

The complaint

Mr W complains about the interest rate Monzo Bank Ltd ("Monzo") charged for his overdraft.

What happened

Mr W opened an account with Monzo with a small overdraft. Mr W recently had his overdraft limit increased to £2,000 the maximum Monzo provides. Monzo advertises on its website various amounts it will charge for use of its overdraft facility including 19%, 29% or 39% and provides an example of how the charges are worked out.

Upon checking the interest rate applied to his overdraft Mr W discovered he was being charged at the higher rate. He was unhappy with this as he believed that having a good credit score would entitle him to a lower rate of interest charged.

Mr W complained to Monzo about this. Monzo said the rate it charges for an overdraft is dictated by various factors including, but not limited to a customer's credit score. Monzo said that it hadn't found any fault in its systems when working out Mr W's rate and that the correct rate had been applied.

Mr W was dis-satisfied with this and brought his complaint to this service.

One of our adjudicators looked into Mr W's concerns and reached the conclusion that Mr W would've been given notice of the exact rate charged and that Monzo hadn't acted unfairly when implementing the interest rate.

Mr W disagreed he doesn't think that Monzo's way of deciding on and applying interest rates is fair 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 Mr W's complaint.

My role is to look at the problems Mr W has experienced and see if Monzo has done anything wrong. If it has, I would seek – if possible - to put Mr W back in the position he would've been in if the mistakes hadn't happened. And I may award modest compensation that I think is fair and reasonable.

Mr W is unhappy at the interest rate applied to his overdraft – he thinks it's too high and doesn't believe Monzo gives any of its customers the lower rate advertised. Before I go any further, I want to be clear in saying that I haven't considered whether the various amounts Monzo charges are fair and reasonable, or proportionate in comparison to the costs of the service provided.

Ultimately, how much a bank charges for services is a commercial decision. And it isn't something for me to get involved with. And this also applies in regards to how a bank runs its business. I cannot make a bank change its systems or processes such as how it works out what it is going to charge and who it will offer various rates too.

All I can do is decide whether Monzo treated Mr W fairly and provided him with enough information to decide whether he wanted to have the overdraft facility on his account – mainly, the amount of the overdraft and how much it was going to cost him.

I can see that Monzo advertises different interest rates for its lending ranging from 19% up to 39% on its website and explains that the exact rate a customer is on is provided in its app and that a customer will be told the exact rate before they borrow from it. So I think it's likely Mr W would've been provided with the information he needed before he chose to use the overdraft facility offered on his account with Monzo.

Mr W is unhappy that he didn't get the lower rate advertised considering he had a good credit score and was allowed the maximum overdraft limit of £2,000. But this was merely an advertisement of what rates Monzo would consider offering – it wasn't a guarantee that Mr W would get the lower rate. I understand that a customer's credit score is one of the factors that determines the rate of interest charged, but this isn't the sole factor. So I can't say that Monzo has done anything wrong in applying the rate that it did.

Mr W says that Monzo are acting unfairly by granting people the maximum overdraft amount but not offering the low interest rates advertised. But I don't have any information about what Monzo is charging other customers and as stated above, how much a bank charges for services is a commercial decision. I'm assessing Mr W's individual complaint and my job here is to assess whether Monzo treated Mr W fairly and reasonably in all the circumstances of this complaint and in this case I haven't seen enough to persuade me it didn't.

So overall and having considered everything I do not uphold Mr W's complaint.

My final decision

For the reasons I've explained I've decided not to uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 June 2023.

Caroline Davies
Ombudsman