

complaint

Mr M complains that Bamboo Limited, trading as Bamboo Loans ("Bamboo") gave him loans he couldn't afford.

background

Mr M took out a guarantor loan and a personal loan with Bamboo. He says he was in financial difficulties when he applied for the loans, and was relying on payday lending. He says he had a default when he applied for the loans and was using the money to fund a gambling addiction that Bamboo would've been able to see from his bank statements.

Mr M applied for both of the loans online.

loan 1

Mr M took out his first loan in December 2016. It was for £1,600, and repayable over 60 months.

In his application Mr M said that he was in full time employment, lived at home with his parents, didn't pay rent and had no dependants. Bamboo carried out a credit search. That search said that Mr M had 19 active accounts at this time. Two of the accounts were payday loans - with an outstanding balance of £289 in total. He had three current accounts and two active overdrafts of £3 and £11.

Bamboo was also aware that Mr M had seven unsecured loans with a total outstanding balance of £19,282, four credit cards with a total outstanding balance of £5,991 and a hire purchase account with an outstanding balance of £5,761.

Mr M said he earned £1,875 a month. Bamboo thought his living costs were £399.50 and his financial commitments came to £1,274.55 a month. From this information, Bamboo calculated that Mr M had £200.95 disposable income each month. It proposed a monthly repayment of £63.07 over a 60 month term, and only agreed to the loan because Mr M had a guarantor.

Our adjudicator said that bearing all this in mind and given that the monthly repayments were for a relatively small amount, she thought the checks were proportionate. She told Mr M that before agreeing to lend to a customer, a lender had to make sure that the borrower could afford to make the loan repayments. Our adjudicator said the checks made must be proportionate to things like - but not limited to - the size of the loan, the repayments, what it knows about the consumer, and the things the consumer told it about their circumstances.

Mr M repaid the loan in full in February 2017.

loan 2

Mr M applied for his second loan in April 2017. Bamboo carried out a credit search and found that his overall debt had decreased from £31,337 to £21,234.

At this time Bamboo knew Mr M had 15 active accounts. Two of the accounts were payday loans with an outstanding balance of £233. He had three active bank accounts at this time, and no overdraft.

Bamboo were aware that Mr M had four unsecured loans with a total outstanding balance of £16,485, and four credit cards with a total outstanding balance of £4,516.

Bamboo had been told that Mr M's income was £1,875 a month. It calculated his living costs were £399.50 a month and his financial commitments were £592.30 a month. So it calculated he had £883.20 disposable income each month.

Bamboo proposed a monthly repayment of £126.34 over a 60 month term. As this was Mr M's second loan, Mr M had built a repayment history. Our adjudicator said that bearing all this in mind and given that the amount of the monthly repayments, she thought the affordability checks carried out were proportionate.

Our adjudicator said that Mr M wasn't bankrupt at the time. Nor did he have any county court judgements (CCJ's) or defaults. She appreciated that he had a high level of debt, but she didn't think Bamboo made a mistake when it lent money to Mr M. She appreciated that Mr M told us that he used his loans to fund his gambling addiction. Although Mr M said that would've been visible from his bank statements, our adjudicator said that businesses don't have to review bank statements when they consider affordability. And Mr M hadn't mentioned a gambling problem to the business.

Mr M disagreed, and asked for his complaint to be reviewed. He thought the figures Bamboo provided have been fabricated. He said his credit file shows he was relying on payday loans when he applied for the loans with Bamboo, and that Bamboo didn't consider all these loans when he took out the Bamboo loans. He says he was reliant on payday lending and trapped in a debt cycle. He thinks that if Bamboo had done more, it would've realised what was happening and that he had a severe gambling addiction. He went on to explain that he'd defaulted on another loan and he said the first loan was paid off with borrowing from another provider.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've been able to review the credit reports that Bamboo reviewed when they made their affordability assessments.

I know it will disappoint Mr M but I agree with the adjudicator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The relevant guidance on responsible lending since 1 April 2014 has been contained in chapter five of the Financial Conduct Authority's *Consumer Credit Sourcebook*. So this

guidance applied to the loans Mr M took out in 2016 and 2017. These regulations say that a lender must consider the customer's ability to make repayments as they fall due, but they also say that affordability checks should be proportionate. What is considered proportionate depends on factors such as the size of the loan, the amount of the repayments, and what Bamboo knew about Mr M and about his circumstances.

In considering this complaint, I've looked at whether Bamboo carried out proportionate checks, and at what information they had been given about Mr M's financial circumstances.

The methods Bamboo used to establish affordability were for them to decide but the practices and procedures they used had to be effective.

loan 1

This was a guarantor loan of £1,600 that was repayable over 60 months. The monthly repayments were just over £63.

My starting point is that a person who applies for a loan should be truthful about his financial circumstances, and so a lender should be entitled to accept what its customer tells it. But the relevant legislation also says that a business should take adequate steps, insofar as is reasonably practical, to ensure that information is complete and correct.

So considering only what Mr M had told them would not always necessarily have been enough.

The relevant legislation says that a business may, depending on the circumstances, include some or all of the following, when making their assessment of credit worthiness:

- (a) its record of previous dealings;
- (b) evidence of income;
- (c) evidence of expenditure;
- (d) a credit score;
- (e) a credit reference agency report; and
- (f) information provided by the customer.

I can see that Bamboo took into account b), d), e) and f) when making their assessment for this loan. They also made a statistical determination of additional living expenses which I think was a reasonable way to assess them.

They noted that Mr M was in full time employment, lived at home with his parents, didn't pay rent and had no dependants. He said he earned £1,875 a month and Bamboo thought his living costs were £399.50 and his financial commitments came to £1,274.55 a month. From this information, Bamboo calculated that Mr M had £200.95 disposable income each month. The credit report they reviewed showed at the time that there were no defaulted accounts in the last three years.

Bamboo clarified the position by checking Mr M's credit with a credit bureau. They:

- checked his income
- noted two payday loans of about £300
- noted that current accounts were in debit or just marginally in overdraft
- estimated credit card debt repayments of about £297 per month
- noted monthly loan repayments of £845
- identified that the repayment statuses on his credit file didn't suggest he was missing frequent payments
- checked his guarantor's credit worthiness too

I think the checks were proportionate and as they hadn't been told about Mr M's gambling problem or identified any vulnerability during the calls they'd had with Mr M, I don't think they could've been expected to do any more. I think the information they reviewed and clarified to support their assessment of Mr M's credit worthiness was proportionate and sufficient.

loan 2

When assessing this loan the business now had some history with Mr M. So as well as reviewing b), d), e) and f) (above) they were also able to review a) as Mr M had already paid off loan 1 with them.

By this time Mr M had paid off a hire purchase agreement too and had reduced his overall indebtedness by over £10,000. The worst payment status on his credit file showed payments as only up to two months late. Overall, disposable income had significantly increased to about £800 per month and again, the credit report they reviewed showed at the time that there were no defaulted accounts in the last three years.

I think the checks, Bamboo completed, did adequately assess the affordability of the loan for Mr M. Regardless of whether Mr M used another loan to pay off his first, his overall debt levels had reduced significantly by the time of the second application. And I don't think it would be fair to suggest Bamboo were aware of any financial difficulty; gambling problems or vulnerability that would have necessitated a change to their approach. They weren't obliged to check bank statements where these problems may have been more evident.

So I'm not persuaded that Bamboo did anything wrong or need to take any additional action.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 July 2019.

Phil McMahon
ombudsman