

## **The complaint**

Miss M complains that Monzo Bank Ltd acted irresponsibly and failed to carry out proper checks prior to approving an overdraft.

## **What happened**

Miss M was provided with a £1,000 overdraft on 11 August 2022. She says that the overdraft was unaffordable and that she has been trapped in a cycle of debt due to the additional interest and charges.

Monzo issued a final response letter dated 20 September 2023. It said that before the lending was provided it gathered information from Miss M and the credit reference agencies about her income, expenditure and other credit commitments. It said that based on the information received the lending wasn't irresponsible. It did uphold Miss M's complaint about the time taken to respond to her complaint and offered to pay her £25 compensation because of this.

Miss M wasn't satisfied with Monzo's response to her complaint about her overdraft and referred her complaint to this service.

Our investigator didn't uphold this complaint. He thought the checks carried out before the overdraft was provided were reasonable and as these didn't raise concerns about the affordability of the lending, he didn't think Monzo did anything wrong by providing the overdraft.

Miss M didn't agree with our investigator's outcome. She said that at the time of her overdraft application it was clear she was trapped in a cycle of debt, and this continued following the provision of the overdraft. She said that Monzo would have had enough information from its credit check along with how she was using her account to see that there was an issue. Miss M said at the time of the application she was increasing her debts and was using one loan to repay another. She said she had around £50,000 of debt in loans and credit cards and she wasn't managing her debts well.

Our investigator noted Miss M's response to his view but as this didn't change his conclusions, this complaint has been passed to me an ombudsman to issue a 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.

Miss M was provided with an overdraft, which is a credit facility. Monzo needed to make sure that it didn't provide the overdraft limit irresponsibly and needed to carry out proportionate checks to understand whether Miss M could repay the overdraft within a reasonable period of time.

Miss M was provided with a £1,000 overdraft. Before this was provided a credit check was carried out and information gathered about Miss M's income and expenses. Miss M's annual income was recorded as £38,500 giving a monthly net income of around £2,489 which Monzo said was verified with the credit reference agency. Noting the size of the overdraft and Miss M's income I think that the initial checks carried out were proportionate. But just because I think this is the case, it doesn't necessarily mean that I find the lending responsible. To assess this, I have considered what information was identified through the checks to see if this raised concerns.

Having looked at the credit check results these didn't raise concerns about how Miss M was managing her accounts (no defaults or recent missed payments). But it did record Miss M as having 21 accounts on file. This is a high number and having looked at the credit report provided by Miss M I can see she had several credit cards and three outstanding loan agreements at the time. Given this I think it was important that Monzo had a clear understanding of Miss M's credit costs (and other expenses) to ensure the lending was sustainably affordable.

Monzo used credit reference agency data for her housing costs, debt obligations and estimated monthly spend figures. While I do not find this unreasonable, I think it needed to ensure that it had an understanding of Miss M's specific expenses.

I note Monzo had Miss M's account information which could be used to assess her regular commitments. But, having looked through the bank statements for the account Miss M held with Monzo I can see that before July 2022, Miss M was using this account to transfer money in and out but not using it for everyday spending. This did appear to change in July 2022, but this was only a short time before the overdraft was provided. So, while the account didn't raise any concerns about Miss M being in financial difficulties, it also didn't give any information about her regular spending or commitments.

While I do not think that Monzo was required to request copies of Miss M's bank statements from her other account I think it would have been reasonable to ensure it had a full understanding of her regular expenses. As Miss M has provided her statements from her other bank account, I have used this information to understand what Monzo would likely have identified had it asked further questions about Miss M's expenses. Having looked at Miss M's statements these show her payments towards her credit commitments which based on her credit report were around £900 a month as well as other regular payments for items such as insurance and communications contracts. Taking this information into account I do not find that had Monzo asked further questions about Miss M's expenses these would likely have suggested the overdraft to have been unaffordable. Therefore, I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 April 2024.

Jane Archer  
**Ombudsman**