

The complaint

Mr B says Bamboo Limited, trading as Bamboo Loans, irresponsibly lent to him.

What happened

This complaint is about a 24-month instalment loan for £3,500 that Bamboo provided to Mr B on 12 April 2022. The monthly repayments were £222.62 and the total repayable was £5342.77.

Mr B says he should never have been given this loan. Had Bamboo done proper checks it would have seen gambling and high-risk spending were problems in his life. He wants all interest and charges to be removed from his account and he will repay the capital - he has taken professional help to control his spending habits.

Our investigator upheld Mr B's complaint and thought Bamboo was wrong to have given the loan.

Bamboo disagreed, it reiterated the checks it carried out and why the results supported its lending decision. It asked for an ombudsman's review, so the complaint was passed to me.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr B's complaint. These two questions are:

1. Did Bamboo complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the loan without experiencing significant adverse consequences?

- If so, did it make a fair lending decision?
- If not, would those checks have shown that Mr B would've been able to do so?

2. Did Bamboo act unfairly or unreasonably in some other way?

The rules and regulations in place required Bamboo to carry out a reasonable and proportionate assessment of Mr B's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so Bamboo had to think about whether repaying the loan would cause significant adverse consequences for Mr B. In practice this meant that the business had to ensure that making the payments to the loan wouldn't cause Mr B

undue difficulty or significant adverse consequences.

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 loan repayments on Mr B. Checks also had to be proportionate to the specific circumstances of the loan application.

In general, what constitutes 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/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr B's complaint.

Bamboo has provided evidence to show that before lending it asked for some information from Mr B. It asked for details of his monthly income and his housing costs. It used national statistics to estimate his living costs and used an independent income verification tool to check his declared income. It carried out a credit check to understand his credit history and his existing credit commitments.

Based on these checks Bamboo concluded Mr B would be able to sustainably repay this loan and so thought it was fair to lend.

I think these checks were proportionate given the term and value of the loan, and the value of the monthly repayments relative to Mr B's declared income. But based on the information it gathered, I think Bamboo ought to have realised there was a risk the loan would not be sustainably affordable for Mr B. I'll explain why.

Mr B was already spending over 33% of his declared income on his existing credit commitments. By giving this loan Bamboo was increasing the amount of his income he would need to spend on his monthly repayments to nearly 40%. At this level I think it ought to have been concerned he would likely struggle to sustainably repay the loan over its term. It could see from his credit check that even before giving this loan he had debt of around £15,000; he had five credit cards that were all close to their limits; and he was overdrawn on his current account. There was also some historic data – a County Court Judgement and use of payday loans - that suggested Mr B's had struggled with his finances historically. So in this context, I don't think it was fair to extend Mr B's credit commitments such that they were almost 40% of his income – a level at which he was likely to have financial difficulties going forward.

It seems Bamboo focused heavily on the pounds and pence affordability of the loan, but to

meet its regulatory obligations it was also required to check that Mr B would be able to repay the loan without suffering adverse financial consequences, or borrowing to repay. I am not satisfied it did this. Bamboo argues Mr B settled the loan early after nine months and so there is no evidence of harm but it does not know how he was able to do this so this does not change my conclusion.

It follows I think Bamboo was wrong to lend to Mr B.

I have not seen any evidence that Bamboo acted unfairly or unreasonable towards Mr B in some other way.

Putting things right

I think it's fair and reasonable for Mr B to repay the capital that he borrowed, because he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been provided to him. Bamboo must put this right.

It should:

- Refund all interest and charges, so add up the total amount Mr B repaid and deduct this sum from the capital amount of the loan.
- If reworking Mr B'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 of settlement*.
- If reworking Mr B's loan account leaves a capital balance outstanding Bamboo should try to agree an affordable repayment plan with Mr B.
- Remove any adverse information recorded on Mr B's credit file in relation to the loan once any outstanding capital has been repaid.

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

My final decision

I am upholding Mr B's complaint. Bamboo Limited, trading as Bamboo Loans, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 June 2023.

Rebecca Connelley
Ombudsman