

The complaint

Miss P complains through a representative that Bamboo Limited trading as Bamboo Loans ("Bamboo") gave her loans which were unaffordable for her.

What happened

A summary of Miss P's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£1,000.00	24/11/2022	12/03/2023	18	£78.85
2	£2,000.00	15/01/2024	September 2024*	24	£138.19

*in response to the investigator's assessment, Bamboo confirmed the loan had been repaid.

Following Miss P's complaint Bamboo wrote to her to explain why it wasn't going to uphold it. Bamboo explained it carried out an income and expenditure check, a credit search as well as using payslips, bank statements and 'open banking' to review her account activity. But it did make a goodwill offer to assist Miss P but Bamboo has confirmed this offer has now been withdrawn.

Unhappy with this offer, Miss P's representative referred the complaint to the Financial Ombudsman Service.

The complaint was considered by an investigator, who thought Miss P's complaint should be upheld about loan two only. The investigator concluded for loan one that proportionate checks had been conducted which showed the loan to be affordable.

However, for loan two, the investigator concluded proportionate checks hadn't been conducted because Bamboo didn't attribute any housing costs to Miss P despite knowing she was in rented accommodation. Had further checks been made, then Bamboo would've realised after the costs it may have seen that she only had £97 after the repayment to cover her housing cost – which wasn't enough considering Miss P was also using buy now pay later products.

Miss P accepted the investigator's findings, but Bamboo disagreed saying in summary.

- The credit file didn't suggest that further checks were needed before loan 2 was advanced.
- The tenancy agreement supplied wasn't in force at the time, and so it's reasonable to conclude Miss P was still living at home when loan two was granted.
- Open banking was used and so there was no reason to request bank statements.
- Miss P had a good repayment history for loan 1 and as such the second loan looked affordable.

- The checks showed Miss P had around £870 per month to cover her essential expenditure.
- Miss P settled the second loan earlier than planned which indicated a continued good repayment history.

These comments didn't change the investigator's mind and as no agreement could be reached the matter has been passed to me to decide.

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.

The rules and regulations in place required Bamboo to carry out a reasonable and proportionate assessment of Miss P's ability to make the repayments under the agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Bamboo had to think about whether repaying the loan would be sustainable. In practice this meant that Bamboo had to ensure that making the repayments on the loans wouldn't cause Miss P undue difficulty or significant adverse consequences. That means she should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on her financial situation.

In other words, it wasn't enough for Bamboo to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Miss P. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of Miss P (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications. I think that such a check ought generally to have been more thorough:

- The lower a Miss P's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).
- The higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- The greater the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss P's complaint.

The investigator didn't uphold the first loan, and both Bamboo and Miss P have accepted this finding. Therefore, as this loan is no longer in dispute, this decision will focus on what happened when loan 2 was granted.

Loan 2

To start with Bamboo was aware that Miss P had repaid her first loan without any obvious difficulties, and I see no reason why it couldn't take her previous repayment record into account. But in saying that, the repayment record didn't negate Bamboo's responsibility to carry out a proportionate check.

As part of her application Miss P declared she worked full time for a different employer than she had at loan 1. This time she also gave a different home address and she confirmed she was in rented – furnished accommodation. No rent figure was taken, but Bamboo was told Miss P's income was £1,751 per month.

However, Bamboo checked Miss P's income through an open banking report that it generated at the time. As a result for the affordability assessment Bamboo used a total monthly income figure of £1,722. It was reasonable for Bamboo to have relied upon this.

In terms of living costs, despite knowing Miss P was in rented accommodation no rent figure had been provided. But Bamboo considered Miss P's existing debt payments (taken from her credit report and what I'll come to discuss below) that were costing her £712 per month.

Bamboo used information obtained from the Office of National Statistics and it believed Miss P's other monthly outgoings came to £421.14. With the Bamboo payment and the existing debt payments – Bamboo worked out Miss P's outgoings were £1,271 per month – which left Miss P around £415 per month to cover her other expenses. The loan therefore appeared affordable.

Bamboo, also carried out a credit search and it has provided the results it received from the credit reference agency. I want to add that although Bamboo carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

The credit file didn't have any defaults, CCJs or any other type of insolvencies. But, there was a solitary missed payment on a credit card five months before the loan was granted and two mail order accounts were over the agreed credit limits. Although, at the time the two mail order providers weren't reporting those accounts as being in arrears.

Bamboo knew there were three loans costing a combined £515 per month, £1,246 of credit card debt and £1,568 worth of mail order debt. Bamboo was also told that Miss P had a utility account in her name as well as a water account. Overall, I don't think Bamboo would've been overly concerned with the results it was given by the credit reference agency.

However, the investigator raised valid concerns with the affordability check – that being Miss P had declared she was living in rented accommodation, but no rent figure was given or used as part of Bamboo's affordability assessment. This is partly why the investigator said further checks were needed.

