

## The complaint

Miss B says Bamboo Limited lent irresponsibly to Miss B.

## What happened

Miss B took out two instalment loans from Bamboo. A summary of her borrowing follows, loan 2 was used in part to settle loan 1.

Loan	taken out	value, £	term in months	monthly repayment, £	total repayable, £
1	23/02/2020	4,000	24	261.74	6,281.84
2	14/08/2021	5,939.70	60	247.9	14,874.15

Miss B says she had significant amounts of other debt when she applied and should never have been given the loans. Also, she did not return calls when Bamboo requested more information, yet it still went ahead and lent to her.

The investigator found Miss B's complaint should be upheld. He said Bamboo's checks were not proportionate and better checks would have shown it was most likely the loans would not be sustainably affordable for Miss B.

Bamboo disagreed and asked for an ombudsman's review. It said, in summary, Miss B had enough income and low debt when she first applied so more checks weren't warranted. Miss B had more than one current accounts so we would need to review them all to understand her financial situation. Miss B's income may have been lower at the time of loan 2 but it was still much higher than the minimum needed for the loan to be affordable. And it added that overall Miss B's credit accounts were well maintained.

## 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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Bamboo lent to Miss B required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Bamboo had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Miss B. In other words, it wasn't enough for Bamboo to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Miss B.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Bamboo did what it needed to before agreeing to lend to Miss B. So to reach my conclusion I have considered the following questions:

- did Bamboo complete reasonable and proportionate checks when assessing Miss B's loan applications to satisfy itself that she would be able to repay the loans in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Bamboo make a fair lending decision?
- did Bamboo act unfairly or unreasonably in some other way?

I can see there was some information Bamboo asked for from Miss B before it approved both loans. It asked for details of her salary and housing costs and estimated her living expenses using national statistics. It verified her income using payslips, a third-party service for loan 1 and with authorised access to her bank statements for loan 2. It carried out credit checks both times to understand her credit history and existing credit commitments. I can't see it asked about the purpose of the loans.

From these checks combined Bamboo concluded Ms M could afford both the loans. I'm not persuaded this was a fair conclusion. I'll explain why.

### Loan 1

I don't think the checks were proportionate for loan 1. I say this because of the loan value and the initial results from the credit check. It showed whilst Miss B was up-to-date with her active accounts she had clearly had some problems managing her money having arrangements to pay in place on both loan and credit cards accounts, as well as defaulting on a loan within the previous 24 months. I accept this adverse data was somewhat historic and I am not saying these were reasons to decline Miss B.

But Bamboo could also see Miss B was currently using her overdraft facility, had made 13 minimum payments in the previous 12 months and taken out cash on credit. So to give due regard to this information Bamboo ought to have carried out fuller checks to ensure it fully understood her current financial position.

I have reviewed Miss B's bank statements from the three months prior to see what better checks would most likely have shown Bamboo. It would have seen she was under financial

pressure: she was persistently reliant on her £3,000 overdraft, often close to this limit and paying daily overdraft fees. Bamboo pointed out Miss B's credit file showed she had more than one current account so this is not a full picture. Miss B has since provided statements for a second account she used primarily for receipt of salary and then to transfer funds into the other account. This remained in credit but by month end had an average balance of £50. So this does not alter my finding.

On balance, from what I have seen it seems Miss B was having problems managing her money and would be unlikely to be able to repay this loan sustainably, so without borrowing - be that through her overdraft or other loans. And Bamboo needed to consider this to meet its regulatory obligations, not just the pounds and pence affordability.

It follows I find Bamboo was wrong to give loan 1 to Miss B.

### Loan 2

By the time Miss B applied for loan 2 Bamboo could see from its credit checks that her indebtedness had over doubled, and her income had dropped slightly to £2,341. I note it did have access to her bank statements for one of her current accounts for loan two but given they showed frequent transfers to another account I still don't think Bamboo's check were proportionate. It should have extended its review to have sight of both of her current accounts. Had it done so it would have seen that Miss B had recently taken out a payday loan and was making payments to another high-cost lender for a loan taken out after loan 1. And further investigation into this would have shown this was the third loan with this high-cost lender after two rounds of re-financing.

She was also still reliant on her overdraft facility. As the investigator said this was no longer persistent but it was for a significant portion of each month – about a third on average, and so she was regularly paying daily overdraft interest. In the round I think there were sufficient signs for the lender to realise it was most likely Miss B would be unable to sustainably repay this loan, and given its term Bamboo was significantly extending Miss B's reliance on high-cost credit.

I don't think there was evidence that Miss B's finances had stabilised such that there wasn't a risk further borrowing would cause adverse financial consequences.

In these circumstances I find Bamboo was wrong to give loan 2 to Miss B.

Did Bamboo act unfairly or unreasonably in some other way?

I don't find it did. Miss S says that the lender asked for further information when she applied, but she didn't call back and it lent to her anyway. However Bamboo has provided a copy of a webchat between the parties that show she replied to the lender's queries through this channel, explaining she was unable to call.

### **Putting things right**

I think it's fair and reasonable for Miss B to repay the capital that she borrowed, because she had the benefit of that money. But she has paid interest and charges on two loans that shouldn't have been provided to her.

So Bamboo should:

- Add up the total amount of money Miss B received as a result of being given both loans. The repayments Miss B made should be deducted from this amount.

- If reworking Miss B's loan accounts results in her 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 of settlement\*.
- If reworking Miss B's loan accounts leaves a capital balance outstanding Bamboo should try to agree an affordable repayment plan with Miss B.
- Remove any adverse information recorded on Miss B's credit file in relation to the loans.

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

### **My final decision**

I am upholding Miss B's complaint. Bamboo Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 26 May 2022.

Rebecca Connelley  
**Ombudsman**