



Complaint

Miss Z has complained about a loan Bamboo Limited (“Bamboo”) provided to her. She effectively 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 Miss Z with a loan for £8,000.00 in January 2019. It had an APR of 29.7% and a 36-month term. This meant that the total amount to be repaid of £11,648.24, which included interest, fees and other charges of £3,648.24, was due to be repaid in 36 instalments of around £323.64.

One of our investigators reviewed what Miss Z and Bamboo had told us. And he thought that Bamboo hadn’t lent irresponsibly. So he didn’t uphold Miss Z’s complaint.

Miss Z disagreed with the investigator 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 Miss Z’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss Z’s complaint. I’ll explain why in a little more detail.

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 Miss Z 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 Miss Z’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 Miss Z and open banking information which Miss Z agreed to provide access to.

The information Miss Z 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, Miss Z has said the loan payments were unaffordable for her.

I've carefully thought about what Miss Z and Bamboo have said. The first thing for me to say is that this was Miss Z's first loan with Bamboo. The information provided does suggest Miss Z 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 Miss Z did have some existing credit but this wasn't excessive. Furthermore, which she had some late payments on an account which had since been settled in full, Miss Z didn't have any significant difficulty with credit such as defaulted accounts or County Court Judgments ("CCJ").

Nonetheless, given the amount of the monthly payment as well as the term of the loan, I think that there is a reasonable argument for saying that it would have been reasonable and proportionate for Bamboo to have used the open banking data in order to ascertain Miss Z'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 Miss Z's actual regular living expenses is likely to have shown, I've considered the open banking data Miss Z provided to Bamboo at the time. And I'm satisfied that using this information rather than statistical data would have made a difference to Bamboo's decision, as it doesn't suggest that Miss Z couldn't make the repayments required for this loan.

I accept that Miss Z'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 Miss Z says she had stopped living with her parents and now had rental commitments. But Bamboo wouldn't have known this as Miss Z said that she was living with her parents at this stage.

Equally, it could only make a lending decision based on the information it had or it could reasonably be expected to have. And I don't see how it could have made a decision taking into account rental payments it didn't know about or couldn't be expected to know about either.

In these circumstances, I'm satisfied that even if Bamboo had done more, in terms of determining Miss Z's regular living expenses from the open banking data, 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 Miss Z.

So overall I don't think that Bamboo treated Miss Z unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss Z's complaint. I appreciate this will be very disappointing for Miss Z. 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 Miss Z's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or

reject my decision before 7 June 2024.

Jeshen Narayanan
Ombudsman