

## **Complaint**

Miss T has complained about loans Bamboo Limited (“Bamboo”) provided to her. She says the loans were unaffordable.

## **Background**

Bamboo provided Miss T with an initial loan for £1,000.00 in August 2019. This loan had an APR of 49.7% and a term of 12 months. This meant that the total amount to be repaid of £1,235.72, including interest, fees and other charges of £235.72, was due to be repaid in 12 monthly instalments of just under £103. This loan was settled with some of the proceeds from loan 2.

Bamboo provided Miss T with loan 2, which was for £1,481.21 in December 2019. This loan also had an APR of 49.7% and a term of 12 months and some of the proceeds went towards settling the outstanding balance on loan 1. The total amount to be repaid of £1,830.37, including interest, fees and other charges of £349.16, was due to be repaid in 12 monthly instalments of just under £153.

One of our investigators reviewed Miss T’s complaint and he thought that while Bamboo didn’t do anything wrong when providing loan 1 to Miss T, it ought to have seen that it shouldn’t have provided Miss T with loan 2. So he thought that Miss T’s complaint should be partially upheld. Miss T didn’t disagree with the investigator’s assessment but Bamboo did disagree. So the case was passed to an ombudsman for a final decision.

As the parties are in agreement about the outcome on loan 1, this decision is only looking at whether Bamboo acted fairly and reasonably when providing loan 2.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss T’s complaint. Having carefully considered everything I’ve decided to uphold Miss T’s complaint. I’ll explain why in a little more detail.

Bamboo needed to make sure it acted fairly and reasonably when lending to Miss T. In practice, what this means is Bamboo needed to find out enough about Miss T such that it could have a reasonable understanding of whether Miss T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

The information Bamboo has provided suggested that it carried out a credit check before loan 2 was provided. The results of which showed that Miss T was even more indebted than she was when she'd applied for loan 1 a mere four months earlier. She owed more than double what she did before and was close to her limits on her revolving credit accounts too.

I also have concerns that the recorded purpose of this loan was debt consolidation. This is because Miss T was supposedly going to consolidate her debts when she was provided with loan 1. Given that this hadn't happened and Miss T was even more indebted at the time of loan 2, it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Miss T's already precarious financial position going forward and how Bamboo could accept what Miss T said at face value in these circumstances.

Overall and having considered everything, I'm persuaded by what Miss T has said about already being in a difficult financial position at the time she took out loan 2. And while it's possible Miss T's difficulties reflected her choices rather than financial difficulty, I'd add that my experience of these types of cases suggest this is unlikely, in the absence of any reasonable or plausible arguments from Bamboo, I've been persuaded to accept Miss T's version of events.

As this is the case, I do think that Miss T's existing financial position meant that she was unlikely to be able to afford the payments to this loan, without undue difficulty or borrowing further. And I'm satisfied that reasonable enquiries into Miss T's circumstances would more like than not have shown Bamboo that it shouldn't have provided this loan to her. As Bamboo provided Miss T with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Miss T ended up paying and is still being expected to pay interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Miss T lost out because of what Bamboo did wrong and that it should put things right.

### **Fair compensation – what Bamboo needs to do to put things right for Miss T**

Having thought about everything, Bamboo should put things right for Miss T by:

- removing all interest, fees and charges applied to loan 2 from the outset. The payments Miss T made, whether to Bamboo or any third-party debt purchaser, should be deducted from the new starting balance – the £1,481.21 originally lent. If once all adjustments have been made this shows that Miss T has made overpayments, these overpayments should also be refunded to Miss T together with interest at 8% simple a year from the date they were made by Miss T to the date of settlement†
- if no outstanding balance remains after all adjustments have been made then all adverse information recorded on Miss T's credit file as a result of this loan should be removed.

† HM Revenue & Customs requires Bamboo to take off tax from this interest. Bamboo must give Miss T a certificate showing how much tax it has taken off if she asks for one.

**My final decision**

For the reasons I've explained, I'm upholding Miss T's complaint. Bamboo Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 16 January 2023.

Jeshen Narayanan  
**Ombudsman**