

## The complaint

Miss K complains that Monzo Bank Ltd (Monzo) lent to her irresponsibly on two Flex accounts.

## What happened

Miss K had an overdraft of £750 and a loan of £300 from Monzo. She complained that both were given to her irresponsibly and bought those complaints to this service. We upheld the complaint for the overdraft but didn't uphold that for the loan.

Miss K also had three 'Flexaccounts' with Monzo which were agreed as shown:

Date	Account	Limit
December 2021	Flexaccount (1) – then closed	£500
December 2022	Flexaccount (2) – new application	£500
June 2023	Flexaccount (3)	£2,000
July 2023	Flexaccount (3) – limit increase	£2,500

The first Flexaccount was closed after four months and a new one applied for (and agreed) in December 2022. Another Flexaccount was agreed in June 2023, and Miss K asked for an increase in the limit from £2,000 to £2,500 a month later, in July 2023.

Miss K complained. She said Monzo couldn't have done sufficient checks. She said she couldn't afford to make the repayments; and she had several other debts, having taken out a lot of other credit. Because of her financial situation, she says she's been diagnosed with anxiety and depression. She says Monzo should refund the interest she's paid and add 8% per annum interest to the refund.

Monzo didn't uphold Miss K's complaint. They said they'd completed the necessary checks when agreeing to lend the money. They used an affordability checker which included information about Miss K's debts with other lenders. They also looked at information on her credit file. But they did say they should've dealt with Miss K's complaint quicker and for that delay, paid compensation of £25.

Our investigator also didn't uphold Miss K's complaint. He looked at the checks Monzo made and said they were satisfactory. He could see that at each approval, Monzo worked out that Miss K had enough monthly disposable income to make the repayments.

Miss K asked that an ombudsman look at her complaint, and so it has come to me to make 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.

All lenders have an obligation to lend money responsibly. We have to check whether Monzo acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
  - the lower a customer's income, and the higher amount to be repaid.
  - the greater the number of loans and frequency of loans.
  - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

So, I looked at Monzo's checks with this guidance in mind.

### *Flexaccount limit £500 – December 2021:*

Monzo could see that Miss K was earning £29,750 per annum and was living with her parents. So she had no rent or mortgage payments to make. They applied a formula for how much Miss K's outgoings were - £541 per month. And after allowing for debt payments of £580, they worked out she had spare monthly income of £404 – so made the decision to lend the money on the first Flexaccount.

I looked at Miss K's credit file for this time. She had other debts of about £14,000. So – that looks in line with what Monzo saw and how they worked out her monthly payments to those lenders. It's also important to note that she was making all the necessary monthly payments to those lenders – as all accounts were paid up to date, with no arrears or missed payments. So – Monzo could see she was managing her commitments well. And – against her income and personal circumstances, I consider Monzo did sufficient checks when agreeing to the limit of £500.

### *Flexaccount limit £500 – December 2022:*

Monzo could see Miss K's salary had increased to £31,900 per annum. She had become party to a mortgage, so had payments of £350 each month. But Monzo also worked out that her debt payments had gone down on the other debts - as most had been repaid. So they

calculated that her monthly disposable income (to meet her debt payments) had gone up to £567 – so agreed to lend the money.

I looked at Miss K's credit file for this time. And I can see that most of her debts had been repaid. She had a new car loan of about £21,000 – but it looks like that had been used in part to pay off another, previous loan. And most of the other debts had been paid off by the time she asked for the second Flexaccount limit. So, her credit file showed she only had one other large debt – the mortgage of £212,000. The credit file shows she was making the payments on time with no arrears. So - her credit file is consistent with what Monzo could see.

*Flexaccount limit - £2,000 – June 2023:*

I can see that Miss K's circumstances were almost unchanged from December 2022.

Using very similar figures, Monzo checked how much spare money Miss K had to make the monthly payments – and this worked out as £558. She was continuing to make all the payments to her other lenders, and so Monzo agreed to lend the money.

*Flexaccount limit - £2,500 – July 2023:*

Miss K asked for an increased limit a month later. I can see that by then, her salary had increased to £34,500 per annum. And her contribution to a joint mortgage had gone down to £200 per month. And, because her other debts had largely been repaid (as shown in the previous month), this meant that her monthly available income increased to £1,002. So again - Monzo agreed to lend the money.

I can also see that Miss K's credit file showed her debt repayments were up to date, with no arrears.

So, in summary, for each decision, I'm satisfied that Monzo carried out the necessary and proportionate checks that they needed to in agreeing to lend the money. And therefore – I don't consider Monzo need to do anymore here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 20 March 2024.

Martin Lord  
**Ombudsman**