

The complaint

Mr P says Bamboo Limited, trading as Bamboo Loans (“Bamboo”), irresponsibly lent to him.

What happened

This complaint is about a 36-month instalment loan by way of a fixed sum loan agreement. Bamboo provided the loan for £6,000 to Mr P in September 2022. The monthly repayments were £255.73 and the total repayable was £9,206.25

Mr P says the loan was not affordable, he had issues with gambling and was in difficulty with other debt. So he says Bamboo’s checks ought to have shown it was irresponsible to have lent to him.

Our investigator didn’t uphold Mr P’s complaint. She thought the checks were proportionate and Bamboo had made a fair lending decision.

Because Mr P disagreed his complaint has been passed to me for a 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.

Bamboo will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I’d like to reassure Mr P that I’ve looked at the complaint afresh and independently reviewed all the available evidence and information, including what Mr P has said in response to our investigator’s view. Having done so, however, I am not upholding Mr P’s complaint for broadly the same reasons as our investigator. I’ll explain my reasons.

The rules don’t say exactly what a lender should look at before agreeing to lend, but reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look to be affordable. A proportionate check might also require the lender to find out the borrower’s credit history and also take further steps to verify the borrower’s overall financial situation.

If reasonable and proportionate checks weren’t carried out, I need to consider if a loan would have been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there’s any other reason why it would be irresponsible or unfair to lend. For example, if the lender should have realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can’t be repaid in a

sustainable way. In other words, it wouldn't necessarily be enough for Bamboo to simply think about the likelihood of it getting its money back. Rather, it also had to consider the impact of the loan repayments on Mr P.

Bamboo has provided evidence to show that before lending it asked for some information from Mr P. It asked for his monthly income and expenditure, employment and residential status.

This showed that Mr P was earning around £2,150 net per month and He was also a homeowner paying a mortgage of £650 per month with essential monthly expenses costing £530. It also checked his credit record and didn't find any recent adverse markings on his credit file, such as defaults or county court judgments. There was some historical evidence of debt issues but there had been no further problems for around 4 ½ years so I would not have necessarily expected Bamboo to take this into consideration at this point.

From the checks Bamboo carried out it calculated Mr P had existing credit commitments of around £170 a month. This was based on the credit check it carried out showing that Mr P had around £3,400 in existing debt but appeared to be up to date on all his active credit. Also, he had made only £40 in cash withdrawals in the last 12 months and there was no suggestion of being behind or overlimit with his credit.

Bamboo also completed an income verification check with a third-party and used national statistics to make an assumption about Mr P's living costs. It also asked about the purpose of the loan which was for debt consolidation. Based on these checks Bamboo thought it was fair to lend.

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

I'm also mindful that Mr P told Bamboo that he was taking this loan out for consolidation purposes. And Mr P was being provided with enough funds to clear all of the debts that showed on his credit file. From what I've seen, Mr P would have been able to afford the repayments and would have had an increased monthly disposable income as long as he cleared his existing debts. Equally, as this was Mr P's first loan with Bamboo, I'm satisfied that it was reasonably entitled to believe that Mr P would settle his existing debts with the proceeds from this loan. Also, Bamboo wouldn't be increasing Mr P's existing indebtedness in a way that was unsustainable or otherwise harmful.

Mr P has said that his issues with gambling had worsened his overall financial position. I've seen Mr P's bank statements so have an idea of how he was handling his finances at the time. But given obtaining bank statements wasn't the only way further checks into Mr P's circumstances could have been carried out, I'm not persuaded that further checks would necessarily have highlighted gambling as being a possible reason why Mr P might not have been able to make the repayments on this loan.

To summarise, I don't think I've seen enough evidence that would have been available to Bamboo at the time to suggest it ought to have carried out a more in-depth investigation into Mr P's financial situation.

So I agree that from what I've seen the proposed monthly repayment of £255.73 was likely to have been affordable. It follows that I can see that there wouldn't be a strong reason to decline Mr P's application. So I don't think Bamboo was wrong to lend to Mr P.

Finally, I haven't seen evidence that Bamboo may have acted unfairly towards Mr P in some other way. I note Mr P has an outstanding balance on his loan and that he has been in contact with Bamboo about arranging a sustainable repayment of the debt. I take this opportunity to remind Bamboo of its obligation to treat Mr P fairly, and with forbearance.

My final decision

For the reasons I've given, 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 19 December 2023.

Michael Goldberg

Ombudsman