

## **The complaint**

Mr K complains Monzo Bank Ltd irresponsibly lent him money on a loan, overdraft and a credit card account when he was gambling heavily.

## **What happened**

In May 2022 Mr K applied for:

- A loan for £2,300 to be repaid over 12 months – applied for on 8 May 2022
- A £2,000 overdraft – applied for on 11 May 2022
- A £3,000 limit on a credit card account – applied for on 12 May 2022

Mr K said he had a gambling problem, and if Monzo had reviewed his existing account with them they'd have seen that and wouldn't have granted him any lending. Mr K through the online chat function tried to speak to Monzo repeatedly but was seemingly ignored.

Monzo said their lending was responsible at the time it was made, but they review their policies regularly and since Mr K's application they'd changed their gambling rules. They said with this in mind, they'd have blocked any loan applications from being successful – so as a gesture of goodwill would give him a refund of all interest on his loan and overdraft. Monzo said they did note Mr K had "several" gambling transactions on his account in the lead up to the application for the loan. They went on to say they don't block lending to customers who have gambling transactions as that's not necessarily a sign of addiction or vulnerability.

Unhappy with this, Mr K asked us to look into things, saying he felt all of the lending should be written off.

One of our Investigators considered things. He didn't think all the lending should be written off but did think interest should be refunded from the credit card account as well as the loan and overdraft which Monzo had already agreed to do. And he felt £150 compensation for the online chat issues was fair.

Mr K accepted this and said thank you.

Monzo didn't accept this, saying they'd lent responsibly. They didn't explain why they had chosen to refund two accounts complained about, but not the third. Monzo also said they didn't think the debt should be written off – though our Investigator never said it should. So, because Monzo didn't accept our Investigators outcome, the complaint's been passed to me to decide.

## **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.

We've explained on our website how we handle complaints about unaffordable and irresponsible lending, and I've used this approach to help me decide Mr K's case. Monzo were required to make sure they didn't lend irresponsibly – which meant they had to gather details of Mr K's circumstances to ensure he could sustainably repay this overdraft. This is called carrying out proportionate checks. Our website sets out what proportionate checks are – so I've looked at what information Monzo gathered to see if it carried out proportionate checks.

We generally say the higher the amount of borrowing, or the lower a borrower's salary, the more a lender needs to do to satisfy themselves they've gathered proportionate information. Equally, if the amount of borrowing is low, and the salary is high, then the less we'd say lenders need to do in order to show it didn't lend irresponsibly.

If upholding a complaint of irresponsible lending, we'd usually only ask for any interest and charges to be refunded – plus any adverse information to be removed from the credit reference agencies if the account has since been closed. In Mr K's case, only the Flex account hasn't had this redress, so I'll primarily focus on that. I'll then go on to consider whether any of the balances should be written off.

Mr K's current account was held with Monzo – so I think this is valuable information Monzo had available to them to determine whether they were lending irresponsibly or not.

Monzo had noted Mr K had an annual income of £52,000, a monthly income of £3,196, an estimated monthly spend of £928.62, other debt obligations of £912.98 and £200 rent expenses declared by Mr K. They also added a buffer of £125 and Monzo felt Mr K had £1,029.40 monthly capacity overall.

In the 11 days prior to taking out the credit card on 12 May 2022, Mr K had spent £4,750 at least on gambling sites. In the month of April, around £20,000 was gambled through the account.

Given Mr K's declared monthly available income was just over £1,000, gambling this amount of money was, I think, quite significant in the context of assessing whether Mr K could sustainably repay this credit card. In the circumstances, I don't think Monzo carried out proportionate checks as I'd have expected them to have used this data from the current account Mr K held with them and contact him to find out more. There is no suggestion they did that.

So, I don't think Monzo carried out proportionate checks. And, if they had gathered more information about Mr K's spending, I think it's unlikely they'd have given him a credit card account with a limit of £3,000.

I do also agree with our Investigator Mr K had unjustifiable issues when using the online chat with Monzo, and think £150 is fair to reflect this.

### **Putting things right**

It's quite confusing to me that Monzo didn't uphold the third account, when they upheld the first two. I also found it confusing Monzo said they didn't think the debt should be written off, when our Investigator never recommended that.

Overall, I'm also not asking Monzo to write the debt off entirely. But I do think they should refund all interest and charges for the credit card account. And, since they've already said they'd do this for the loan and overdraft I'll include this in my recommendations.

I require Monzo to:

- Rework each of the loan, overdraft and credit card accounts to remove any interest and charges
- If this results in a credit balance for any of the accounts, then this should be refunded plus 8% simple interest\* from the date the credit balance would have accrued, to the date of settlement
- Once each account is settled, adverse information should be removed from the credit reference agencies
- If any balances remain on any of the accounts, Monzo should work with Mr K on a payment plan, and once the balance is cleared then remove any adverse information with the credit reference agencies
- Pay Mr K £150 compensation for the online chat issues

\*HM Revenue and Customs requires Monzo to deduct tax from the interest payment referred to above. Monzo must give Mr K a certificate showing how much tax they've deducted if he asks them for one.

### **My final decision**

For the reasons I've explained above I uphold this complaint and Monzo Bank Ltd should carry out the actions in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 31 January 2024.

Jon Pearce  
**Ombudsman**