

The complaint

Mrs T complains that Bamboo Limited irresponsibly lent her three personal loans.

What happened

Mrs T took out a total of three personal loans with Bamboo:

	Start date	Date repaid	Amount borrowed	Term (months)	APR	Monthly payment
Loan 1	24/11/18	28/6/19	£1,500	24	49.7%	£92.59
Loan 2	28/6/19	14/6/20	£932.47	36	39.9%	£98.34
Loan 3	14/9/20	23/5/22	£1,956.02	60	39.9%	£125.97

As can be seen from the above, each new loan followed on from the last. The lending amount set out above for loans 2 and 3 is the additional amount on top of what was required to repay the previous loan.

In 2024, Mrs T complained that all three loans had been irresponsibly lent, having taken debt advice. She said that the loan repayments were unaffordable, especially as she was already heavily reliant on other credit. In each case, her circumstances had got worse since the previous application.

Mrs T said that Bamboo didn't ask for bank statements or other evidence. If it had, it would have seen her situation and understood that she was reliant on taking new borrowing to repay existing borrowing. Her credit files would also have shown increasing indebtedness. Although she had no missed payments or adverse reports, that was because she was taking new borrowing to stay ahead and was reliant on things like credit cards for everyday living expenses.

Bamboo said it had carried out proportionate checks and found the loans to be affordable and sustainable for Mrs T. It said she had paid each loan back early and had not missed any payments. Our investigator said that loans 1 and 2 were irresponsibly lent. Bamboo didn't agree and asked for an ombudsman to review the complaint.

I reached a different outcome, so I issued a provisional decision to allow the parties a further chance for comment.

My provisional decision

I said:

“In deciding whether to lend, Bamboo had to consider whether the lending would be

affordable and sustainable for Mrs T. In order to decide that, it should carry out proportionate checks – there is no specific prescribed list of checks, but it must consider income and expenditure, including on other credit commitments, and the level of checks required should be proportionate to the level of lending applied for, taking into account various factors set out in the rules.

In this case, I've looked at each loan in turn to decide whether, firstly, Bamboo carried out proportionate checks. If it did, I've then considered whether those checks showed the lending to be affordable and sustainable. If it didn't, I've considered whether the checks it should have carried out would show that. Finally, I've considered whether, as a result, it made a fair lending decision.

Loan 1 was taken out in 2018. Mrs T wasn't an existing customer of Bamboo. In her application, she said she had a net monthly income of £3,067 and contributed £240 per month to her mortgage.

Bamboo verified the declared income. It then looked at Mrs T's other credit commitments. Her credit file showed that she had over £31,000 in other unsecured debts at the time of the application, and was spending £1,774 per month in repayments. She had no recent missed payments or defaults and appeared to be managing her credit commitments. Bamboo concluded that this left Mrs T with disposable income of £960.41 after the new loan – which it said was more than enough to meet her regular expenditure.

Bamboo didn't assess Mrs T's own regular expenditure. Rather, it estimated it based on statistical data for households similar to hers. The lending rules say that this is a reasonable approach in most cases – but they go on to say that it's unlikely to be appropriate to rely on statistical data where, for example, the level of the customer's existing indebtedness is unusually high.

I've borne in mind that this was a relatively low value loan, both in absolute terms and in relation to Mrs T's income. But it was also at a relatively high interest rate. And Mrs T's overall indebtedness was high – she was spending 60% of her monthly income on existing unsecured credit, and her credit file showed that her revolving credit facilities (credit cards and so on) were very close to their limit. Although she hadn't opened any new accounts within the six months leading up to this application, she had taken out two large personal loans, and a new credit card with a £7,000 limit (which was being used in full) within the previous year.

In those circumstances, I'm satisfied that it wasn't proportionate to simply rely on modelled expenditure, or conclude the loan was sustainable, without carrying out further checks to investigate Mrs T's actual expenditure and the reasons why she had such substantial, and recent, other unsecured debt.

Had Bamboo done that, and obtained Mrs T's bank statements for the period leading up to the loan, I'm satisfied it would then have concluded that the loan was affordable and sustainable for Mrs T.

