

Complaint

Mr M has complained about a loan Bamboo Limited ("Bamboo") provided to him. He says that the loan was not affordable given his existing debts and his gambling.

Background

Bamboo provided Mr M with a loan for £3,000.00 in March 2022. The total amount to be repaid of £4,711.38, which included interest, fees and charges of £1,711.38, was due to be repaid in 24 monthly instalments of just over £195.

One of our investigators reviewed what Mr M and Bamboo had told us. And she ultimately reached the conclusion that that Bamboo hadn't done anything wrong or treated Mr M unfairly.

So she didn't recommend that Mr M's complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his 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 Mr M's complaint.

Having carefully considered everything, I've decided not to uphold Mr M's complaint. I'll explain why in a bit more detail.

Bamboo needed to make sure that it didn't lend irresponsibly. In practice, what this means is Bamboo needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay before providing this loan.

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 provided Mr M with a loan for £3,000.00 in March 2022. This loan was due to be repaid in 24 instalments of just over £195. Bamboo says it agreed to Mr M's application after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said the loan was unaffordable.

I've carefully thought about what Mr M and Bamboo have said.

The first thing for me to say is that Bamboo has provided a record of the results of its credit searches. Bamboo's searches appear to show that Mr M did have previous difficulties in the form of defaults as well as a county court judgment ("CCJ") recorded against him.

However, these difficulties were historic and it had been some time since the CCJ had been settled. So I don't think that these previous difficulties in themselves meant that Mr M shouldn't have been lent to. I've nonetheless considered whether or not Bamboo's income and expenditure assessment, which determined that the payments were affordable for Mr M, was reasonable bearing in mind these circumstances.

Mr M declared that he earned around £2,100.00 each month. I understand that this declaration was cross-checked against the funds which Mr M received into his main bank account each month. Furthermore, while Mr M has referred to the number of successful applications for credit he made in the application for this loan, the credit search Bamboo carried out showed the amount that Mr M owed was low and he wasn't at the maximum of all his credit. So I don't think that Bamboo ought to have realised that Mr M had developed dependency on credit.

In these circumstances, I don't think that it was unreasonable for Bamboo to have relied on statistical data for Mr M's expenditure, particularly as he said that he lived at home with parents. For the sake of completeness, I would point out that having reviewed the information Mr M has provided, I can't see that his payments towards his committed living expenses was higher than the amounts Bamboo used either.

I accept that Mr M's actual circumstances at the time were worse than what the information about his living costs shows. I know that Mr M has referred to his gambling. I also accept that if Bamboo had known about this as Mr M appears to be saying it should have it is possible, but by no means certain, that it may have reached a different decision on lending to him.

But the truth is, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements here. Indeed, it's worth noting that Mr M took steps to separate out his gambling from his day to day activities. So it isn't simply the case that Bamboo would have realised the extent of Mr M's gambling if it asked for his main bank account statements.

In my view, delving into the detail of statements for multiple bank accounts, which I consider is the only way Bamboo would have found out about Mr M's gambling, in this way simply isn't commensurate with a proportionate check, for a loan of the amount granted, given the circumstances here.

As this is the case, I don't think that Bamboo did anything wrong when deciding to lend to Mr M. In my view, it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable and even if it had done more, I don't think that this would have resulted in it making a different decision.

In reaching my conclusions, I've also considered whether the lending relationship between Bamboo and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Bamboo irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. And I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 October 2024.

Jeshen Narayanan
Ombudsman