

The complaint

Mr B complained that Bamboo Limited (“Bamboo”) irresponsibly granted him a personal loan in January 2019 that he couldn’t afford to repay.

What happened

In January 2019, Mr B took out a loan of £1,000 over a term of 24 months, with a monthly repayment of £72.58. The purpose of the loan was not stated. It was repaid in December 2020.

In summary, Mr B said that Bamboo approved the loan without conducting reasonable and proportionate checks, and he was in financial difficulty at the time. He would like Bamboo to repay all interest and charges applied to the loan, plus interest.

Mr B complained to Bamboo about this. Bamboo said it had carried out appropriate checks before granting the loan, and told Mr B that it did not uphold his complaint.

Mr B then brought his complaint to this service. Our investigator looked into it, but didn’t think it should be upheld. Mr B didn’t agree, and asked for it to be reviewed by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided not to uphold Mr B’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Bamboo completed reasonable and proportionate checks to satisfy itself that Mr B would be able to make the repayments on the loan account in a sustainable way.

Bamboo sent in a copy of Mr B’s credit reference information, the loan agreement, the information from the loan application and details of the checks it carried out. Mr B sent in bank statements for the period leading up to the loan.

Bamboo said that, as part of its assessment, it used data from Mr B’s credit file and information he supplied as part of the application process. It estimated his essential living expenses based on data from the Office for National Statistics (ONS):

It went on to say that Mr R had declared his monthly income after tax as £2,038, and had stated that his monthly contribution to housing costs was £200.00. Bamboo calculated that the total monthly repayments on his credit commitments came to just over £620, and its estimate of his essential monthly living expenses was just over £410. This left a monthly disposable income of just under £810, more than adequate to cover the monthly payment of £72.58.

The credit reference information that Bamboo provided showed that payments on all of Mr B's credit commitments were up to date, there were no defaults or County Court Judgments registered, nor had any credit searches been registered in the last 12 months. Mr B's total debt relative to his income was not particularly high.

Mr R thought that Bamboo hadn't taken account of all of his other loans. I've looked at the bank statements he sent in, to compare the information on those to that that Bamboo used in its assessment.

Mr R's monthly income on the statements was higher than he declared to Bamboo – an average of £2,820 over the three months leading up to the loan. The loans he told us about were shown on his bank statements and were listed in the credit reference information that Bamboo used.

I can also see from the bank statements that Mr B was using a form of credit whereby he would have a credit limit - as with a credit card – but could draw down amounts up to that limit to pay into his bank account. However, the repayments could be significantly higher than on a standard credit card, and could vary each month.

I've thought about whether this affects the checks that Bamboo should reasonably have done. However, the credit report that Bamboo sent in lists this form of credit as a credit card, and from other cases I've seen this is quite usual. So I don't think that Bamboo could reasonably have known that Mr B had something other than a standard credit card. On that basis, the monthly figure Bamboo used for Mr B's other credit commitments is reasonable, and takes account of all of his loans.

Bamboo said it checked Mr B's income using a credit reference agency income verification tool. Given that Mr B had a number of loans and cards shown on his credit record, I think Bamboo should reasonably have confirmed his income by way of payslips, for example. So to that extent I'm not entirely satisfied that it carried out proportionate checks before granting the loan.

However, had Bamboo done this, it would've identified that Mr B's income was higher than he had stated, leaving a higher disposable income each month than it had originally calculated. So I can't see anything to suggest that Mr B would have been unable to manage the loan repayments on a sustainable basis.

Taking all this into account, I don't think Bamboo acted unfairly in granting the loan to Mr B. So I don't uphold this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Bamboo lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above I have decided not to uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 November 2024.

Jan Ferrari
Ombudsman