, 18/11/2019, 25/11/2019, 2/12/2019, 05/12/2019, 12/12/2019 and 13/12/2019. It is clear to me when I see this and the statements in general that Mr A was taking short term loans to repay his existing credit commitments. He was having problems managing his finances. On balance, I don't think Mr A wouldn't have been able to sustainably repay loan 2 without taking out further credit. I think if Bamboo had carried out further checks, it would've seen this and wouldn't have agreed to lend to him. So, for this reason, I currently uphold Mr A's complaint about loan 2."

I asked both parties to let me have any comments, or additional evidence, in response to my second provisional decision issued in November 2021. Bamboo responded on 18 November 2021 and said it had no further comments to make. Mr A responded on 23 November 2021 and said he was happy with the decision. He had no further comments to add either.

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.

Both parties have nothing further to add. So, as this is the case, I don't see any reason to depart from my findings within my second provisional decision. With that being the case, I uphold Mr A's complaint.

Putting things right

Having thought about everything, I think it would be fair and reasonable in all the circumstances of Mr A's complaint for Bamboo to put things right by:

- Removing all interest, fees and charges applied to loan 2 from the outset. The payments Mr A made, direct to Bamboo, should be deducted from the new starting balance – the £6,000.00 originally lent.
- If Mr A has already repaid more than £6,000.00 then Bamboo should treat any extra as overpayments. And any overpayments should be refunded to Mr A; adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr A to the date of settlement†
- If the amount repaid is less than £6000.00 then both parties should look to agree a payment plan. I would like to remind Bamboo of its obligation to exercise forbearance when it does this.

† HM Revenue & Customs requires Bamboo to take off tax from this interest. Bamboo must give Mr A 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 Mr A's complaint and direct Bamboo Limited to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 January 2022.

Mark Richardson
Ombudsman