

The complaint

Mr J complains that Bamboo Limited lent irresponsibly when it approved two loan applications he made.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr J applied for a loan of £2,000 over 12 months with Bamboo in January 2023. In Mr J's application, he confirmed he was living with his parents with no rent figure recorded. Mr J also said he was employed full time with an income of £1,709 a month after deductions. Bamboo says it applied an estimate of Mr J's normal living expenses of £283 a month to his application. Bamboo carried out a credit search and found Mr J owed around £11,700, of which around £8,400 related to a hire purchase agreement. A loan and some credit cards were also found with no recent missed payments recorded. A current account was found on Mr J's credit file that was three months behind with a balance of £34 outstanding. Bamboo calculated that Mr J was making monthly repayments of around £591 to his existing unsecured creditors. In addition to the above, some defaulted accounts were found that were over three years old at the point of application.

Bamboo says it used Mr J's income and deducted his regular outgoings, as noted above, and applied the new loan payment of £219.53 leaving an estimated disposable income of around £615. The loan was approved and funds sent to Mr J.

Mr J made his loan repayments on time and in October 2023 went back to Bamboo to refinance the arrangement. Mr J asked to borrow £2,631.83 over 12 months which included a settlement amount of £613.71 for his existing loan. In this application, Mr J said he was working full time with an income of £1,850 a month. Mr J confirmed he was still living with parents and no rent was being paid. Bamboo says it applied another cost of living estimate to the application, this time using a figure of £288 a month. Bamboo also carried out a new credit search and found Mr J's unsecured debt had reduced from around £11,700 to around £8,400 with monthly repayments totalling £313.47. No new missed payments, defaults or other adverse information was found on Mr J's credit file.

Bamboo says it applied its lending criteria, using Mr J's declared income of £1,850 and deducting monthly repayments of £313 to his existing creditors, £288 for living expenses and £288.88 for the new loan payment. Bamboo says that would've left Mr J with around £960 a month as an estimated disposable income once his existing commitments and new loan payment were covered.

Bamboo has told us that Mr J missed a payment in May 2024 but made it up the following month and that all other payments were made on time.

Earlier this year, Mr J complained that Bamboo lent irresponsibly when it approved both loan applications he made and it issued a final response on 26 July 2024. Bamboo provided details of the lending checks it completed along with the information it found on Mr J's credit

file. Bamboo said both loans were approved in line with its lending criteria and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr J's complaint and upheld it. They noted Mr J had arrears on his current account with an outstanding balance of £34 found on his credit file. The investigator thought that information was at odds with an estimated disposable income of £800 a month. The investigator also noted a credit card balance in Mr J's name was over the agreed limit by £31. Taken together the investigator thought that information should've caused Bamboo to decline Mr J's loan applications and upheld his complaint.

Bamboo asked to appeal and said the £34 balance outstanding on Mr J's overdraft was likely to be a dispute about a specific issue rather than evidence of financial difficulties. Bamboo also pointed out Mr J made all his repayments for the first loan without issue and that the level of outstanding unsecured debt had reduced significantly from around £11,700 to £8,400 in a period of around 10 months. Bamboo didn't agree it lent irresponsibly and asked to appeal. As a result, Mr J's complaint has been passed to me to make a decision.

What I've provisionally 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 Mr J 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.

Our investigator looked at the information Bamboo obtained during the application. The investigator thought that because Mr J owed around £11,700 at the time of his application and was over the limit on one bank account by £34 Bamboo should've taken the decision to decline the loan application. But I don't agree that the level of Mr J's existing debts were unreasonably high or that by being £34 into an unarranged overdraft, the loan application should have been declined without further consideration.

Bamboo asked Mr J about his circumstances in the application. Mr J said he was living with parents with no rent being paid. Mr J also said he was working full time with an income of £1,709 a month. Bamboo applied an estimate of Mr J's regular outgoings of £283 to Mr J's application and also found he was making payments to his existing creditors of £591. Bamboo found Mr J had an estimated disposable income of £615 after Mr J made his new loan payment of £219.53. So, on the face of it, I'm satisfied Bamboo's assessment found the new loan repayments to be affordable for Mr J. But given the credit file information Bamboo obtained showed Mr J was over the limit on a current account and had some defaulted

accounts on his credit file, I think it would've been reasonable for it to have carried out a more in depth assessment of his circumstances.

