

## The complaint

Mr H has complained that Bamboo Limited (“Bamboo”) provided him with three unaffordable loans.

## What happened

Bamboo provided Mr H with three loans. The details are provided below:

Loan	Date	Capital Amount	Term in months	Monthly repayment
1	05/10/2015	£1000.00	12	£109.77
2	18/08/2018	£1400.00	18	£105.41
3	05/03/2019	£1922.21	12	£197.94

Mr H used part of the capital amount of loan 3 to repay loan 2. All 3 loans have now been repaid.

I issued a provisional decision on this complaint in February 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

*“Were Bamboo’s checks reasonable and proportionate when it agreed to loans 1-3?*

*Bamboo says for each of these 3 loans that it asked Mr H about his monthly income and his accommodation costs. It says it used an income verification tool to confirm his income. It says it then used Office of National Statistics (ONS) data to work out what his expected living costs would be. It also carried out a credit check and used the findings from this to obtain what Mr H’s credit commitments would be. It said it carried out these checks for all 3 of the loans that Mr H took out with it.*

*Mr H took out loan 1 in October 2015 and told it at this time that his income was £1600 a month. He said his accommodation costs were £200 a month (he was living with his parents). Bamboo used ONS data and added £354.60 for his living costs. It also calculated that credit commitments would be £528 from what it saw on Mr H’s credit search results. It calculated that Mr H had enough disposable income to afford the loan repayments. But I don’t think it carried out proportionate checks here.*

*I say this because the credit search it had in front of it had listed four open short-term loans. These loans had all been taken within 6 months of this loan application. I think this ought to have alerted Bamboo into wanting to find out more about Mr H’s finances and ascertain why he had taken out these lines of credit in such a short space of time. It wouldn’t have correlated with what its assessment was showing it. So I think after seeing the credit search results, at this stage it ought to have been looking to carry out a complete review of Mr H’s finances to find out whether he could afford the loan repayments in a sustainable way.*

*Mr H took out Loan 2 in August 2018, this was a couple of years after Loan 1 had been repaid. Mr H told it he was in the same employment and his monthly income was £1560. He*

said he was still living at his parents and his accommodation costs were £220. Bamboo used ONS figures to calculate his living costs were £255.76. It could also see on the credit report that his credit commitments were £161. So, with the assessment it carried out it concluded that Mr H had enough disposable income to afford the loan repayments. But again, I don't think Bamboo carried out proportionate checks for loan 2 either.

This is because on the credit search results it had in front of it about Mr H, it would have seen 2 short term loans that Mr H had just taken out. He had taken out one loan on 02/07/2018 and the second on 05/07/2018. Both loans were taken out by Mr H around a month or so before he was applying to it for his third loan. I also agree with the investigator, that Mr H had also taken out several short-term loans and then settled them in quick succession leading up to this application. I think the credit search results ought to have alerted Bamboo to want to find out more about this and assure itself that Mr H could repay Loan 2 in a sustainable way.

Mr H took out Loan 3 in March 2019. He 'topped up' his existing loan with Bamboo. This meant that he used part of loan 3 to repay loan 2 and then received the rest. He took out Loan 3 only about 8 months after he took out Loan 2. And so, most of the declarations Mr H were similar. He was still at the same employer and declared a monthly income of £1560. He told it his accommodation was £300. It used the same ONS figure for his living costs of £255.76 and it used a figure of £288.59 for his credit commitments. It granted the loan as it could see Mr H had enough, according to its calculation, to afford the loan repayment. But again, I don't think it carried out proportionate checks.

This is because this was the second loan Mr H had asked for in a relatively short space of time and he was extending the amount of time he would be indebted to Bamboo for. It would also have seen on the credit search results that it held for Mr H that he now had 4 short term loans all of which he had taken out since it had agreed loan 2. I think again that on seeing this, it should have alerted it to want to find out more here and carry out further checks on Mr H's finances to see if he could afford loan 3.

