

The complaint

Mrs L complains that Bamboo Limited (“Bamboo”) gave her a loan which was unaffordable.

What happened

Bamboo advanced one loan to Mrs L of £5,000 on 18 February 2021. Mrs L was due to make 59 payments of £162.72 followed by a final payment of £162.74. In total Mrs L was due to repay Bamboo £9,763.22. Mrs L had some problems repaying this loan and she has since enrolled on a debt management plan through a well-known debt advice charity.

Following Mrs L’s complaint Bamboo wrote to her to explain why it was going to partly uphold it. Bamboo explained it carried out an income and expenditure check, a credit search as well as using ‘open banking’ to review her account activity. Bamboo established that Mrs L had sufficient disposable income to afford her repayments. However, it noted that Mrs L was experiencing difficulties and therefore, it made a goodwill offer saying;

“The offer, which is made in full and final settlement of this complaint, is to reduce your balance by £2,381.61. This is equivalent to 50% of the interest on the loan.”

Unhappy with this offer, Mrs L referred the complaint to the Financial Ombudsman Service. The complaint was then considered by an investigator, who thought Mrs L’s complaint should be upheld. She concluded that when considering the likely monthly repayment towards Mrs L’s credit cards, mail order and loan accounts this would’ve taken up a significant portion of her income.

The investigator was also concluded that had Mrs L fully utilised the available credit that she had access to, that would’ve led the loan repayment to be unaffordable. Mrs L agreed with the investigator’s recommendation.

Bamboo didn’t agree with the investigator’s assessment, saying in summary.

- It used open banking to verify Mrs L’s income and expenditure.
- The report showed a good level of disposable income as well as Mrs L as savings.
- Mrs L had around £13,500 of total debt and had opened one new line of credit within the preceding six months.
- There was sufficient disposable income given Mrs L declared she lived at home with parents.

The investigator acknowledged Bamboo’s comments and explained that she thought the checks it had carried out before lending were likely proportionate, but the results of its checks ought to have led it to conclude that Mrs L had relatively high levels of debt compared to income. Bamboo still didn’t agree, therefore as no agreement could be reached the matter was passed to me for further consideration, I issued a provisional decision explaining why I didn’t think Mrs L’s complaint should be upheld.

Both parties were asked for any further submissions for consideration as soon as possible, but no later than 3 May 2024. As both parties have responded, I've progressed the complaint for a final decision.

Bamboo responded to say that the goodwill offer it had made in the final response letter was still available and it would make sure the most appropriate support is offered to Mrs L.

Mrs L responded and I've summarised her points below;

- The money from the sale of the house was almost gone and she was using it to live on.
- There is going to be another change to Mrs L's financial position in July 2024, when her son leaves full time education – this will further reduce her income.
- Mrs L provided further updates about her health – including a letter from a hospital and Mrs L says this may impact her ability to work full time in the future.
- She needed a debt management plan which shows the loan was unaffordable.
- While Mrs L was trying to save a small amount each month, this amount was transferred back into her account to cover her living costs.
- Mrs L provided a copy of a letter from Bamboo which said the offer would be withdrawn if she referred the complaint here. Mrs L believes this is evidence that it ought not to have lent to her.
- Mrs L has said she has almost repaid the capital that she has borrowed and would like the interest to be written off.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- *Did Bamboo complete reasonable and proportionate checks to satisfy itself that Mrs L would be able to repay the loan in a sustainable way?*
- *If not, would those checks have shown that Mrs L would have been able to do so?*

The rules and regulations in place required Bamboo to carry out a reasonable and proportionate assessment of Mrs L's ability to make the repayments under the agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Bamboo had to think about whether repaying the loan would be sustainable. In practice this meant that Bamboo had to ensure that making the repayments on the loans wouldn't cause Mrs L undue difficulty or significant adverse consequences. That means she should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on her financial situation.

In other words, it wasn't enough for Bamboo to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mrs L. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of Mrs L (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications. I think that such a check ought generally to have been more thorough:

- *The lower a Mrs L's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).*
- *The higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).*
- *The greater the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).*

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mrs L's complaint.

I'm sorry to hear about Mrs L's personal circumstances and what she has been through in the last year. She has my condolences. It is clear from what she told Bamboo in July 2023 that Mrs L has been through a particularly difficult time, and I do hope things have improved for her.

