

The complaint

Mr M complains that Monzo Bank Ltd approved an overdraft facility which he couldn't afford.

What happened

Mr M opened a Monzo account in February 2018. Monzo approved a £1,000 overdraft facility in September 2018. The overdraft limit has never been increased but Mr M exceeded the limit in 2019. And the account was subsequently defaulted in 2020.

Mr M contacted Monzo in May 2021 to complain that it hadn't done enough checks in 2018 to ensure the lending was affordable to him and so it had lent to him irresponsibly.

Monzo looked into Mr M's complaint but it didn't think it had done anything wrong. It said it had correctly assessed Mr M's overdraft application by undertaking the required eligibility checks. So, it didn't uphold Mr M's complaint.

Unhappy with Monzo's response Mr M referred his complaint to us. One of our investigators looked into the complaint but she didn't think Monzo had done anything wrong. She thought Monzo had carried out enough checks when it approved Mr M's overdraft. And she didn't think the checks indicated that Mr M was in financial difficulties or struggling to pay his credit commitments at that time.

Mr M didn't agree, and he asked for his complaint to be reviewed again. So, his complaint has been passed to me for a final 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the overdraft was approved.

Monzo is required to lend responsibly. It needed to conduct checks to make sure that the overdraft facility it was giving to Mr M was affordable and sustainable. Such checks need to be proportionate to things like the amount of the credit being given, how much had to be repaid (including interest and charges) each month, Mr M's borrowing history with it (if any) and what it knew about him. But there is no set list of checks it had to do.

Monzo says before it approved the overdraft for Mr M, he confirmed his income to be £31,000. And it used this information, along with his age and location to determine his approximate monthly commitments. It also completed an external credit search through the credit reference agencies. And it has provided the search results it received.

I've looked at the data Monzo has provided. This shows that while Mr M had other credit commitments, it doesn't reveal any information to indicate that Mr M had any defaults,

adverse public records, or any accounts in arrears with other creditors at the time of the search.

So, like the investigator, I haven't found anything that I think should have prompted Monzo to think Mr M was in financial difficulty or that further checks were needed at that time to verify what Mr M had told it when he applied for the overdraft facility. It follows that I don't agree with Mr M that Monzo lent irresponsibly.

I can see that Mr M's circumstances have since deteriorated. But Monzo wouldn't have known that this might happen when it agreed the overdraft facility. And I don't think it would have reason to doubt or disbelieve the information it held about Mr M at the time it approved the overdraft facility.

I can see that when Monzo became aware of a potential problem – when Mr M exceeded the overdraft limit, it contacted him to bring the matter to his attention and to ask him to contact it if he was in financial difficulty. But from what I've seen Mr M didn't contact Monzo until a Default Notice was issued. I can see Mr M raised a complaint about Monzo defaulting his account, and that Monzo responded to this in March 2020. But this doesn't form part of this complaint, so I won't comment on it further.

I know Mr M thinks Monzo should have been doing far more checks as he says he was in a cycle of debt because of payday loans which aren't showing on his credit report. And I can see that he has referred to other similar complaints that this service has upheld. But I've looked at the individual circumstances of this complaint. And given the information Monzo found out about Mr M - in the checks it did do at the time the overdraft facility was approved, and what Mr M told it about his income, I don't think Monzo was required to do further checks.

I do very much sympathise with Mr M's financial difficulties and his more recent medical diagnosis and I understand he will be disappointed with the outcome I have reached. But, ultimately, I have to consider whether Monzo did anything wrong when the overdraft facility was approved, and I don't consider it did. So, it follows that I can't fairly uphold the complaint.

My final decision

For the reasons given above, I don't uphold this complaint or make any award against Monzo Bank Ltd. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 June 2022.

Sandra Greene
Ombudsman