

The complaint

Mrs G complains about the settlement figure provided by Bamboo Limited (Bamboo). She also says she couldn't afford the loan.

What happened

Bamboo lent Mrs G a loan of £3,000 in June 2018.

Mrs G initially made a complaint about a settlement figure provided by Bamboo and said it was incorrect. Our investigator looked into this and said he could not find anything wrong with what Bamboo did here. And Mrs G has not provided any further comments about this.

Mrs G also said she couldn't afford the loan. Our investigator looked into this and in particular whether Bamboo irresponsibly provided the loan to Mrs G. He concluded that Bamboo didn't carry out proportionate checks and said if it had done so, it would have seen that Mrs G couldn't afford the loan repayments. So, he upheld Mrs G's complaint.

Bamboo gave reasons why it felt it carried out proportionate checks. It says Mrs G declared that she worked full time with a monthly wage of £1200 plus benefit of £136. It says after assessing her expenditure, it could see that she could afford the loan repayments. It also says it was Mrs G's first loan with it. It says with its assessment, use of Office of National Statistics (ONS) data and a credit search, that it did enough checks and from the information it gathered made a fair lending decision.

As the parties don't agree, Mrs G's complaint has been passed to me, an ombudsman, to make a decision.

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.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- I looked at the settlement figure Bamboo worked out and how it communicated this to Mrs G and like the investigator, I couldn't see anything that it did that was wrong in this instance.
- I then looked at whether the loan was affordable for Mrs G and whether Bamboo did anything wrong when it agreed to lend to her. Bamboo says it carried out proportionate checks before agreeing to lend to Mrs G. It says it gathered information from Mrs G to ask about her expenditure, verified her income using an online income verifier and carried out a credit search. It says based on what it gathered the loan was affordable.
- From what I can see, this loan was due to be repaid over 48 monthly instalments of around £153.95. Given the length of the loan commitment and size of the loan, I

would have expected to Bamboo to ask Mrs G about her monthly income and expenses including verifying some of the information she provided in more detail. I can also see that Mrs G's credit card was close to its limit and she was already repaying this and another loan. With this credit commitment and the loan repayment from Bamboo, Mrs G would potentially be committing around 21% of her income to debt. So, I think on seeing this and from what I have already concluded, it ought to have prompted Bamboo to find out more to assure itself Mrs G could repay the loan repayments over the 4 years in a sustainable way. I can't see that it did this or verify any of Mrs G's expenditure and so I don't think its checks went far enough.

- Mrs G has provided copies of her bank statements from around the time of the loan. I've relied on this in the absence of information from Bamboo at the time of the loan as I think her bank statements provide a clear picture about her actual financial circumstances at the time. From what I can see, Mrs G had more essential expenditure coming out of her account on average than income coming in. So, I think it would have become clear that Mrs G wouldn't have been able to afford the loan repayments. I think if Bamboo had carried out further checks it would have uncovered this and not given her the loan.
- In the circumstances, Bamboo lent to Mrs G when it shouldn't have, and it needs to put things right.

Putting things right

While I think Bamboo shouldn't have lent to Mrs G, I think it will be fair for her to repay the capital of £3,000 which she borrowed. So, to put things right, Bamboo should:

- add up all the payments made by Mrs G, if it exceeds the capital amount of £5,000, then the overpayments plus 8% simple interest* should be paid to Mrs G, remove any adverse information recorded on Mrs G's credit file as a result of this loan.

*HM Revenue & Customs requires Bamboo to deduct tax from the interest payment referred to above. Bamboo must give Mrs G a certificate showing how much tax it's deducted if she asks it for one.

My final decision

My final decision is that this complaint should be upheld and I direct Bamboo Limited to put things right as set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 3 May 2022.

Mark Richardson
Ombudsman