It doesn't look like Bamboo was aware of Mrs L's health problems at the time the lending decision was made. This means I can't reasonably have expected Bamboo to have considered or reacted to the information about Mrs L's health nor factored it into the underwriting decision process.

As part of her application Mrs L declared she worked full time for the same employer for more than three years. She lived at home with parents and didn't pay any rent or a mortgage and received an income of £2,036 per month – as set out in Mrs L's application data. However, it appears that for the affordability assessment Bamboo used a total monthly income figure of £1,672 of which £1,494 was received from a salary. This amount came from the open banking report that Bamboo had access to.

Mrs L gave details of her living costs and Bamboo has said that it considered this against information obtained from the Office of National Statistics and the credit file (which I will come to below). Overall, it considered, that Mrs L had £508.29 per month left over after her living costs, debt repayments and the Bamboo loan payment were considered. Based on its checks the loan looked affordable.

Open banking allowed Bamboo to have 'read only' access to Mrs L's bank account so it could see what she received in terms of income and her outgoings. Bamboo has provided a copy of the report that it generated after carrying out this check.

I've considered this report, to see whether Bamboo was given any indication that the amounts Mrs L had declared may not have been accurate, whether the loan was affordable or whether there was anything else that Bamboo needed to consider as part of its affordability assessment.

The report shows that Mrs L's average monthly salary was around £1,453 and on top of this she received benefits of around £350 per month. These benefits hadn't changed within the last year – and so the amount Mrs L was receiving was stable – and Bamboo could use these benefits towards Mrs L's overall monthly income figure.

So, it does seem, that on average, Mrs L's income was slightly greater than the amount Bamboo had used for its affordability assessment. I don't consider this unreasonable, but I do think it's fair to say that Bamboo had a fairly accurate idea of what Mrs L's total income was.

On top of her income, Bamboo was also told that Mrs L had an account in her name which had a balance of more than £10,000 – Mrs L has confirmed that these funds were from a house sale. I can also see from the balance tracker that the funds in this account had steadily decreased over the previous year. However, the regulations do allow a prospective lender to count income as well as any savings as part of its affordability assessment.

So, Bamboo has said it could see that Mrs L was trying to put money away each month a modest amount, Bamboo was entitled to consider the balance of the savings account – and thinking about that it would've given it extra confidence that Mrs L could afford her monthly repayment.

Bamboo was also given details of Mrs L's recurring payments - which seem to be for things like direct debits, standing orders and other regular bills that she was paying. These regularly payments reinforced the information Bamboo saw in the credit file. It knew that Mrs L had a number of active credit cards and an outstanding loan – but there was no evidence of Mrs L being a user of high-cost short term credit.

There wasn't anything from the review of the opening banking report generated by Bamboo that would've given it any cause for concern. It would've thought that Mrs L had sufficient disposable income to afford her repayments.

Bamboo, as part of its affordability assessment carried out a credit search and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference agency. I want to add that although Bamboo carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

This can mean that the results a lender may see could be different to the information that a consumer can view in the credit report they can download from a credit reference agency. However, if the information given to Bamboo indicated that Mrs L was either in financial difficulties or couldn't afford the loan, then I would expect it to react to that and take a different course of action. In addition, if the credit check results didn't show any signs of ongoing repayment problems or other financial difficulties then I wouldn't expect it to have investigated any further.

The credit file showed Mrs L had 15 active accounts but only one account had been opened within the last six months. This wouldn't have been of a concern to Bamboo as it didn't indicate that Mrs L was reliant on credit or was needing further credit to plug any holes in her living costs.

It also knew that Mrs L had one outstanding loan that had been opened in June 2020 and was costing Mrs L £135 per month to repay. This loan had been serviced well without any adverse payment markers being added. Indeed, across all her active accounts including 6 credit cards and 2 mail order accounts there were no missed payment markers.

Historically, Mrs L had defaulted on a credit card in April 2015, but she had settled this account in December 2018. Given how long ago the default had been added, the fact it was now satisfied and there hadn't been any recent missed payment markers would've I think, reasonably led Bamboo to conclude that Mrs L was managing her existing credit commitments well.

I've considered what the investigator said about her credit utilisation, but as Bamboo has pointed out her overall credit utilisation was relatively low at around 58% and I agree, that this metric wouldn't have prompted it to have been concerned. While I acknowledge what the investigator has said about the potential for Mrs L to fully utilise the available credit she had – the fact is that Bamboo could only make its decision to lend at the time the application was made.

