

complaint

Miss P complains that Bamboo Limited mis-sold her a loan she could not afford.

background

In January 2017 Miss P applied to Bamboo for a loan of £10,000. It offered her £5,000 and she took it. This loan was guaranteed by a third party and was to be repaid over five years. She had to make monthly repayments of £197.

In May the same year, Miss P told Bamboo that she was in financial difficulties and was struggling to repay that loan (and another loan she had with another lender). She said she had a gambling addiction. She complained that Bamboo had not done adequate affordability checks and that as a result it had sold her a loan she could not afford. She said she had a poor credit score, and she had a number of defaulted accounts and a county court judgement against her.

Bamboo did not agree that the loan was mis-sold. It said it had done proper checks, and had concluded that the £5,000 loan was affordable. It pointed out that it had refused to lend her more than that. Her credit file did not show any defaults or court judgements in the last three years, and in fact it showed only one open loan account, on which the payments were up to date. There were no indications of any financial difficulties. Bamboo's business model is to lend to borrowers with poor credit scores, but the loan had still appeared to be affordable based on the information Miss P had provided. The figures she had given for her income and expenditure had been realistic and in line with national statistical data, so it had been reasonable to accept them. But in view of what it now knew about Miss P, Bamboo deferred the next two repayments, and said that it would be open to an offer to settle the debt for less than the full outstanding balance. Otherwise it would pursue the guarantor for repayment.

Miss P brought her complaint to our Service. Our adjudicator did not uphold it. He reviewed Miss P's bank statements and credit file, and concluded that the loan had been affordable. There had been no negative information on her credit file to suggest otherwise, or to prompt Bamboo to do more checks. Her credit file suggested that her repayment history and her management of her previous loan accounts had been good. Bamboo had done proportionate checks, based on information it had reasonably relied on, and the loan had not been mis-sold.

Miss P asked for an ombudsman's decision. She argued that it had not been reasonable of Bamboo to rely on the information she had provided. Instead it should have verified everything she'd told it. If it had done so, it would have seen that the figures she had given it were wrong, and that her outgoings had actually exceeded her income. That meant it had lent to her irresponsibly.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I do not uphold it. I will explain why.

Contrary to what Miss P has suggested, Bamboo is entitled to believe what its customers tell it (as long as the information is not obviously contradictory or implausible). It does not have to doubt everything its customers say unless and until it is verified. So I don't think it was

unreasonable of Bamboo to accept what Miss P told it about her finances when she applied for the loan.

I am reinforced in that opinion by the fact that Bamboo compared the figures Miss P provided with the results of a national survey conducted by the Office for National Statistics (the Wealth & Assets Survey), and concluded that they were realistic. I note that the Financial Conduct Authority accepted that this is a valid exercise in its recent consultation paper, *“Assessing creditworthiness in consumer credit”* (July 2017, paragraph 5.36).

If Miss P gave Bamboo the wrong figures because she knew or suspected that it would not lend to her if she provided the correct figures, then that means she knew or believed that she could not afford the loan when she applied for it. But I think it is fair and reasonable to judge Bamboo’s decision to lend to her based on the information it was given at the time – not based on what it has learned since – provided, of course, that I am satisfied that further checks were not necessary. It’s not reasonable to expect Bamboo to have known about Miss P’s gambling habit before she told it about this in May, for example.

I agree with our adjudicator’s analysis of Miss P’s credit file. It does not suggest that she was in financial difficulty when she applied for the loan, or during the period leading up to the loan. In particular, there had been no defaults or court judgements in the preceding three years. There was one open loan account with a third party. The payments were up to date, and there was nothing to indicate that she was struggling to repay it. Miss P had told Bamboo that she wanted a loan in order to consolidate her debts, so I think it would have been reasonable for Bamboo to suppose that the existing loan was going to be consolidated. Nevertheless, even if that loan had not been consolidated (and in fact it wasn’t), the combined repayments on both loans, added together, were still less than Miss P’s disposable income (according to what she’d told Bamboo). So I’m satisfied that Bamboo took the other loan into account and gave due weight to it, and that Bamboo’s loan was still affordable.

I also agree with the adjudicator’s analysis of Miss P’s bank statements. Again, these do not suggest that in January 2017 – or in the two years leading up to then – Miss P was in the level of financial difficulty she described in May. However, I mention this matter only for completeness, as I do not think that Bamboo needed to check her bank statements. The information it did consider was enough.

For all of these reasons, I do not think that the loan was mis-sold.

my final decision

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss P to accept or reject my decision before 27 November 2017.

Richard Wood
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