

The complaint

Mr H complains about a loan provided to him by Bamboo Limited trading as “Bamboo”, which he says was unaffordable.

What happened

Bamboo provided Mr H with a loan for £4000 on 1 June 2018. The loan was scheduled to be repaid over 3 years at a monthly repayment of £226.90. The loan was repaid on 6 December 2018.

Mr H says Bamboo has irresponsibly lent the money to him.

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;

“I can see that Bamboo asked Mr H about his income and expenditure. It also carried out a credit check and used Office of National Statistics (ONS) data to assess his living costs. It says it also verified Mr H’s income.

It recorded down and says it verified Mr H’s monthly income as £1960. It noted down his housing costs as £662, his living expenses as £447, existing credit commitments as £290 along with the repayment for this loan as £290. This would leave Mr H with disposable income of around £334, although this may have been more if he had consolidated his existing debts as he had told Bamboo he was going to do.

I’ve carefully considered what Bamboo has said about how it calculated Mr H’s disposable income when it agreed to the loan. I don’t think its checks were proportionate for this loan because I think it would have seen enough from the information that it gathered that ought to have given it concerns. At least enough that I think, the checks should have alerted it to wanting to find out more.

On the credit check it carried out it would have seen that Mr H had two active County Court Judgements. These are listed towards the end of the credit report. Both are recorded on the report as active, suggesting to me that there was still an outstanding balance on both to repay. These outstanding balances are showing on the report with balances of £526 and £1409. Both judgements were recorded against Mr H’s name in the past, but it ought to have been concerning to Bamboo that neither one had been settled. It would have been at odds with its assessment of Mr H’s finances, that he would have outstanding balances to repay here. I think it ought to have alerted Bamboo to find out more to assure itself that Mr H was in a position to repay the loan in a sustainable way. Especially as the term of the loan was over 3 years. This leads me to think that Bamboo needed to take additional steps to verify what Mr H’s actual monthly expenditure was.

As reasonable and proportionate checks weren’t carried out before this loan was 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 this loan.

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.

I've carefully considered the information provided by Mr H. He was able to provide bank statements for 3 months before he applied for this loan. I've looked through these and having done so, it's clear Mr H was heavily reliant on using finance by other short-term lenders. In the 14 days prior to Mr H asking for this loan, he had requested and received 7 short term loans, all of which did not appear on the credit search that Bamboo carried out. On 18 May 2018 he received £300, on 19th May 2018 £200 and then on 25, 28, 29, 30, 31 May he received £500, £560, £199, £500 and £254 respectively. In total he had received £2513 in 7 short term loans from 5 different finance providers and all of this within 14 days of asking Bamboo for this loan. Mr H had asked for a short-term loan every day for 4 days in a row and on the 5th came to Bamboo for his 5th loan request. I can see on the bank statements that the frequency of Mr H's loan taking was in order to fill a gap in his finances. It is clear to me looking at his statement for May 2018 that he had become heavily reliant on them.

Mr H was struggling to manage his finances and the repayments he had to make on these loans, meant he would have had to carry on lending in order to meet his commitments. In short, the loan repayments for this loan from Bamboo wouldn't have been sustainable.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would more likely than not have shown Bamboo that Mr H would not have been able to sustainably repay this loan. So, I'm satisfied that Bamboo's failure to carry out proportionate checks resulted in it unfairly providing it to Mr H.

So, in conclusion, I am currently minded to conclude Bamboo needs to put things right for the reasons given above."

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. Mr H's representatives responded and said he accepts the 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.

Neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint. So because of this, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr H's complaint.

Putting things right

In line with this Service's approach, Mr H shouldn't repay more than the capital amount he borrowed. With this in mind, Bamboo should:

- add up the total amount of money Mr H received as a result of being given the loan. The payments Mr H made should be deducted from this amount. Any payments

made after the total repaid exceeds the amount Mr H was given should be treated as overpayments and refunded to him;

- add interest at 8% per year simple on any overpayments from the date they were paid by Mr H to the date of settlement†;
- remove any adverse information placed on Mr H's credit file because of this loan;

*HM Revenue & Customs requires Bamboo to take off tax from this interest. Bamboo must give Mr H a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold Mr H's complaint and I 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 4 May 2022.

Mark Richardson
Ombudsman