

complaint

Mr L complains that Bamboo Limited (trading as Bamboo Loans) was irresponsible to lend to him.

background

Mr L took out two loans from Bamboo between April 2018 and September 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	4 Apr 2018	£2,500	24m	£172.74	15 Apr 2020	31 Jul 2018
2	21 Sep 2018	£1,000	12m	£102.98	27 Sep 2019	1 Feb 2019

Mr L says that he had multiple other loans at the time and that Bamboo didn't carry out enough checks as it didn't ask him for his bank statements. He says he understated his expenses and did not disclose how much he was spending on gambling. Mr L says that the Bamboo agent talked him into the loan despite the high interest rate and set-up cost. He adds that he was living off short-term loans and this affected him mentally and emotionally, as well as financially.

Bamboo says it checked Mr L's credit file and asked him about his income and his living arrangements, including rental costs. It says Mr L said both loans were for debt consolidation and that he confirmed he would settle any other short-term loans within the next two months. Bamboo says it used an income verification tool and that Mr L also sent bank statements to confirm his income. It says that nothing in Mr L's bank statements or credit check gave it concern about the affordability of the loans and there were no gambling transactions identified. Bamboo says it used statistical data to estimate expenditure other than rent and it used Mr L's credit report for debt servicing costs. Bamboo says appropriate and proportionate checks were carried out and that its calculations showed the loan was sustainably affordable to Mr L. It adds that it listened to the calls from the time and there was no evidence that its agent applied any pressure and no set-up fees were charged.

Our adjudicator recommended the complaint should be upheld. She considered that proportionate checks would have shown Mr L had multiple short-term loans and was spending significant amounts on gambling. She said that any payments made by Mr L above the principal should be refunded with 8% interest. She added that Bamboo should remove any negative information about the loans from his credit file.

Bamboo responded to say, in summary, that there was no evidence of gambling or short-term lending on the bank statements it received. It acknowledged that the statements showed transfers to another account, but it says the statements were used to verify Mr L's income and showed evidence of direct debits.

Bamboo adds that at the time of the second loan, Mr L applied for a lower amount over a shorter period and already had a good repayment history with no other credit searches evident on his credit file.

My provisional findings

I issued a provisional decision to Mr L and to Bamboo on 11 March 2021. All the relevant guidelines were outlined in some detail in the provisional decision, so I won't repeat them here.

I summarise my findings:

Loan 1

- I was satisfied Bamboo's checks went far enough for loan 1 because:
 - This was Mr L's first loan with Bamboo and the repayments were a relatively small percentage of his income;
 - I saw evidence that Bamboo verified Mr L's income by obtaining a recent bank statement;
 - Mr L said he was living with his parents and the reason for the loan was debt consolidation;
 - Bamboo obtained a detailed credit report which showed a total credit balance of £9,431 across three active accounts:
 - A mail order account with a balance of £136, although it had a credit limit of £800;
 - A loan for which the monthly repayments were £187;
 - A second loan with payments of £17 per month;
 - Taking Mr L's verified income, his existing credit commitments, declared rental costs and a statistical average for other costs, Bamboo calculated he had a disposable income of over £300.
- I couldn't see there was anything in the available information that should have prompted Bamboo to carry out further checks for loan 1;
- Given Mr L's living arrangements and the fact he'd said he was using this first loan with Bamboo for debt consolidation, I considered it was reasonable for it to find the loan repayments were sustainably affordable to him;
- So I couldn't conclude it was wrong for Bamboo to have approved loan 1.

Loan 2

- For loan 2, I considered Bamboo's checks should have included a full review of Mr L's financial circumstances because:
 - His debt had increased since loan 1, and Bamboo's later credit check now showed he had a further loan that wasn't apparent at the time of loan 1;

- He hadn't used loan 1 to consolidate his debt in the way he said he would, and he was now applying for a further £1,000 loan shortly after repaying his first loan;
 - The repayments on loan 2 meant Mr L was committed to credit payments of almost 28% of his declared income;
- I had a look at Mr L's bank statements from the time of the loans as a reasonable proxy for what Bamboo might have found out had it looked into Mr L's finances in more depth:
 - There was clear evidence that Mr L was becoming reliant on short-term loans. In the lead up to loan 2, he'd borrowed from a short-term lender six times since the beginning of August 2018 – a total of £880 of loans;
 - Mr L had spent almost £750 on gambling transactions in the month prior to loan 2;
- So I was satisfied that proportionate checks would have shown that Mr L was already struggling to manage his money.

My provisional decision was that I found that it was irresponsible for Bamboo to have approved loan 2 based on what it knew, or ought reasonably to have known, about his financial circumstances.

Mr L responded to say he accepted my provisional decision, although he still believed he shouldn't have been issued with loan 1 given the financial situation he was in.

Bamboo responded to say it considered the provisional decision to be fair and reasonable and had no further comments to make.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I need to take into account the relevant rules, guidance and good industry practice.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

my final decision

My decision is that Bamboo Limited (trading as Bamboo Loans) should:

- Add up the total amount of money Mr L received as a result of having been given loan 2. The repayments Mr L made should be deducted from this amount;

- If this results in Mr L having paid more than he received, then any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement);
- Remove any negative information recorded on Mr L's credit file regarding loan 2.

*HM Revenue & Customs requires Bamboo to deduct tax from this interest. Bamboo should give Mr L a certificate showing how much tax it's deducted, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 26 April 2021.

Amanda Williams
ombudsman