In these circumstances, I don't consider it fair that Bamboo may have had to consider the potential for Mrs L to utilise the remaining 42% of her credit, when there was no indication from her credit file or what she declared as part of her application that this was going to

happen.

As part of the income and expenditure check, Bamboo worked out that Mrs L's monthly credit commitments likely came to around £625. Having looked at her credit card and mail order balances as well as her outstanding loan, I consider this amount to be a good indicator of her likely costs moving forward.

So, the loan looked affordable to Mrs L. While I understand that the investigator said this represented a large portion of her income, I also can't ignore that this was her first loan from Bamboo, she managed her outstanding creditors without any obvious problems, Bamboo reviewed her bank statements through open banking and it knew from her living arrangements that she was living with parents. Which may have given Bamboo added confidence that she had lower committed living cost.

Overall, I think Bamboo carried out proportionate checks before it granted this loan and these proportionate checks showed Bamboo that Mrs L would likely be in a position to take on and service her loan. I am therefore intending to not uphold Mrs L's complaint about Bamboo's decision to provide her with the loan. I'm planning not to uphold the complaint.

Repayment of the loan

I can also see from the statement of account and the other paperwork provided by both Bamboo and Mrs L that she is currently making monthly repayments through a debt management plan.

It is also clear Mrs L provided Bamboo with further personal information in her letter in July 2023 which provided details about her financial and personal situation. Bamboo is now fully aware of all of this, and it did, as mentioned above, make a goodwill offer in the final response letter.

There was a suggestion that this offer may no longer be available, but Bamboo in their business file submission didn't say it had been withdrawn. So, in response to the provisional decision, it should let us know the status of the offer.

Bamboo will also need to consider what Mrs L had told it about her health in order to make sure the most appropriate support is provided to her.

But bearing in mind Mrs L's current personal circumstances I think it's fair to say that the offer it previously made is fair and reasonable in helping Mrs L reduce the amount that she owes it.

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.

Having considered the additional points raised by Mrs L, unfortunately, in this occasion, these haven't persuaded me to change my view of the complaint. I am therefore not upholding Mrs L's complaint and I've addressed her concerns below.

I've thought about what Mrs L said about the house money and it being almost gone, and I can see from the open banking report that the balance had been decreasing. But, there was still a balance in the account, and although not the sole reason why I've decided to not uphold the complaint. Knowing that Mrs L had a savings account I think would've given additional reassurance to Bamboo given the regulations allow a lender to take account of not only income but also savings for the purpose of the affordability assessment.

I can completely understand why Mrs L being in a debt management plan now shows the loan was affordable. The regulations at the time the loan was granted were for Bamboo to

carry out a proportionate affordability check – which, for the reasons outlined in the provisional decision, I think it did do and so while the loan may not have been affordable it wasn't reflected in the checks Bamboo conducted.

I understand that there will be a significant change in Mrs L's circumstances in July 2024, although the change hasn't yet occurred, she may wish to speak to Bamboo about this to see whether there is any additional help or support and this is especially key given the further information Mrs L has provided about her health.

I don't know what the motivations were for Bamboo to say to Mrs L that it would withdraw the offer if she referred the complaint here. I can understand why she thinks this may have been an attempt to stop her bringing the complaint here and / or that Bamboo knew that it did something wrong.

However, Bamboo has confirmed the offer is still available to Mrs L and as I explained in the provisional decision, Bamboo, knowing about Mrs L's health and personal situation means it does need to do something. It just can't ignore information that is relevant to Mrs L's ability to repay the loan as contracted.

Based on what Mrs L has said, she is close to repaying the capital that Bamboo advanced, and she would like the interest written off. As I don't think Bamboo made an error by advancing this loan it isn't something I will recommend.

But Bamboo does have to treat Mrs L fairly and with forbearance and given what she's told us about her health and future income than I leave it up to Mrs L and Bamboo to have a conversation about appropriate next steps – which of course may or may not include interest write offs above what has already been offered.

In saying that, Bamboo has already made an offer to reduce the interest on Mrs L's total outstanding balance – as detailed in the final response letter. Mrs L should contact Bamboo directly if she now wishes to accept this.

My final decision

For the reasons I've explained and in the provisional decision, I'm not upholding Mrs L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 31 May 2024.

Robert Walker
Ombudsman