DRN-5816624

The complaint

Ms M complains that Bamboo Limited was irresponsible in its lending to her. She wants all interest and charges refunded along with statutory interest.

Ms M is represented by a third party but for ease of reference I have referred to Ms M throughout this decision.

What happened

Ms M was provided with a £1,000 loan by Bamboo in August 2021. The loan term was 18 months and Ms M was required to make monthly repayments of £82.34. Ms M said that adequate checks weren't carried out before the loan was provided. She said that she was struggling with her mental health as well as financially at the time with other debts outstanding. She said she needed to borrow more because of this loan.

Bamboo issued a final response to Ms M's complaint dated 24 June 2024. It acknowledged Ms M's comment about her mental health but said that there were no signs during the application process that she was experiencing difficulties. It completed a review of the assessment it made at the time of Ms M's application and noted that Ms M's credit report showed that her active accounts were all up to date. It said that Ms M said she was in full-time employment and had an average net monthly income of £1,998. It found that its checks didn't suggest Ms M was struggling financially and that the loan appeared affordable.

Ms M referred her complaint to this service.

Our investigator thought the checks Bamboo carried out before lending to Ms M were proportionate. However, she noted that there were missed payments, and a delinquent account recorded on Ms M's credit file and didn't think there had been enough time since these to say that Ms M had recovered financially. Therefore, she upheld this complaint.

Bamboo didn't agree with our investigator's view. It acknowledged that Ms M had experienced recent issues with a revolving credit account but also that this account had been settled. It said the credit issues Ms M had experienced previously tended to be with revolving credit accounts rather than her fixed term accounts. It said its checks showed the loan to be affordable and didn't accept that it was wrong to provide the loan.

My provisional conclusions

I issued a provisional decision on this complaint, the details of which are set out below.

Ms M was provided with a £1,000 loan which required monthly repayments of £82.34. As part of the application process Ms M provided details of her employment and residential status. Ms M said she was employed and a tenant with no dependents. Her income was checked using a credit reference agency tool and confirmed as £1,998 a month. A credit check was undertaken and information used from this included in the affordability assessment. Based on this and using third party data to estimate Ms M's essential expenses, the loan was found to be affordable.

Noting the size of the loan and its term and considering the monthly repayment amounts compared to Ms M's monthly net income, I find the checks carried out were proportionate. However, just because I think the checks were reasonable, it doesn't necessarily mean I think the loan should have been given. To assess this, I have considered what the information provided showed to see if this should have raised concerns about the lending. Bamboo carried out a credit check and this showed that Ms M's active accounts were up to date. She did have defaults recorded but these were all recorded more than five years prior to the application and so I think it reasonable these were considered as historic and didn't prevent the application progressing.

There were some signs that Ms M had struggled in more recent months with a missed payment eight months prior to the application on a mail order account and another missed payment nine months prior to the application on another mail order account, but both accounts had been brought up to date the following month and no missed payments were recorded in the more recent months. Ms M also had a credit card account which had been in arrears for a number of months before the application, but she had been reducing the arrears in the more recent months and settled the account before this loan was provided. So, while I can see that Ms M did have some adverse data recorded, as her accounts had all been settled or brought up to date and her credit history in the months leading up to the loan application didn't suggest any serious current issues, I do not find the credit file was such that the lending shouldn't have been provided.

That said, given there was some adverse information recorded, and Ms M had experienced financial difficulties in previous years, I think it was particularly important to ensure that the affordability checks gave a clear indication that the loan would be sustainably affordable for her. Ms M's income was checked and recorded as £1,998 a month and her existing credit commitments from her credit file were £477. Deducting these commitments and the Bamboo loan repayments would leave around £1,438 for Ms M's living costs. I find this a reasonable amount and so I do not find I can say that the loan should have been considered unaffordable. I further note that Ms M made her monthly repayments before settling the loan early.

So, for the reasons set out above, I do not find I have enough to say that Bamboo was wrong to provide the loan.

I've also considered whether Bamboo acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M 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 Ms M or otherwise treated her 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.

No new information was provided in response to my 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As no new information was given in response to my provisional decision, my conclusions haven't changed. As I previously set out, I think the checks carried out before the loan was provided were reasonable. I then considered whether, based on the information received through the checks, it was reasonable that the loan was provided.

Ms M's credit file did have defaults recorded, but these were historic, and her active accounts were up to date. There was some more recent adverse data recorded but as Ms M's accounts had all been settled or brought up to date and her credit history in the months leading up to the loan application didn't suggest any serious current issues, I do not find the credit file was such that the lending shouldn't have been provided.

As I previously explained I considered whether the loan repayments appeared affordable. Having considered Ms M's income and expenses, I find this left a reasonable amount of disposable income for Ms M's living costs and so I do not find I can say this loan appeared unaffordable.

Taking everything into account, and for the reasons set out above and in my provisional decision, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 14 October 2025.

Jane Archer
Ombudsman