

The complaint

Mrs M complains Bamboo Limited trading as Bamboo Loans irresponsibly provided her with an unaffordable loan.

What happened

Mrs M was provided with a £3,000 loan by Bamboo in December 2017. The loan was repayable over 36 monthly instalments of around £146 and had a total repayable value of around £5,250.

In June 2023 Mrs M complained to Bamboo saying had it completed reasonable and proportionate checks it would have identified the loan was unaffordable for her.

Bamboo didn't uphold Mrs M's complaint. It said it had completed proportionate checks and had made a fair lending decision when providing her with the lending. It did however offer to refund £200 as a gesture of goodwill and in full and final settlement of the complaint.

Unhappy with Bamboo's response Mrs M brought her complaint to our Service for review.

Our Investigator upheld Mrs M's complaint. She considered Bamboo had completed proportionate checks; but that it hadn't gone on to make a fair lending decision based on the information it had obtained through its checks.

Mrs M accepted our Investigator's outcome; Bamboo didn't. It responded with a number of points about its affordability check and maintained its position that it had made a fair lending decision when providing Mrs M with this loan. Bamboo asked for an Ombudsman's decision.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my recent provisional decision:

"We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; both Mrs M and Bamboo are aware of this approach.

Bamboo needed to take reasonable steps to ensure the lending it provided was responsibly lent to Mrs M. The relevant rules, regulations, and guidance at the time of Bamboo's lending decision required it to carry out reasonable and proportionate checks. These checks needed to assess Mrs M's ability to afford the credit limit being approved and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower's individual circumstances.

And it isn't sufficient for Bamboo to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision.

I've taken this into account when reaching my findings.

Bamboo has said it verified Mrs M's declared income by obtaining one month's payslip. It asked Mrs M for her monthly housing costs and it used Office of National Statistics (ONS) data to identify reasonable monthly living costs. It also completed a credit check to understand Mrs M's existing credit commitments, as well as reviewing the recent and historic management of her lines of credit. Bamboo has said it considers these checks to have been proportionate; and that based on these checks it was satisfied Mrs M had a reasonable level of disposable income remaining each month to sustainably afford this loan. It says it therefore made a fair lending decision when providing Mrs M with this loan.

I've carefully considered Bamboo's arguments; and while I'm not persuaded its checks were proportionate, I currently consider more detailed checks would still have reasonably led to it agreeing to provide this loan to Mrs M.

I say this because Bamboo verified Mrs M's declared income and took the lower value of around £2,550 that was evidenced within the payslip it received. Mrs M declared within her application that her share of her monthly rent was £420, and it used this within its calculations. The credit check Bamboo completed showed Mrs M had two active lines of credit, an overdraft facility and a mail order account. While these accounts were being well maintained, Mrs M's utilisation across the two accounts was relatively high, at around 80%; and had been utilised to a high level over the previous 12 months.

Within two months of this application Mrs M's limits on both of these existing revolving lines of credit had been increased by just under £3,000. This was a relatively sizeable amount in comparison to the existing limits, and by the time of this check Mrs M was already using around £2,000 of the additional £3,000 limits.

This suggests to me that Mrs M's finances may have been under stress at this point. She had very recently obtained access to further credit by way of revolving facilities, and had already utilised around 70% of that increase within the two-month period.

I consider Mrs M's recent increase in credit, when taken into account with her history of high credit utilisation, ought reasonably to have been of concern to Bamboo. I consider these concerns ought reasonably to have led to it completing more detailed checks to ensure any further lending would be sustainably affordable for her.

Mrs M has provided our Service with her bank statements covering the three months leading up to this loan. In the absence of any other conflicting information, I consider these statements allow me to obtain a reasonable understanding of what proportionate checks would likely have shown Bamboo at the time of its lending decision.

In two of the three months Mrs M's salaried income was around £2,550; in the most recent month it was significantly higher, however there's limited evidence that this was a permanent change to her salary. So, it therefore feels reasonable, based on the statements and Mrs M's declaration at the time of the application that her regular salary was around £2,550.

Across each of the three months I've seen Mrs M received regular benefit credits too, totalling around £750 per month. So, I consider it would have been reasonable for Bamboo to have concluded Mrs M's regular income each month was around £3,300.

