

complaint

Mr T complains that Bamboo Limited didn't carry out enough checks before approving his loan application.

background

In 2018, Mr T applied to Bamboo for a loan. He applied online and the loan was approved. He had difficulty making some payments on time early on. But overall he managed to keep on top of the payments until 2019, when he complained to Bamboo that the loan is unaffordable. He has since entered into a Debt Management Plan.

Mr T says that, at the time he applied for the loan, he already had outstanding loans with other lenders and his credit score was poor. He says that Bamboo didn't carry out enough checks before approving the loan. If they'd done more, he says they would have realised the loan was unaffordable, particularly in light of his gambling addiction which he says they should have noticed. He wants Bamboo to refund the interest he has paid to date and also to freeze the interest on the outstanding balance with no negative impact on his credit file.

Bamboo didn't uphold the complaint. They say they made enough checks and that the loan was affordable based on the information available to them at the time. They say Mr T passed their automated checks and they carried out creditworthiness and affordability assessments.

Bamboo say they wouldn't have approved the loan if they'd been aware of Mr T's gambling addiction. But they say they didn't know about it until he brought his complaint. They say that, as Mr T had passed their automated checks, they didn't need to ask for any documents and so they didn't see anything which could have alerted them to a gambling issue.

Mr T wasn't happy with Bamboo's response so he brought his complaint to this service. When our adjudicator looked into it, he thought Bamboo had acted fairly. But Mr T didn't accept the adjudicator's view and asked for his complaint to be reviewed by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When assessing a customer for lending, there aren't set checks which a lender has to do. But I'd expect them to perform checks which are proportionate in each case, taking account of things like the size of the loan, the amount of the repayments and what they know about the customer.

In Mr T's case, Bamboo looked at data from one of the credit reference agencies as well as the information he'd provided in his application. They used this information to carry out their own calculations and assessment using their internal decision-making criteria. I think the combination of internal and external data here gave them enough of an overview of Mr T's financial position at that time to make a decision. From the information available to me, I'm satisfied that Bamboo did enough checks here. What I need to look at next is whether, having carried out their checks, Bamboo's assessment of the information was reasonable.

Bamboo performed calculations to assess the affordability of the loan. They didn't request proof of income from Mr T but they've said they didn't need to because they had confirmed

his income was sufficient using external data. I think that's a reasonable explanation and a proportionate approach here.

They concluded that the loan would be affordable, as their calculations showed that Mr T's disposable income was enough to make the payments on the loan. Based on the information available to them at the time, I think it was reasonable for them to draw that conclusion.

Bamboo were aware of the unsecured balances Mr T owed on other accounts at the time of the application. But they say these were all active accounts and that Mr T was within the agreed limits on his credit cards and mail order account. They were also aware of the existing payday loans but say that Mr T had confirmed he would settle them within two months (which they judged he would be able to do) and that he didn't expect his financial situation to get worse in the near future. They also knew that Mr T had used multiple payday loans before, but the vast majority of them had been settled, many several years before. So they weren't concerned by this and I think that was a reasonable approach for them to take.

Mr T says he thinks Bamboo should have asked for his bank statements. If they'd done so, he says they would have been aware of his gambling issue. As I said above, I think Bamboo carried out enough checks before approving the loan. I don't think they needed to ask for bank statements as well.

The purpose of the loan was said to be for home improvements. Bamboo's affordability assessment showed that Mr T would be able to meet the payments. And the information on his credit file didn't give Bamboo cause for concern. I haven't seen anything to indicate that Mr T told Bamboo about his gambling addiction before bringing this complaint. So I don't think it's reasonable to expect them to have known about it.

I understand that Mr T's circumstances have changed since he took out the loan. I sympathise with his situation, but I have to look at whether the loan was affordable at the time Bamboo made their decision to lend. They based their decision on the information which was available at the time of Mr T's application. At that time, their assessment was that the loan was affordable and I think that was a reasonable conclusion.

Bamboo are now aware of Mr T's current situation and say they're willing to work with him. They've said they will cap the total amount to be repaid at the amount set out in the loan agreement, meaning they won't apply additional interest or charges. I think that's a reasonable approach. But I don't think Bamboo acted unfairly by approving the loan, so I'm not going to ask them to do any more.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 October 2019.

Katy Kidd
ombudsman