One option available to Bamboo would've been to look at Mr J's bank statements for the months preceding his application. Mr J's provided us with a copy of bank statements for three months before his January 2023 application so I've reviewed those to get a better picture of his circumstances. In October, November and December 2022, Mr J earned an average of £1,498 after deductions. I looked at Mr J's regular payments for his existing debts and other items, like mobile phone and insurance and took an average across the three months. Mr J's average regular outgoings came to £973. That means, Mr J had around £525 a month available once his existing commitments were met. I'm sorry to disappoint Mr J but I think Mr J's bank statements show he did have capacity to sustainably afford a new loan with Bamboo with monthly repayments of £219.53 in addition to his ordinary outgoings. In my view, if Bamboo had carried out better checks, like reviewing Mr J's bank statements, it would've still most likely approved his loan application. In the circumstances, I haven't been persuaded Bamboo lent irresponsibly when it approved his loan application in January 2023.

I note that Mr J's bank statements for January 2023 show he used around £1,300 of the funds he borrowed from Bamboo to repay other unsecured debts. And I can see from the credit file Mr J provided that he also paid back the £34 outstanding on the bank account.

When Mr J went back to Bamboo in October 2023 to refinance the loan, his unsecured debt levels had reduced from £11,700, around 10 months earlier, to £8,650. In addition, Mr J's existing loan payments had all been made on time without any arrears. In my view, that indicated Mr J's financial situation was stable and that he was repaying his existing debts at a reasonable rate. I haven't seen anything in the data Bamboo collected or from its existing relationship with Mr J that would've indicated he was struggling financially or that his position had deteriorated from the previous loan application he made. But given this was the second time Mr J approached Bamboo in a twelve month period, I think it would've been reasonable for it to have carried out some further checks, again, like looking at his bank statements.

I've looked at Mr J's bank statements for July, August and September 2023. They show Mr J's average income was £1,622. Mr J's average outgoings went up and down depending on the level of buy now pay later credit he was using. Overall, Mr J's average outgoings for his existing credit (including his Bamboo loan payment) and items like his mobile phone and insurance averaged around £953. That meant Mr J would've had around £665 available after meeting his existing commitments. And I think it's reasonable to note that by refinancing the loan, Mr J was increasing his monthly repayment by £69.35. I'm satisfied Mr J's bank statements show he had capacity to afford a new loan with Bamboo in October 2023 in addition to his ordinary outgoings. I think that if Bamboo had looked at Mr J's bank statements it's more likely than not it still would've approved his loan application. I'm sorry to disappoint Mr J but I haven't been persuaded Bamboo lent irresponsibly.

As I haven't been persuaded that Bamboo lent irresponsibly when approving either loan, I don't intend to uphold Mr J's complaint.

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 Mr J or otherwise treated him 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.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr J responded and said his current account

was overdrawn for the majority of the months before each application was made. Mr J also said he had two returned direct debit payments for buy now pay later accounts in October 2022. Mr J added he'd borrowed money from family members to make ends meet during this period and that he was making rent payments of between £200 and £250 a month when able to.

We didn't hear back from Bamboo.

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.

I'd like to assure Mr J that I saw he was using his overdraft facility when looking at his bank statements. But aside from the two buy now pay later payments that were returned in October 2022, I didn't see other issues with direct debits failing to go through. And whilst Mr J was overdrawn for different lengths of time in the statements I reviewed, I didn't see regular instances where he went over the agreed limit or incurred fees for doing so. I'm satisfied Bamboo was also aware Mr J was using his overdraft facility and factored it into its lending assessment.

Mr J's explained that during the period before his loan applications were made he received transfers from family members that were loans. Whilst I can see some payments both to and from Mr J's family members, I haven't seen anything that would've indicated to Bamboo he was borrowing from them on a regular or formal basis or that he was making regular monthly payments that would've been likely to impact his loan applications.

Mr J also said he was paying between £200 and £250 a month in rent to his parents. But that goes against the information included in Mr J's applications which said he wasn't paying any rent. And whilst Mr J's bank statements do show some transfers to family members at that level, they aren't regular or something I'd have expected Bamboo to pick up as rent he was paying.

Mr J also pointed out he'd taken out a short term loan in January 2023 for £350. I can see Mr J borrowed £350 on 4 January 2023 and repaid it, with interest, on 16 January 2023, using funds he borrowed from Bamboo. But, I think it's fair to say Mr J's January 2023 bank statement wouldn't have been available for Bamboo to review until the end of the month which is why I used October, November and December 2022's bank statements when considering what Bamboo would've seen if it had asked him for additional evidence in support of his application. Further, it normally takes several weeks for a new loan account to appear on a borrower's credit file, so when Bamboo carried out a credit search it wouldn't have seen the loan in question.

I've reviewed the original information provided by both parties along with Mr J's comments in response to my provisional decision. I'm very sorry to disappoint Mr J but for the reasons I've noted above I haven't been persuaded to change my view and uphold his complaint.

My final decision

My decision is that I don't uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 February 2025.

Marco Manente

Ombudsman