

## **The complaint**

Miss P complains about Monzo Bank Ltd and their decision to approve a loan she feels was unaffordable at the time.

## **What happened**

In early August 2019, Miss P applied for a loan with Monzo. This application was approved, and Miss P was given a loan of £2,000.

But Miss P entered financial difficulty in 2020 due to a change in her working circumstances and income that arose from the COVID-19 pandemic. After reviewing her finances, she felt Monzo had acted irresponsibly when approving the loan, so she raised a complaint in July 2020.

Miss P thought Monzo hadn't carried out appropriate checks when approving the loan. And because of this, she'd been left with a loan that was unaffordable. She explained she'd had to take out further credit to pay for day to day living expenses in order to ensure she could meet the monthly payments of the loan in question. So, she wanted this to be looked into.

Monzo didn't agree. They thought they'd made proportionate checks and the information these checks provided showed the loan to be affordable. So, they didn't think they needed to do anything further. Miss P wasn't happy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and didn't uphold it. He explained the thought Monzo had made the checks he'd expect to see, based on the amount and duration of the loan. So, he couldn't say Monzo had approved the loan irresponsibly.

And he thought the information these checks provided showed the loan and the monthly payments to be affordable. He explained at the time, the credit checks showed Miss P's outstanding accounts to be managed well and that the minimum payments of these accounts left Miss P with a reasonable amount left to cover day to day expenses. And he didn't think the information on Miss P's Monzo account suggest any issues with the way she spent her money. Because of this, he didn't think Monzo needed to do anything more.

Miss P didn't agree and asked for the complaint to be escalated without providing any further comments. As Miss P didn't agree, the complaints been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented

on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the upset this complaint has caused Miss P. I've no doubt it would've been difficult for Miss P when her income was impacted by the pandemic and the restrictions that were put in place. And I can understand why she would use this time to reflect on the outstanding debts she had. But for me to say Monzo have done something wrong, I'd need to see that they failed to complete checks proportionate to the value and duration of the loan at the time of its approval. Or, that they acted unfairly when deciding on its affordability based on this information. And in this situation, I don't think that's the case.

I've seen the checks Monzo completed when deciding to approve Miss P's loan application. They took into consideration Miss P's yearly income, the average household expenses of someone living in Miss P's location of the same age, and her existing debt reported on her credit file. They also considered the existing information about Miss P's existing Monzo account and how this was managed.

The loan Monzo approved was for £2,000 with repayments over a duration of 24 months. So, the value of loan was equivalent to under two months of Miss P's monthly income. And it was to be repaid over what is a relatively short term.

Had the loan amount been more significant, or the term over a longer period of time, then I'd expect Monzo to have made the necessary extra checks to consider the greater financial commitment this would've been to Miss P. But in this situation, I don't think the financial commitment was great enough for me to say income and expenditure forms, or copies of bank statements, were required for Monzo to reasonably approve the loan. So, I think the checks they made were proportionate to the loan and its duration. So, I think the checks Monzo made were sufficient to approve Miss P's application and I can't say they've done anything wrong.

But I've also considered whether they assessed the information the checks generated fairly, when deciding if the loan was affordable.

I've seen Miss P told Monzo she worked full time, with an annual income of £23,500. She also confirmed she was renting at the time of the application. Based on this information, Monzo estimated Miss P's take-home income to be £1,620. And they estimated that Miss P's monthly expenditure would amount to around £893. Although I appreciate this was an estimate, I've seen it was based on relevant national statistics focusing on Miss P's age, income and geographical location. So, I think this was fair for Monzo to do considering the amount and duration of the loan they were looking to approve.

And I've seen from Miss P's credit file, the minimum payments on her outstanding debts totalled £90 a month. Monzo added a buffer of £50 to their calculation, to recognise their expenditure prediction as an estimate rather than calculated from Miss P's bank accounts. So, added together, Monzo calculated Miss P to have £587 per month to account for day to day spending.

The loan Monzo approved included monthly repayments of £98.95. So, after this monthly payment was made, Miss P would be left with almost £500 to account for day to day expenses based on the calculations Monzo made. I wouldn't have expected Monzo to deem the loan to be affordable based on these calculations.

And I've seen from Miss P's credit file that she was managing her outstanding debts well when the application was approved. The majority of Miss P's account were under the credit limit the accounts imposed, and the minimum payments were being made every month.

Although I understand Miss P had one County Court Judgement (“CCJ”) brought against her, I can see this was satisfied a year before she applied for the loan with Monzo, so I don’t think this in itself was enough for Monzo to fairly say the loan shouldn’t be approved.

Monzo also took into consideration the way Miss P managed her outstanding account with them. And I don’t think there was information within the way she managed this account that suggested she had an addiction that was impacting her financially. And as Miss P didn’t make Monzo aware of this herself, I don’t think it would be fair for me to say they did something wrong when not taking this into consideration.

Because of the above, I think Monzo assessed the information that have available fairly were reasonable to approve the loan. So, I don’t think they need to do anything more.

That’s not to say I don’t understand why Miss P, with hindsight, now feels the loan was unaffordable. I recognise she’s suffered financially due to current pandemic and that having to maintain a monthly repayment to prevent her credit file being impacted would’ve been difficult and frustrating. But my decision is based around the actions Monzo took, and the information they had available, at the time of the loan’s approval. And based on this, I think their decision to approve the loan was both responsible and fair.

### **My final decision**

For the reasons outlined above, I don’t uphold Miss P’s complaint about Monzo Bank Ltd.A

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss P to accept or reject my decision before 1 December 2020.

Josh Haskey  
**Ombudsman**