But, it also apparent from the information that Bamboo did have which showed detailed living costs for Miss P – from its open banking report. Which I've gone onto consider – after all this was information that it had available to it at the time.

Bamboo chose to carry out an open banking report which allowed it to have a read only overview of Miss P's account conduct. Bamboo has provided a copy of the report that it generated after carrying out this check.

Whether or not Bamboo used this report to cross reference some of the living costs Miss P had or used it for anything beyond an income check isn't the point. The fact is that Bamboo had information – in the form of a review of Miss P's bank statements and it needed to consider what it was being told – it just couldn't ignore the contents of the report.

I've considered what Bamboo has said about the possibility Miss P may have still been living at home, but I also can't ignore that the credit file showed that in June 2023, utility accounts had been opened that Miss P was connected too – indeed Bamboo was aware one was costing her £109 per month.

As the investigator pointed out, Miss P had provided a copy of her tenancy agreement, but this started after the loan was approved. But, tenancy agreements are often only for a set period of time and they are then reviewed or changed, for example, to encompass changes in the amount of rent.

So, the fact that Miss P's current tenancy agreement was started after the loan was approved doesn't mean that she wasn't in rented accommodation before the date of the current agreement. I would point out the address given for the tenancy agreement matches the one that Miss P provided to Bamboo as part of the application process and it matches the address that Bamboo used when conducting Miss P's credit check. So, I do think it's fair to say, that at the time of the finance being approved Miss P was in rented accommodation – and the evidence Bamboo had showed this.

I've considered the open banking report, to see whether Bamboo was given any indication that the amounts Miss P had declared may not have been accurate, whether the loan was affordable or whether there was anything else that Bamboo needed to consider as part of its affordability assessment. As I said above, Bamboo had this information to hand and so it was reasonable for it to have reviewed it especially with the concerns around the rent.

This means while it used statistical data to work out Miss P's likely costs – which is of course reasonable under the regulations – depending on the circumstances, it also had the information to be able to check and work out whether the ONS data that it had used provided an accurate reflection of Miss P's actual financial position.

Firstly, the open banking report shows Miss P was transferring money to and from another account in her name. This may have led Bamboo to conduct further checks into this, because there was of course the possibility that Miss P had alternative income or savings. However, I've taken a look at the statements for the other account, and I can confirm that money is just being moved between the accounts. There were no savings and or other sources of income.

The open banking report Bamboo had access too also indicated that Miss P was in rented accommodation – I say this as there are utilities payments as well as council tax payments. And Miss P had other regular payments due for loans, store / credit cards, internet and TV services. These regular payments came to around £1,100 per month.

On top of this, throughout the open banking report Bamboo was aware that Miss P was a regular user of a buy now pay later product – indeed the open banking summary showed Miss P had made 28 transactions to such products in the preceding 90 days.

In the months leading up to the loan this cost Miss P as much as £450 and as little £100. But clearly, Miss P was using such products and as such I think it would've been reasonable for Bamboo to have considered the likely costs of these moving forward.

I accept, that there may not have been any obvious rent payments, but Miss P was regularly transferring money to a third party that she's told us was her partner at the time and was payments that she was making towards living costs – this doesn't seem unreasonable or implausible.

Again, these payments vary from as little as £450 per month up to £1,000 per month. I can't be sure exactly how much Miss P was due to send to the third party each month. But thinking about the known costs Miss P had which could be seen in the open banking report of £1,100 per month, plus payments to her then partner, the payment to Bamboo, likely continued payments to the buy now payer later products as well as the fact Miss P was clearly buying food as well. Even using the lower end of the figures, I've seen the loan wasn't affordable and Bamboo had that information to hand before it lent.

So, I do think, further checks were needed, around the rent payments and living costs. But Bamboo already had that information to hand. A closer review of Miss P's finances would've likely led it to conclude the agreement wasn't unaffordable. I am therefore upholding Miss P's complaint about loan two only.

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

Putting things right

As I don't think Bamboo should've approved the loan, it therefore follows that I don't think Miss P should have to pay interest, fees or charges for it. Miss P should only have to repay the capital that was borrowed.

- removing all interest, fees and charges applied to Miss P's loan from the outset. The payments Miss P, should be deducted from the new starting balance – the £2,000 originally lent. If Miss P has already paid Bamboo more than £2,000 then it should treat any extra as overpayments. And any overpayments should be refunded to Miss P;
- Bamboo should then add interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss P to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information Bamboo recorded about this loan should be removed from Miss P's credit file.

† HM Revenue & Customs requires Bamboo to take off tax from this interest. Bamboo must give Miss P a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained above, I'm upholding Miss P's complaint in part.

Bamboo Limited trading as Bamboo Loans should put things right for Miss P as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 9 May 2025.

Robert Walker
Ombudsman