In conclusion and for the reasons given above, I don't think that the checks Bamboo carried out before providing Mr H with loans 1-3 were reasonable and proportionate.

Would reasonable and proportionate checks have indicated to Bamboo that Mr H would have been unable to repay loans 1-3?

As reasonable and proportionate checks weren't carried out before these loans were provided, I can't say for sure what they would've shown. So, I need to decide whether it is more likely than not that a proportionate check would have told Bamboo that Mr H would have been unable to sustainably repay the loans.

Bamboo was required to establish whether Mr H could make his loan repayments without experiencing significant adverse consequences – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

Mr H has provided our service with bank statements from time before the loans were granted. I've been able to look through 2 months' worth of bank statements covering dates on the lead up to Mr H's application for loan 1 and 3 months' worth for loans 2 and 3.

I looked through statements from July and August 2015 and can see before Bamboo gave Mr H loan 1, he was gambling a significant amount of times. In July there were £410 of gambling transactions and in August there were £1050 worth that Mr H had gambled. In addition, I can see that there were 6 short term loan repayments on Mr H's bank statements including 1 from a finance provider not showing on Bamboo's credit search. I can also see

*an unpaid transaction fee and also an unpaid direct debit where Mr H has not had enough funds in his account to pay his commitments.*

*I also looked through the statements from June, July and August 2018 from before loan 2 was granted. I can see significant gambling transactions throughout these dates. Mr H spent £1235 in June 2018, £1110 in July 2018 and £1770 in August 2018. In the month that Mr H requested loan 2, he had spent more on gambling transactions alone than his monthly income. To cover the shortfall in finances during this month he requested 3 short term loans from the same finance provider. He did this on 23/07/2018, 06/08/2018 and 10/08/2018. The capital amount of these loans was £120, £230 and £300 respectively.*

*Finally, I looked through statements from January, February and March 2019 that covered the time leading up to Mr H applying for loan 3. The gambling transactions were not as high as when he applied for the previous 2 loans. He had spent £230 in January 2019, £175 in February 2019 and £258 in March 2019. But by this stage he had a multitude of short-term loans that he was repaying each month. In January 2019 I can see that he had made payments to 7 finance providers and his monthly repayment was £784.26. In February this went up to 8 finance providers and a monthly repayment of £1153.70. And in March also 8 short term loans that came to £978.71.*

*If Bamboo had carried out further checks it would have seen that Mr H had problems managing his finances when it agreed to all 3 loans. For loan 1 it is clear to me that Mr H was spending significant sums on gambling that was in turn causing him to be unable to repay his commitments, leading to unpaid transaction fees. For loan 2 the problems seemed to be worse and at one stage he was spending more on gambling on its own than he earned. And then for loan 3 he had by this stage become reliant on short term loans and there is a clear pattern here that shows he was borrowing further loans to repay his existing debt.*

*Bearing all of this in mind, I'm currently minded to conclude that reasonable and proportionate checks would have shown Bamboo that Mr H would not have been able to sustainably repay any of these loans. So, I conclude that Bamboo's failure to carry out proportionate checks resulted in it unfairly providing these loans to Mr H.*

*So, it follows that I currently think that Bamboo needs to put things right."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Bamboo responded and said it had no further comments to make. Mr H also responded. He said he accepted the provisional decision and had nothing further to add.

### **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 not made any further points. So, with this being the case, I don't see any reason to depart from my findings within my provisional decision. It follows that I uphold Mr H's complaint.

### **Putting things right**

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

- Removing all interest, fees and charges on loans 1-3 and treat all the payments Mr H has made as payments towards the capital for each of these loans.
- If reworking Mr H'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 H's credit file in relation to loans 1-3.

\*HM Revenue & Customs requires Bamboo to deduct tax from this interest. Bamboo should give Mr H a certificate showing how much tax it's deducted, if he asks for one.

### **My final decision**

I uphold Mr H'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 H to accept or reject my decision before 11 March 2022.

Mark Richardson  
**Ombudsman**