

The complaint

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

What happened

Mr F was given 3 loans by Bamboo. He borrowed £3000 in August 2017 and agreed to repay this over 36 months. He refinanced that loan in January 2019 and took additional borrowing. In total he was due to repay £3048.69 over 36 months. Mr F then refinanced again for a second time in October 2019 and again added some additional borrowing on top. In total he borrowed £3978.63 and agreed to repay this back over 60 monthly instalments. When Mr F made his complaint to Bamboo, he had a balance to repay.

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

“Bamboo gathered some information from Mr F before it agreed to the first loan. It asked Mr F about his income and his contribution to accommodation. It says it verified his income using an online tool. It then used Office of National Statistics (ONS) data to assess his living expenses. It carried out a credit check and used this to work out his credit commitments. Those checks suggested Mr F had enough disposable income each month to afford the loan repayments.

Mr F was entering into a significant commitment with Bamboo. He was agreeing to make monthly repayments for a period of 3 years. So, I think it is right that Bamboo wanted to gather, and independently check, some detailed information about Mr F’s financial circumstances before it agreed to lend to him. I think that the checks it did were sufficient to achieve that aim. I think Bamboo’s checks were proportionate.

But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information those checks show. Those results might sometimes lead a lender to undertake further enquiries into a consumer’s financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So, I’ve looked at what the Bamboo gathered to see whether it needed to ask for more or whether it made a fair lending decision.

Bamboo’s credit check showed that Mr F was making use of other credit at the time he applied for loan 1. He had 4 loans and a large overdraft with his bank. It looks like 3 of his 4 loans were short term or payday loans and these were taken within 2 months of him applying to Bamboo for this loan. So, I think it would have been right for Bamboo to be concerned at this early stage that Mr F might be facing some problems managing his money.

In total Mr F’s outstanding loan and overdraft debts amounted to around £2465, and due to the short-term nature of some of the loans, his typical monthly repayments were £535. Due to the amount of short term finance, if Mr F had told Bamboo that he was using the loan for something other than debt consolidation, I would have concluded on seeing this, that it ought

to have sought further information from Mr F to see if he could sustainably afford the loan repayments. But Mr F told Bamboo that he wanted to use its loan to refinance those other debts. Since the amount that Mr F asked to borrow was a little more than his total outstanding credit, I think it would have been reasonable for Bamboo to accept his explanation of how he would use the loan at this stage. And by using the loan in that way Mr F would be able to reduce his credit expenditure from the current £535 per month to around £146 per month. The loan term was clearly a lot longer, being 3 years, for him to be indebted by. But Mr F had a chance at this stage to clear all of his outstanding debts and reduce his monthly repayment.

So, at this stage I think it was reasonable for Bamboo to accept Mr F's reason for applying for loan 1. And by doing so Mr F could significantly reduce his monthly outgoings and pay off his outstanding other debt. So, I currently don't think Bamboo did anything wrong when it agreed to give him loan 1.

Mr F then came back and asked Bamboo for a second loan in January 2019. He had made 16 monthly repayments on the first loan and was looking to refinance and also have an additional £890.07 on top. Bamboo says he told it he was going to use the capital coming to him for a car. I think Mr F coming back, not even halfway through his first loan repayments, asking for more finance should have caused Bamboo concern.

As before, Bamboo asked Mr F for information about his income and his contribution to accommodation. It says it couldn't verify Mr F's income using an online tool on this occasion as Mr F had recently changed employment. So, it asked him for recent payslips. It then verified Mr F's income this way. It used ONS data again to assess Mr F's living expenses and carried out a credit check. The checks again suggested that Mr F had enough disposable income each month to afford the second loan repayments. And, although I think it ought to have had some concerns as I have already mentioned, I think on balance, its checks were also proportionate. But again, I think it would need to react to what these checks showed, and I don't think it did for loan 2. I think it should have not agreed to lend and I will explain why.

The credit check that Bamboo carried out showed that Mr F had taken out several lines of new credit since it had last carried out a check on his finances for the application for loan 1. The credit search for loan 1 had 9 accounts in total listed, whereas the check for loan 2 only 16 months later listed 37 accounts. Mr F had 9 active accounts on this check and so it is clear on seeing this, that he had taken out and repaid many loans in the period of time between loan 1 and Mr F coming back and asking for his second loan. In short, the debt consolidation from loan 1 didn't work.

