

The complaint

Mr G says Bamboo Limited, trading as Bamboo Loans, irresponsibly lent to him.

What happened

Mr G took out a loan for £3,000 over 24 months in July 2022. The monthly repayments were £168.16. The total repayable was £4,037.22.

Mr G says the loan was unaffordable. At the time he had significant outgoings. His debt-to-income ratio was over 90% and his credit utilisation rate was over 95%. He was at the limit of his overdraft nearly every day in the month.

Bamboo says it carried out proportionate checks that showed the loan was affordable for Mr G. It noted that its goodwill offer to write off the remaining balance of £336.38, and close the account with immediate effect, has now been withdrawn.

Our investigator did not uphold Mr G's complaint. He said Bamboo's checks were proportionate and showed Mr G had sufficient disposable income to take on the loan.

Mr G disagreed and asked for an ombudsman's review. He sent details of his income and outgoings prior to the application. And pointed out that he was reliant on his overdraft at the time and having to borrow from family members to cover his outgoings.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked for any comments by 21 November 2024.

Extract from my provisional decision

Bamboo has provided evidence to show that it asked for certain information from Mr G before lending. It asked for his monthly income, his employment status and his housing cost. It verified his income using open banking data and amended it accordingly. It used national statistics to make an assumption about his living costs. It carried out a credit check to understand his credit history and his existing credit commitments. It asked about the purpose of the loan which was debt consolidation. Based on the results of these checks Bamboo thought it was fair to lend and the loan would be affordable for Mr G, even if he did not use it to settle other debts he had.

I think these checks were proportionate given the loan value and term, and the stage in the lending relationship. However, I am not persuaded Bamboo made a fair lending decision based on the information it gathered. I'll explain why.

Bamboo learnt that Mr G's net monthly income was £2,236 and his existing credit commitments were £1,261.10 – so over half his income. I think Bamboo ought therefore to have been concerned that increasing Mr G indebtedness would most likely not be sustainably affordable for him. Whilst its affordability assessment showed he had £295.89 disposable income, Bamboo was required not just to consider the pounds and pence

affordability but also the likely impact on Mr G of making the repayments over the term of the loan. As it knows consumers spending a high percentage of their income on debt can be an indicator of pending financial difficulties. And it knew Mr G was already reliant on his overdraft facility.

I have thought carefully about the fact that Mr G had told Bamboo the loan was for debt consolidation but that does not change my findings. I say this as Bamboo knew he had unsecured debt of £20,703 so any settlement would make very little difference to his overall financial position. I cannot see it asked which debts he planned to repay, but if for example, he repaid £3,000 of his revolving debt that would save him £150 a month (assuming a repayment rate of 5% of balance) but this new loan would be costing him more than that each month. So I don't find that Bamboo can rely on the purpose of the loan to defend its lending decision.

In summary, I think that if Bamboo had considered the sustainability of the repayments it would have realised it did not have the assurances it needed that there was no risk the loan could cause Mr G financial harm.

It follows I think Bamboo was wrong to lend to Mr G. I have not seen any evidence it acted unfairly towards Mr G in some other way.

I then set out what Bamboo would need to do to put things right.

Both parties replied before the deadline. Bamboo said it has no comments to submit, Mr G said he agreed with the provisional 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

As neither party submitted any comments or new information I have no reason to change the findings or conclusion in my provisional decision.

It follows for the reasons set out above I find Bamboo was wrong to lend to Mr G.

Putting things right

I think it's fair and reasonable for Mr G to repay the capital that he borrowed, because he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been provided to him. Bamboo must put this right.

It should:

- Refund all interest and charges, so add up the total amount Mr G repaid and deduct this sum from the capital amount of the loan.
- If reworking Mr G's loan account results in him having effectively made payments above the original capital borrowed, then Bamboo should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr G's loan account leaves a capital balance outstanding Bamboo should try to agree an affordable repayment plan with Mr G.

- Remove any adverse information recorded on Mr G's credit file in relation to the loan once any outstanding capital has been repaid.

*HM Revenue & Customs requires Bamboo to deduct tax from this interest. Bamboo should give Mr G a certificate showing how much tax it's deducted, if he asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after deducting the tax.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr G in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

I am upholding Mr G's complaint. Bamboo Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 December 2024.

Rebecca Connelley
Ombudsman