

The complaint

Mr C has a number of complaints against Monzo Bank Ltd. He says Monzo:

- irresponsibly lent him a loan.
- Didn't block gambling transactions even though he applied a gambling block to his account.
- Provided poor customer service in the way it handled his complaint.

What happened

Monzo also approved a loan for £2,050 in April 2023 for a term of 12 months, Mr C has struggled to keep up with his £191 repayments on this loan. Mr C applied a gambling block on his Monzo account and after applying it, he was able to carry on making gambling transactions. Mr C also experienced delays with Monzo dealing with his complaint and has said he had to deal with several agents which caused inconvenience. Monzo has acknowledged it could have done better with the way it handled Mr C's complaint and has offered an apology and a voucher for £125. Monzo didn't uphold the other two aspects of Mr C's complaint.

When one of our investigators looked at the complaint, he thought Monzo had done enough on the complaint handling point, he didn't think Monzo had done anything wrong in relation to the gambling block but thought Monzo shouldn't have lent Mr C the loan when it did.

Monzo didn't accept that it lent the loan irresponsibly, it said its checks went far enough and it couldn't have reasonably known Mr C will struggle to repay from its reasonable checks.

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.

Lending decision

We've set out our approach to irresponsible and unaffordable lending on our website. I've used this approach when considering Mr C's complaint.

Before granting credit to Mr C, Monzo needed to ensure it completed proportionate affordability checks. What is considered proportionate will vary depending on the circumstances of the lending. But in deciding what would be proportionate, Monzo needed to consider things such as (but not limited to): the amount of credit, the size and frequency of any regular repayments, the cost of credit and the consumer's circumstances. Monzo also needed to react the information it had about Mr C and the results of its checks.

Monzo used credit reference agencies to check Mr C's income, it says it found Mr C earned £2,579 per month, it says it estimated his living costs as £895.29 based on its own internal model. Monzo said Mr C paid around £601 towards credit monthly and that Mr C declared his monthly rent as £400. Monzo says it added a buffer of £125, based on its checks and these figures, Mr C could afford the repayment of the loan over its term.

On the face of it, this level of checks appeared sufficient but I think there are circumstances in this case that should have made Monzo concerned and asked further questions about Mr C's financial circumstances before approving this loan. Mr C had a bank account with Monzo, so it had a snapshot into Mr C's financial circumstances. I don't think Monzo reacted to this information it held about Mr C appropriately.

The statements Monzo had with Mr C's account didn't show an income and so even though the credit agency gave Monzo a figure, the actual evidence it had didn't support this. Also, looking at Mr C's statement he was regularly incurring overdraft fees, the pattern of spending on the account should also have made Monzo curious enough to ask further questions. Mr C was making multiple transactions a day, the account was receiving and paying money to other accounts including other accounts held by Mr C. If as Monzo argues Mr C did have savings in other accounts, I'd have expected to see that he maintained a balance in his Monzo account and avoided overdraft charges. Mr C had a gambling block on his account, so Monzo was also on notice that this was a customer susceptible to gambling. Given the circumstances I've explained here, Monzo didn't do enough before agreeing to lend to Mr C.

Mr C has told the Financial Ombudsman Service and Monzo that he suffers from a gambling addiction and the transactions on his bank statements were transactions he used to fund his addiction, he's also said the loan he was granted by Monzo was used for gambling.

Monzo has argued that had it looked at Mr C's bank statement it wouldn't have got a clear picture of his finances as Mr C had other bank accounts and it would have had to request details of the other accounts. As previously explained, Monzo needed to take proportionate steps to establish Mr C could afford the lending and if requesting Mr C's bank statements would have helped Monzo meet its obligatory requirements then that is what it'd be expected to do. In any event, I'm not saying Monzo had to request all of Mr C's bank statement, at the very least it had to react to what it saw on Mr C's Monzo statements and ask further questions. As it didn't do this and Mr C has said he had a gambling addiction at the time, I've concluded that had Monzo asked questions, it would likely have found Mr C was struggling with gambling at the time and even if he had credit in his other accounts, he wasn't in a sustainable financial position to take out this loan.

Ultimately, Monzo didn't do enough before agreeing to lend to Mr C here and the loan has caused Mr C to lose out and it needs to put things right.

Gambling block

It isn't in dispute that Mr C had a gambling block on his account and Monzo has explained the way its gambling block works meant that these transactions in question weren't identified as gambling transactions and so the block didn't work.

I can see Mr C made the transactions as bank transfers to a third party, this third party isn't identified as a gambling merchant and in the circumstances, I don't think the block failed to work. I think given the way Mr C decided to carry out his gambling activity, the operative gambling block couldn't have prevented the transactions. So, I don't think Monzo has done anything wrong here.

Customer service

Mr C is unhappy about how Monzo dealt with him when he tried to make his complaint, there were a number of issues he raised. Monzo has accepted that it could have done better with the level of service provided to Mr C. From the delay with answering his complaint, to Mr C having to deal with multiple agents and the information about the breathing space placed on the account.

In acknowledgement of the level of service, Monzo has offered Mr C compensation in form of a voucher for £125. Having considered all the information on this issue. I agree that Monzo could have provided a better level of service to Mr C, but I think the steps Monzo has taken to put things right for Mr C is sufficient. Mr C was able to refer his complaint to the Financial Ombudsman Service at the end of the eight-week period despite Monzo's delay and while I think Monzo could have done better, there will always be a degree of inconvenience involved with making a complaint.

So, while Monzo got things wrong here, I think it has done enough to put things right for Mr C, so I won't be asking it to do anything further.

Putting things right

To put things right for Mr C in relation to the loan granted in April 2023, Monzo should:

- Remove all interest, fees and charges applied to the loan.
- Treat any payments made by Mr C as payments towards the capital amount of £2,050.
- If Mr C has paid more than the capital, then any overpayments should be refunded with 8%* simple interest from the date they were paid to the date of settlement.
- If there's still an outstanding balance, Monzo should agree a reasonable repayment plan with Mr C.
- Remove any adverse information about the loan from Mr C's credit file once the loan capital has been repaid.

*HM Revenue & Customs requires Monzo to take off tax from this interest. Monzo must give Mr C a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I uphold Mr C's complaint in part and direct Monzo Bank Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 February 2024.

Oyetola Oduola
Ombudsman