

The complaint

Miss L complains that Bamboo Limited lent irresponsibly when it approved a loan application she made.

What happened

In January 2020 Miss L applied for a loan of £1,000 with Bamboo. Miss L said she was employed with a net monthly income of £2,500. Miss L also said she was a tenant and single with no dependents. Bamboo carried out a credit search and found Miss L owed around £2,190 in other unsecured debts. Bamboo says it didn't find any missed payments or recent adverse information. Bamboo did find some defaults that were around three and a half years old at the point of application.

Bamboo says it applied its lending criteria and calculated Miss L had £2,192 of disposable income after making her existing repayments of £191.38 and her new loan payment of £115.96. Bamboo also says it applied estimated living costs to the application. The loan was approved and funds issued to Miss L.

Miss L maintained payments throughout the term but missed the final instalment due in February 2021. Bamboo says it tried to contact Miss L about the missed payment but received no response. Ultimately, the remaining balance was sold to a third party business.

Earlier this year, representatives acting on Miss L's behalf complained to Bamboo that it lent irresponsibly when approving her loan. Bamboo issued a final response on 4 July 2024 but didn't agree it had lent irresponsibly and didn't uphold Miss L's complaint.

An investigator at this service looked at Miss L's case. They thought Bamboo had completed reasonable and proportionate checks when assessing Miss L's application. The investigator wasn't persuaded Bamboo had lent irresponsibly and didn't uphold Miss L's complaint. Miss L asked to appeal so her complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say Bamboo had to complete reasonable and proportionate checks to ensure Miss L could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

In this case, Miss L provided information about her circumstances in the application. Miss L said she was employed and provided a monthly income of £2,500. In addition, Miss L confirmed she was renting her home, single and had no dependents. I've looked at the credit file Bamboo obtained in Miss L's name and can see it found she owed £2,190 to other businesses and that her repayments were all up to date with no evidence of recent arrears.

Bamboo also found Miss L had some defaults that were over three years old at the point she applied. Bamboo noted that Miss L had satisfied the majority of the default balances and says she had sufficient disposable income to continue repaying them. So whilst I understand Miss L had some adverse credit on her credit file, I'm satisfied Bamboo was aware of it and factored it into its lending assessment.

I can also see that Bamboo applied reasonable estimates of Miss L's living expenses obtained from nationally recognised statistics. That's a widely used approach by lenders and I'm satisfied Bamboo took reasonable steps to get a picture of Miss L's circumstances at the time of her application.

In my view, the level and nature of checks completed by Bamboo were reasonable and proportionate to the type and amount of credit Miss L was applying for. I haven't seen anything that would've led Bamboo to take the view that Miss L wasn't in a position to sustainably afford repayments of £115.96 over a 12 month term. Overall, I'm satisfied Bamboo took a reasonable approach to Miss L's application and I haven't been persuaded it lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Bamboo lent irresponsibly to Miss L or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Miss L's complaint.

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

Marco Manente
Ombudsman