

## **The complaint**

Mr M, who is represented by a third party, says Bamboo Limited ("Bamboo") irresponsibly lent to him.

## **What happened**

This complaint is about three loans that were each taken out by way of fixed sum loan agreements. For the first loan, Bamboo lent £1,000 to Mr M in December 2018 with 12 monthly payments of £115.96. For the second loan, Bamboo lent him £1,000 in September 2019 with 24 monthly payments of £72.58. And for the third loan, Bamboo lent him £1,313 in December 2020 with 24 monthly payments of £90.75.

Each of the loans was fully repaid by Mr M.

Mr M says the loans weren't affordable for him, that 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 M's complaint. He thought the checks were proportionate and Bamboo had made a fair lending decision for each loan.

Because Mr M 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 M that I've looked at the complaint afresh and independently reviewed all the available evidence and information, including what Mr M has said in response to our investigator's view. Having done so, however, I am not upholding Mr M'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 M.

Bamboo has provided evidence to show that before lending on each of these three occasions it asked for some information from Mr M. It asked for his monthly income and expenditure, employment and residential status. This showed that Mr M was earning around £2,600 net per month and was renting the property where he lived with monthly rent of £700.

Bamboo also completed an income verification check with a third-party and used national statistics to gain an idea of Mr M's living costs. Based on these checks Bamboo thought it was fair to lend for each loan.

Bamboo also carried out an affordability assessment, relying on credit reference agency details and also statistical information. From the checks Bamboo carried out it calculated Mr M had existing credit commitments of around £900 a month at the time of the first loan, £1,000 at the time of the second loan and of £1,200 at the time of the third loan. Mr M appeared to have taken a loan of £21,000 from another lender to consolidate several existing loans shortly before Bamboo granted him the second loan. But for each of the three loans he appeared to be up to date on all his active credit.

Bamboo also checked Mr M's credit record each time and didn't find any recent adverse markings on his credit file, such as defaults or county court judgments – or any other factors that might suggest his financial situation was deteriorating or was at serious risk of doing so. Bamboo was able to identify Mr M's credit history going back to 2000. I have noted that Mr M made some use of cash borrowing against credit in the 12 months leading up to the first and second loans. Any cash borrowing can suggest financial issues, but I don't consider the level of use Mr M was making was enough to suggest that more investigation might be necessary.

Overall, I agree that the evidence and information Bamboo found didn't suggest that Mr M might be having difficulty meeting monthly repayments for his existing credit.

I think these checks were reasonable and proportionate given the size of each of the loans plus the cost of the monthly repayment relative to Mr M'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've also noted that Mr M told Bamboo that he was taking the third loan out for the purpose of consolidating some of his debt. I assume this is what happened - but even if he didn't clear his existing debts, it seemed likely that this loan would have remained affordable for him.

Mr M has said that his issues with gambling had worsened his overall financial position. I've seen Mr M's bank statements from around the time of each loan. So I have an idea of how he was handling his finances at the time, including his regular use of gambling sites and the fact that he was using his overdraft from time to time. But given obtaining bank statements wasn't the only way further checks into Mr M'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 M might not have been able to make the repayments on each of these loans.

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

I therefore agree that from our investigator's review of the complaint, it seems likely that Mr M would have at least around £250 in disposable income after meeting the monthly repayments for each of these loans.

So I agree that from what I've seen the proposed monthly repayment for each of these loans was likely to have been affordable. It follows that I can see that there wouldn't be a strong reason to decline any of Mr M's three loan applications. So I don't think Bamboo was wrong to lend to Mr M.

### **My final decision**

For the reasons I've given, I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 April 2024.

Michael Goldberg

**Ombudsman**