Mrs M also received cash paid into the account each month; and received irregular credits from individuals and organisations. I've not considered these credits due to the irregular nature, but in one of the months these additional credits totalled just under £2,000. While I've not taken them into account as part of the affordability checks, I do consider it suggests there was some level of positive fluidity to Mrs M's income, in addition to her regular salary and benefits.

I've been able to identify a number of Mrs M's essential non-discretionary expenses from her statements. There's evidence of insurances, payments towards cars, utilities, subscriptions to TV and digital services, and top-ups to a phone, as well as regular monthly payments to a childcare provider. I've not identified any transaction corresponding to the £420 monthly rent payment Mrs M declared within her application; however, there is a regular monthly payment to another account towards the end of each month which is around £830. As this is a regular debit I've taken this into account, and therefore identified Mrs M's regular expenditure appears to average around £2,100 per month.

Bamboo identified Mrs M had two lines of credit from its checks. Mrs M has said she was approved with another loan the month before Bamboo approved this loan. This additional line of credit doesn't appear to have been reported on the credit check Bamboo obtained; which isn't unreasonable had the loan been agreed as close to this loan as Mrs M suggests. However, Mrs M's statements show she'd been making payments towards this loan from at least September 2017, so I've included this within my calculations.

So, had Bamboo completed more detailed checks I consider it would have identified Mrs M was making payments averaging around £450 to these existing lines of credit; however, I note that Mrs M appears to be making well above the minimum monthly payment towards her mail order account. But even taking into account these higher payment and repayments to this loan, Mrs M's total payments to credit commitments would average around £600 per month, equating to less than 20% of her monthly income.

So, taking into account Mrs M's regular income of around £3,300, her non-discretionary expenditure of around £2,100, and payments towards her existing credit commitments and this loan totalling around £600, Mrs M would be left with a monthly disposable income of around £600 for all other costs.

I consider this is a reasonable level for Bamboo to have concluded that this loan would be sustainably affordable for Mrs M based on this information.

Our Investigator considered that Mrs M's use of her overdraft facility ought to have been of concern to Bamboo; and ought to have led to it concluding Mrs M wasn't a suitable candidate to lend to. While I acknowledge the evidence Bamboo obtained does show Mrs M was regularly using her overdraft, which her bank statements confirm, Mrs M did receive regular credits into the account which brought her into a credit position each month.

As I've found above, Mrs M was left with a reasonable level of disposable income each month; and she was receiving irregular credits into the account in addition to her regular income, which would only have increased her level of disposable income. So, while I consider her overdraft usage as well as her overall financial circumstances ought to have led to Bamboo completing more detailed checks; I don't consider its usage on its own, or the management of it that I've identified within Mrs M's statements, should have led to Bamboo not providing this lending.

So, taking all the above into account, I'm currently minded to say had Bamboo completed proportionate checks it would more likely than not have identified this lending was affordable

for Mrs M; and would reasonably have provided her with this loan. It therefore follows I don't consider Bamboo needs to take any further action in resolution of Mrs M's complaint."

Bamboo responded acknowledging my provisional decision and confirming it had nothing further to add. Mrs M didn't respond.

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.

As neither party have provided me with further information or evidence to consider, I see no reason to depart from the findings within my recent provisional decision.

So, in summary:

- I consider Bamboo needed to have completed further checks to have satisfied itself this loan would be sustainably affordable for Mrs M
- On review of the evidence Mrs M has provided and what I consider would more likely have been available to Bamboo at the time of its lending decision, I consider it would reasonably have concluded this loan was sustainably affordable for Mrs M
- I'm therefore satisfied Bamboo's decision to lend to Mrs M was fair

As I'm not upholding Mrs M's complaint, I don't require Bamboo to take any further action.

Within its final response letter Bamboo offered to refund Mrs M £200 of the interest paid on this loan. Mrs M will need to contact Bamboo directly to discuss if this offer is still available.

My final decision

For the reasons set out above my final decision is that I'm not upholding Mrs M's complaint about Bamboo Limited trading as Bamboo Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 25 April 2024.

Richard Turner
Ombudsman