

## **The complaint**

Miss D says that Monzo Bank Ltd (“Monzo”) were irresponsible in providing her with an overdraft facility when she opened an account with them. She says the charges for this caused her financial difficulty.

## **What happened**

Miss D opened an account with Monzo and successfully applied for an overdraft with a £750 overdraft limit in October 2019. From the end of November 2019 Miss D was overdrawn and didn't again see a credit balance.

Miss D got in touch with Monzo regarding financial difficulties she was facing. In response Monzo froze the charges on Miss D's overdraft account, went through her income and expenditure and tried to set up a repayment plan to help her repay the overdraft.

Miss D complained to Monzo about the overdraft lending and charges. Although Monzo did not feel the overdraft lending was done irresponsibly as a gesture of goodwill it refunded all overdraft fees and interest applied to Miss D's account amounting to £132.96 leaving Miss D with a debit balance of £617.04.

Miss D was dis-satisfied with this. She wants Monzo to wipe her debt due to mental health issues.

One of our adjudicators looked into Miss D's concerns and didn't think Monzo had lent irresponsibly on the information they had and thought that what Monzo had already done was a fair way to settle her complaint.

Miss D disagreed and has asked for an ombudsman's 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 considered everything provided, I've decided not to uphold Miss D's complaint. I'll explain why in a little more detail.

Monzo needed to make sure that it didn't lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Miss D would be able to repay what she was being lent before providing any credit to her. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the

greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

I've kept all of this in mind when thinking about whether Monzo did what it needed to before agreeing to Miss D's overdraft. Miss D was given what was an open-ended credit facility. So overall this means the checks Monzo carried out had to provide enough for it to be able to understand whether Miss D would be able to repay her overdraft within a reasonable period of time.

Monzo says Miss D opened an account and applied for a £750 overdraft online in October 2019. The application was fully credit scored taking into account information Miss D provided about her income and outgoings as well as information held by other lenders provided through credit reference checks. And based on this information Monzo was satisfied her score was high enough to provide her with the overdraft facility she requested.

I accept that Miss D's financial position may well have been worse than the credit check carried out showed or in any information she disclosed to Monzo at the time. And it is possible that further checks might have told Monzo this. But Monzo was reasonably entitled to rely on the credit check it carried out. Given there is no evidence of any adverse information shown on the credit check, the amount of credit being advanced (£750) was relatively low and her affordability capacity of £330 based on income and expenditure declared, I think Monzo's checks went far enough.

I'd also expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly. But in this case, I don't think this matters because Monzo has already agreed to do what I'd recommend if I'd found it had done something wrong.

Where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been charged the fees and given the credit they shouldn't have.

So where a business provides a consumer to use a credit facility which it should have realised was no longer unaffordable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unaffordable. In this case Monzo as a gesture of goodwill has already refunded all overdraft and interest applied to Miss D's overdraft.

Monzo has told us that Miss D is left with an outstanding debt, once all adjustments have been made, and she was 'refunded' all of the interest, fees and charges caused by her overdraft. So while Miss D has been left with a balance and she might be unhappy with this, Monzo has offered to do what I'd normally expect it to do here.

So bearing all this in mind, I'm satisfied that what Monzo has already done for Miss D is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more.

**My final decision**

For the reasons I've explained, I'm satisfied that what Monzo Bank Ltd has already done is fair and reasonable in the circumstances of this case and I do not uphold Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 5 October 2022.

Caroline Davies  
**Ombudsman**