

## **The complaint**

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

## **What happened**

This complaint is about an 18-month instalment loan for £1,000 that Bamboo provided to Mr P on 25 November 2022. The monthly repayments were £82.34 and the total repayable was £1,482.13.

Mr P says the loan was not affordable, he had a gambling addiction and was trapped in a cycle of debt. Bamboo's check ought to have shown this and it should have asked more questions.

Our investigator didn't uphold Mr P's complaint. She thought the checks were proportionate and Bamboo made a fair lending decision. Unhappy with that assessment Mr P asked for an ombudsman's review. He said there was a clear pattern of escalating debt on his credit file. He had taken out three loans for £15,000 in the previous 12 months, on top of being maxed out on his credit cards.

## **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 P's complaint. These two questions are:

1. Did Bamboo complete reasonable and proportionate checks to satisfy itself that Mr P 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 P 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 P'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 P. In practice this meant that

the business had to ensure that making the payments to the loan wouldn't cause Mr P 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 P. 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 P's complaint.

Bamboo has provided evidence to show that before lending it asked for some information from Mr P. It asked for his monthly income, his employment status and his residential status. It completed an income verification check with a third-party and used national statistics to make an assumption about his living costs. It carried out a credit check to understand his credit history and his existing credit commitments. It asked about the purpose of the loan which was for debt consolidation and car repairs. Based on these checks Bamboo thought it was fair to lend.

I think these checks were proportionate given the value and term of the loan and the cost of the monthly repayment relative to Mr P's income. And I don't think there was anything in the checks that ought to have led Bamboo to make a different lending decision. I'll explain why.

Mr P declared a net monthly income of £2,460 and Bamboo verified it to be £2,480. He declared housing costs of £320 and from its credit check Bamboo calculated Mr P had existing credit commitments of £557 a month. It used national statistics to estimate Mr P's living costs. It could see from the credit check that Mr P had £9,580 of debt and he was up to date on all his active credit. None of his credit cards were overlimit – on average he was using 85% of his limits. He had only opened one new credit account in the last six months and had no active payday loans. There were some historical arrears but I don't find these alone would be a reason to decline this application.

So I don't think Bamboo was wrong to lend to Mr P.

Mr P argues he had a gambling problem and was in a spiral of debt. I don't doubt Mr P's testimony that he was under financial pressure. But I don't think this was evident from the proportionate checks Bamboo completed. And given the details of this loan I don't think it would have been proportionate for Bamboo to have carried out the depth of financial review needed to potentially discover this.

I have seen no evidence Bamboo acted unfairly towards Mr P in some other way.

I note Mr P has an outstanding balance on his loan, I would urge him to contact Bamboo to discuss an affordable repayment plan. I would remind Bamboo of its obligation to treat Mr P fairly, and with forbearance. I am sorry this has impacted on Mr P's mental health. If he does not have the support he needs Mr P could contact Step Change on 0800 138 1111 or National Debtline on 0808 808 4000 for advice about financial difficulties. And if he needs help to manage his gambling he could contact GamCare on 0808 802 0133.

### **My final decision**

I am not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 August 2023.

Rebecca Connelley  
**Ombudsman**