

Complaint

Mrs E has complained about a guarantor loan Bamboo Limited ("Bamboo") provided to her. She says that the loan was unaffordable and that Bamboo failed to conduct proportionate checks, so should have done more before providing her with this loan.

Background

Bamboo provided Mrs E with a guarantor loan for £3,000.00 in January 2019. It had an APR of 49.7% and a 36-month term. This meant that the total amount to be repaid of £5,259.11, which included interest, fees and other charges of £2,259.11, was due to be repaid in 36 instalments of around £146.

One of our investigators reviewed what Mrs E and Bamboo had told us. And she thought that Bamboo hadn't lent irresponsibly. So she didn't uphold Mrs E's complaint. Mrs E disagreed and asked for an ombudsman to look at her complaint.

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 Mrs E's complaint.

Bamboo needed to make sure it didn't lend irresponsibly. In practice, what this means is Bamboo needed to carry out proportionate checks to be able to understand whether Mrs E could afford to repay before providing this loan. The fact that Bamboo could also attempt to take payment from the guarantor doesn't change this.

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.

Bamboo says it agreed to Mrs E's application after she provided details of her monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Mrs E.

The information Mrs E provided about her income and expenditure showed she'd be able to make the repayments she was committing to. Bamboo says, in these circumstances it was reasonable to lend. On the other hand, Mrs E has said the loan was unaffordable.

I've carefully thought about what Mrs E and Bamboo have said. The first thing for me to say is that this was Mrs E's first loan with Bamboo. The information provided does suggest Mrs E was asked to provide details of her income and expenditure and Bamboo didn't just rely on what it was told.

The credit search carried out showed that Mrs E did have some previous difficulty with credit in the form of defaulted accounts. However, this appeared to be historic. Furthermore while Mrs E did have some active and outstanding debt the majority of this, according to the credit search at least, was made up of a hire-purchase agreement.

Nonetheless, given the presence of defaulted accounts on the credit searches carried out, I think that there is a reasonable argument for saying that it would have been reasonable and proportionate for Bamboo to have found out more about Mrs E's actual regular living expenses, rather than rely on estimates of this which were based on statistical data.

In order to consider what finding out more about Mrs E's actual regular living expenses is likely to have shown, I've considered the information Mrs E has provided about her circumstances at the time. To be clear, I've not carried out a forensic analysis of the bank statements provided in order to determine whether the loan payments were affordable for Mrs E. I've simply considered what Bamboo is likely to have done if it obtained the information it is arguable it should have obtained - i.e. Mrs E's actual regular living costs - here.

I say this because this information provided does appear to show that when Mrs E's committed regular living expenses and existing credit commitments were deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mrs E's actual circumstances may not have been fully reflected either in the information she's now provided, or the information Bamboo obtained. I know that she has referred to using an overdraft. But having looked at that the statements, which I've already explained I wouldn't have expected Bamboo to do in the circumstances, I'm nonetheless satisfied that Mrs E was using her overdraft sporadically.

There's certainly no indication that she was using it in a way that clearly demonstrated she was unable to exit it. Furthermore, Mrs E could have used some of the proceeds from this loan to clear her overdraft balance completely. So I don't think that Mrs E's overdraft usage meant that she shouldn't have been lent to.

In these circumstances, I'm satisfied that even if Bamboo had found out more about Mrs E, what it would more likely than not have found out wouldn't have stopped it from lending to her. As this is the case, I don't think that Bamboo did anything wrong when deciding to lend to Mrs E.

So overall I don't think that Bamboo treated Mrs E unfairly or unreasonably when providing her with her loan. And I'm not upholding Mrs E's complaint. I appreciate this will be very disappointing for Mrs E. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 23 February 2024.

Jeshen Narayanan
Ombudsman