

Complaint

Miss M has complained about a flex credit card Monzo Bank Limited (“Monzo”) provided to her. She says the credit card was irresponsibly provided to her as it was unaffordable.

Background

Monzo provided Miss M with a flex credit card with a limit of £2,000.00 in August 2022. Miss M wasn't provided with any credit limit increases on the facility.

When it reviewed Miss M's complaint, although it didn't agree that it lent to Miss M irresponsibly, Monzo offered to pay her £25 in compensation as a result of the time it took to investigate her concerns. Miss M was unhappy at this and referred her complaint to our service.

One of our investigators reviewed what Miss M and Monzo had told us. And he thought Monzo hadn't done anything wrong or treated Miss M unfairly in relation to providing the flex credit card. So he didn't recommend that Miss M's complaint be upheld.

Miss M disagreed and asked for an ombudsman to look at her complaint and make a final 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss M's complaint.

Having carefully considered everything, I've not been persuaded to uphold Miss M's complaint. I'll explain why in a little more detail.

Monzo needed to make sure it didn't lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Miss M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Monzo says it agreed to Miss M's application after it obtained information on her income, some information on her expenditure and carried out a credit search. It says that the information it obtained indicated that Miss M would be able to make the monthly repayments due for this credit card.

On the other hand Miss M says that she was already struggling with her existing debts, had been provided with an overdraft with a limit of £1,000.00 by Monzo shortly before and she therefore shouldn't have been provided with this credit card.

I've considered what the parties have said.

What's important to note is that Miss M was provided with a revolving credit facility rather than a loan. And this means that Monzo was required to understand whether a credit limit of £2,000.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £2,000.00 would not have required huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Monzo obtained from Miss M about her income and that was on the credit search carried out. From what I can see there was no recent significant adverse information - such as defaults or county court judgments - recorded against her.

Monzo also worked out that Miss M would be spending close to £700 each month on her existing credit commitments. Having also seen the data capture and calculation from the time of Miss M's overdraft application, I'm satisfied that the flex credit card application captured an amount towards clearing the balance that could be owed on the overdraft.

I accept that the information gathered could be interpreted as showing that Miss M would pay a significant amount each month towards repayments to credit. However, bearing in mind Miss M's monthly income at the time and the amount said she was paying towards her rent, I don't think that this was excessive. I don't think that Monzo ought to have realised that Miss M didn't have the funds to make the monthly payment that would be required for this flex credit card, as a result of this information.

I appreciate that Miss M says that her circumstances were worse than this and that she was already struggling when she made this application. I note that she says that her existing commitments were higher than what Monzo says they were. However, Miss M has provided us with copies of two credit reports from different agencies and while one of them shows more in terms of existing commitments than the other, the content of the second one isn't out of kilter with the information which Monzo had.

I don't know the reasons for the difference in what the different credit reference agencies were reporting. It could be because some of the credit providers Miss M used didn't report to all of the credit reference agencies. If Miss M is unhappy with this then this is a matter she'll have to take up with the credit reference agencies concerned. More important in terms of this particular case, I think that Monzo was reasonably entitled to rely on the information that it had. And Monzo could base its decision based on the information it had at the time.

Finally, I've also noted Miss M's comments regarding this application having been made only a week after a successful overdraft application for £1,000.00. Miss M says that this ought to have demonstrated that she was in financial difficulty.

However, while I agree that multiple applications can sometimes mean that it would be appropriate for a lender to take a closer look at an application, I don't think that Monzo taking a closer look at the activity on Miss M's Monzo current account would have made a

difference to its decision. I say this because while it's fair to say that Miss M did start using her Monzo overdraft as soon as it was provided, the transactions show that this was pretty much all for discretionary expenditure.

I don't think that there is anything in these transactions themselves which ought reasonably to have led Monzo to believe that Miss M was turning to credit in order to meet existing credit commitments, to meet other priority commitments, or even because she was experiencing financial difficulty. This is particularly bearing in mind what the rest of the information it gathered prior to the application for the flex credit card being approved showed.

As the information gathered indicated that Miss M would more likely than not be able to make the payments necessary to repay what she could owe within a reasonable period of time at the lending decision was made, I'm satisfied that Monzo didn't need to do anything more.

In reaching my conclusions, I've also considered whether the lending relationship between Monzo and Miss M might have been unfair to Miss M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Monzo irresponsibly lent to Miss M or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I can understand Miss M's sentiments and sympathise with any difficulties she's had repaying her credit card, I don't think that Monzo treated Miss M unfairly or unreasonably. And I'm not upholding Miss M's complaint. I appreciate 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.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 29 October 2024.

Jeshen Narayanan
Ombudsman