Mr F's outstanding debt had significantly increased around £2500 to slightly over £12,000 and he now had 6 existing loans, a credit card and the same overdraft as before. Seeing all of the settled loans on Mr F's credit report that he took out after loan 1 and also his existing credit commitments, demonstrate to me, on balance, that Mr F had become reliant on credit and was taking out loans to repay existing debt. He was now paying over half of his monthly income to service his debt and this loan would do nothing to alleviate that or improve the situation he found himself in. By agreeing to loan 2, all that Bamboo were doing were extending the terms of his first loan and agreeing to lend a bit more, that would in turn add to Mr F's growing debt burden. For all the reasons I have just mentioned, I don't think the loan repayments for loan 2 were sustainably affordable for Mr F and Bamboo shouldn't have agreed to it.

Mr F then came back 9 months later and asked for a third loan for £3978.63. This would be repaid over 5 years this time with most of the loan being used to repay loan 2 and a further £1281.46 going to Mr F. Bamboo carried out similar checks than he did for the first two

loans, although at this stage it was able to verify Mr F's income again. I don't think the checks it carried out here were proportionate, due to the findings I have already made and also because he had been indebted to Bamboo now for 26 months. I think by now, it ought to have been looking to carrying out a complete review of Mr F's finances. But I think with the information it did have in front of it, it shouldn't have given Mr F the loan anyway.

The credit search results that Bamboo gathered for loan 3, showed that in only 9 months Mr F had increased his overall indebtedness to almost £30,000. He had taken out several new lines of credit including a significant loan for £12,500. Bamboo calculated that Mr F's overall monthly credit commitment, with the repayment for loan 3 would be around £940. Well over half his monthly income and this time Mr F was asking for the loan to be set over 5 years. It is clear to me at this stage that Mr F's debts were increasing at a considerable rate and he continued to borrow more to repay what he already owed. This loan repayment was also not sustainably affordable for Mr F and Bamboo shouldn't have agreed to this loan either.

In addition, as I have already mentioned, Mr F had been indebted to Bamboo for 26 months, when he came back and asked for another loan. I think Bamboo ought to have had serious concerns about the pattern of lending that had developed here and Mr F's reliance on it for credit. I say this because the amount he had asked to borrow over this time had not decreased at all. Mr F was paying large amounts of interest to service a debt to Bamboo over an extended period of time and this had become harmful to him.

In conclusion, I think Bamboo made proportionate checks when it agreed to loan 1 and on balance didn't do anything wrong when it agreed to lend at that stage. But by the time Mr F asked for loan 2, his circumstances had changed and Bamboo ought to have seen this through the checks it made. I am currently minded to think it didn't make a fair lending decision when it agreed to loan 2 and his finances deteriorated further when it agreed to loan 3, so I don't think it should have given him that loan either. I also am minded to conclude that Mr F had become reliant on credit from Bamboo by the time he had asked for loan 3 and this was harmful to him. So, I uphold Mr F's complaint and Bamboo need 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. Mr F's representatives confirmed it received the provisional decision but did not provide any additional information.

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.

Bamboo and Mr F have not made any new points for me to respond to. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr F's complaint.

Putting things right

I think it is fair and reasonable for Mr F to repay the principal amount that he borrowed for loans 2 and 3, because he has had the benefit of that lending. But he has been indebted with interest and charges on loans 2 and 3 that shouldn't have been provided to him.

Bamboo should:

- Remove all interest, fees and charges on loans 2-3 and treat all the payments Mr F has made as payments towards the capital.
- If reworking Mr F's loan account 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*.
- Discuss with Mr F an affordable repayment plan if there is still an outstanding balance to repay.
- Remove all negative information about Loan 2 on Mr F's credit file. Remove all entries on Mr F's credit report relating to loan 3. Any information about this loan was likely to be adverse for Mr F.

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

My final decision

My final decision is that I uphold Mr F's complaint and direct Bamboo Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 10 June 2022.

Mark Richardson
Ombudsman