

The complaint

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

What happened

This complaint is about a 24-month instalment loan for £1,000 that Bamboo provided to Mr H on 1 December 2019. The monthly repayments were £75.96 and the total repayable was £1,823.13.

Mr H says proper checks would have shown he was in persistent debt; had multiple defaults over the previous years; and used multiple payday loans in order to get by. He had also obtained a large amount of credit in previous months. A thorough check would have shown that he was borrowing beyond his means and would struggle to repay the loan.

Bamboo says it carried out adequate checks that showed Mr H could afford the loan.

Our investigator upheld Mr H's complaint. She said whilst Bamboo's checks were proportionate it did not make a fair lending decision based on the information it gathered.

Bamboo disagreed and asked for an ombudsman's review. It said just 13% of Mr H's net monthly income was being used to service debt at the time of his application, and he had £884.09 left over from his income to cover essential expenses. The adverse data on his credit file was historic, as was his use of payday loans.

It added only two new lines of credit had been opened in the preceding six months, and there was no evidence of excessive credit searches on his credit file, both of which lessened any concerns that the customer was cycling debt. The fact that a credit card was opened shortly after an unsecured loan was settled does not indicate that Mr H was borrowing credit to settle other debts.

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 both parties to send any comments by 31 December 2024.

Extract from my provisional decision

Bamboo has provided evidence to show that before lending it asked for some information from Mr H. It asked for his monthly income (£1,565), his employment status and his residential status and housing costs (£400). It completed an income verification check with a third party and used national statistics to make an assumption about his living costs (£370.34). It carried out a credit check to understand his credit history and his existing monthly credit commitments (£204.95). Based on these checks Bamboo thought it was fair to lend.

I think these checks were proportionate given the value and term of the loan and the cost of the monthly repayment relative to Mr H's income. And I don't think there was anything in the checks that ought to have led Bamboo to make a different lending decision.

Bamboo's checks showed Mr H would have disposable income of £513.75 after taking on this loan. He was not heavily indebted – his total debt was £4,307. After taking on this loan he would need to spend 18% of his income on his credit commitments, a level which I do not think Bamboo should have found concerning. The credit checks showed some missed payments but this was over six months ago. At the time of the application all accounts were up to date. Mr H said he had multiple defaults and payday loans, but Bamboo's credit check did not show any defaults, and showed that he had not used payday loans in the previous 24 months. It maybe the defaults were more than six years old and so were no longer on Mr H's credit file, or they had not been reported to the credit reference agency Bamboo used. But I can only fairly expect it to respond to the results it saw.

I accept Mr H was over limit on a credit card account and his credit utilisation was high at 94%, but the value was relatively low (£2,087). In the context of all the other data I would not see that as a reason to decline his application. Equally, Mr H was using around 30% of his overdraft facility when he applied, but he was not persistently reliant on this credit, using it for only two of the last eight months. And I agree with Bamboo's comment that opening a credit card after settling a loan does not evidence Mr H was in a cycle of debt and already borrowing to repay. There is no evidence of multiple searches on his file in recent months, he had opened two new lines of credit in the last six months.

In the round, given the results of the checks and the value of the loan and its repayments, I don't find Bamboo was wrong to lend to Mr H.

I haven't found any evidence Bamboo acted unfairly towards Mr H in some other way. I've considered 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 Mr H 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.

Mr H responded saying he had no further information to provide. He said he accepted the provisional decision, but did not agree with it. Bamboo did not send any comments.

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 additional information for me to consider I have no reason to change the findings or outcome I set out in the provisional decision.

It follows for the reasons set out above I do not find Bamboo was wrong to lend to Mr H.

My final decision

I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 February 2025.

Rebecca Connelley
Ombudsman