I say that because the bank statement for the month before the application shows Mrs T's income as being £2,929; her expenditure on essential expenditure (excluding credit repayments) as being around £420 (likely to be higher as it includes very little on food shopping – which may have been paid for through cash withdrawals I haven't taken into account), and her expenditure on mortgage and utilities as being £761. Taking half of the mortgage and utilities (as her share of overall housing costs), that brings her expenditure to £800 – adding on the credit commitments takes it to

£2,574. As against a net income of £2,929, this leaves ample room for a loan repayment of £92.59 – even if (as I noted above), the expenditure recorded may be an underestimate. The bank statement also shows that Mrs T was managing her credit commitments and had money spare for discretionary expenditure – she was using an overdraft, but wasn't reliant on it for the whole month.

In respect of loan 2, Mrs T declared income of £3,637, which Bamboo verified. It found that her expenditure on other credit commitments had increased to £2,131. Adding in £240 for the mortgage, this left Mrs T with £1,167 for other expenditure even after factoring in the new loan repayment.

For the same reasons as I gave in respect of loan 1, I'm not persuaded that Bamboo's checks were proportionate. So again I've gone on to consider what it would have found had it carried out more checks.

Mrs T's bank statement for the month before the application shows a salary payment of £4,656, but she says that included a one-off payment so I've taken the declared regular figure of £3,637. Mortgage and utilities amount to £818 and other essential expenditure to around £670. Using half the mortgage and utilities figure, and deducting the credit commitments, this gives total expenditure of £3,210 against income of £3,637 – again suggesting that this loan was affordable. Again, the statement doesn't show evidence of financial distress.

For loan 3, Mrs T declared income of £3,790. Credit commitments were £1,969 and the mortgage was still £240. This left Mrs T with £1,454 for other expenditure even after factoring in the new loan repayment.

Again, and for the same reasons, I've considered what Bamboo would have found had it carried out further checks. Mrs T's bank statement for the month before the application shows a salary payment of £3,648. Mortgage and utilities amount to £905, with other essential expenditure amounting to £556. Taking half of the mortgage and utilities figure and the credit commitments, this gives total expenditure of £2,978 before factoring in the new loan, again suggesting it was affordable. And again, there were no other causes for concern in the statement.

I've also thought about whether the loans were sustainable. I've found that Mrs T's existing credit commitments were high, and on each occasion she was at or very near her credit limits. But there were no defaults or missed payments. And I've noted that each loan was repaid early with no missed payments. I'm not persuaded there's evidence that ought to have led Bamboo to conclude that the loans weren't sustainable.

In summary, therefore, I think that Bamboo ought to have carried out more checks than it did. But I'm satisfied that if it had done so, it would still have concluded that the loans were affordable and sustainable for Mrs T – and therefore that lending to her was not unfair or unreasonable in all the circumstances.

Finally, I've thought about whether there's anything that might suggest that the lending decisions resulted in an unfair relationship between Bamboo and Mrs T – taking into account s140A of the Consumer Credit Act. For all the reasons I've already given, I'm not persuaded there was."

The responses to my provisional decision

Mrs T didn't accept my provisional decision. She said:

- It's true she had no missed payments or defaults on her credit file at the time of the applications. But she was in a cycle of increasing borrowing, moving credit around and using credit to repay debts. This is shown by the level of debt she had, that her credit cards were close to their limits, and that she regularly used her overdraft.
- This lending wasn't used to repay other debt. It just added to her overall indebtedness.
- She had done her own analysis of her bank statements from the time of the lending, which she says shows the lending was unaffordable.
- Bamboo had offered compensation of £300 when she first complained, but withdrew the offer when she brought her complaint to the Financial Ombudsman Service. It would not have offered compensation if it didn't think it had done anything wrong.

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've carefully considered what Mrs T has said. But I haven't changed my mind. I've reviewed the expenditure figures I used in my provisional decision and I'm not persuaded they were incorrect. Mrs T says that the salary figure used in loan 2 was incorrect, but that was the figure she declared in her application and which Bamboo verified at the time. Even – that figure apart – using the figures Mrs T used in her analysis, I'm not persuaded that they show that the lending was unaffordable or unsustainable. I took into account her level of existing debt – but also noted that it was being managed within limits, and with no missed payments or defaults. I also note that, in practice, Mrs T kept up with all payments on these loans until they were repaid.

Overall, I'm not persuaded to change my mind about the conclusions I reached in my provisional decision. I think Bamboo could have done more to check Mrs T's own expenditure in particular. But if it had done so, I think it would still reasonably have concluded that the loans were affordable and sustainable, and I'm not persuaded it should have refused to lend.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 16 April 2025.

Simon Pugh
Ombudsman