

Complaint

Miss M is unhappy with what Monzo Bank Ltd (“Monzo”) has agreed to do to put things right after she complained about having been irresponsibly provided with a loan.

Background

Miss M has also complained about having been provided with an overdraft by Monzo. But we’ve already explained that we’re looking at that matter separately. So this final decision is only looking at whether Monzo has acted fairly and reasonably in relation to Miss M’s loan.

After our investigator issued her assessment, Monzo accepted that it shouldn’t have provided Miss M with her loan. It agreed to reduce what Miss M still owed on her loan to ensure that she pays no more than the amount she was lent in the first place. Our investigator thought that this was fair and reasonable in all of the circumstances of the case.

Miss M disagreed and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I think that what Monzo has already agreed to do to put things right for Miss M is fair and reasonable in all the circumstances of his complaint. So I’m not requiring it to do anything more or anything further. I’ll explain why I think this is the case in a bit more detail.

Monzo has agreed that it shouldn’t have provided Miss M with her loan. And it has agreed to limit the amount that she repays to the £3,000.00 that she was originally lent in the first place, order to put things right.

It might help for me to start by explaining that 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 given the credit they shouldn’t have. However, that’s not possible in cases where funds that shouldn’t have been advanced were advanced. This is because typically those funds will have already been spent like they have been done here.

In these circumstances, we have to look at some other way of asking a business to put things right in a fair and reasonable manner. Where a business provided a loan that was 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 would see the customer repay the funds that they borrowed and had the use of but we'd normally expect the lender to refund (or remove) any interest and charges that were added. And if those interest and charges were paid also add 8% simple interest per year.

Having looked at everything provided I'm satisfied that this is what Monzo has agreed to do here. So it has already agreed to do what I'd normally expect a firm to do in these circumstances.

But Miss M has been left with an outstanding balance even though she's been 'refunded' all of the interest, fees and charges applied to her loan. This is because the total amount she's paid to Monzo, is less than the £3,000.00 she was lent to start with. So while Miss M has been left with an outstanding balance to repay and she might be unhappy with this, Monzo has done what I'd normally expect a lender to do in similar circumstances here.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it provided a loan that it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Miss M believes that Monzo should do more. As I understand it, she wants Monzo to clear her outstanding balance, as she was on maternity leave and had defaulted accounts at the time she was provided with this loan.

I've carefully thought about what Miss M has said.

But as Miss M has paid less than the amount she borrowed, Monzo hasn't actually charged her anything for having the use of the £3,000.00 she was lent. Furthermore, the reasons Miss M wants the outstanding balance written off are effectively the reasons why her complaint was upheld in the first place. And this doesn't change the fact that Miss M has had the benefit of the £3,000.00 that she was originally lent and that she would also have been aware of the factors that she is now relying on too.

In these circumstances, I think that a refund of interest, fees and charges balances the fact that Monzo shouldn't have lent to Miss M against Miss M having benefitted from the decision – in terms of having funds she wouldn't have had and her having made a loan application in circumstances where she knew she was unlikely to be able to make her payments. So while I can understand Miss M's disappointment, I don't think that Miss M being unhappy at having a balance to repay is a compelling reason for me to depart from our usual approach here.

Bearing in mind all of this, I'm satisfied that what Monzo has already done to put things right for Miss M – limiting what she has to pay to the £3,000.00 she was lent – is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more. So I leave it up to Miss M to decide whether she wishes to accept Monzo's offer.

I appreciate that this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm satisfied that what Monzo has done to put things right is fair and reasonable, I'd nonetheless like to remind Monzo of its obligation to exercise forbearance and due consideration in relation to the outstanding balance on Miss M's loan and it be the case that she is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm satisfied that what Monzo Bank Ltd has already agreed to do to put things right for Miss M is fair and reasonable in the circumstances of her complaint. And I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 April 2024.

Jeshen Narayanan
Ombudsman