

Complaint

Mr S has complained about a personal loan Monzo Bank Limited (“Monzo”) provided to him. He’s effectively said that the loan was unaffordable for him and so it should never have been provided in the first place.

Background

Mr S also complained about an overdraft which he’s had with Monzo. But we’ve already explained that we’re considering that complaint separately and this decision is solely considering whether Monzo acted fairly and reasonably when providing Mr S with his loan.

Monzo provided Mr S with a loan for £3,000.00 in December 2022.

Mr S’ loan had an APR of 39.8% and a term of 24 months. This meant that the total amount to be repaid of £4,202.69, which included interest, fees and charges of £1,202.69, was due to be repaid in 23 monthly instalments of £175.13 followed by a final instalment of £174.70.

One of our investigators reviewed what Mr S and Monzo had told us. And he thought that Monzo hadn’t done anything wrong or treated Mr S unfairly. So he didn’t recommend that Mr S’ complaint be upheld.

Mr S disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

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’ve decided not to uphold Mr S’ complaint. I’ll explain why in a little more detail.

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 Mr S’ complaint.

Monzo needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay before providing this loan.

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 Mr S' application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr S could afford to make the repayments he was committing to.

On the other hand, Mr S has said he should never have been provided with this loan because his outgoings exceeded what he received.

I've carefully thought about what Mr S and Monzo have said.

The first thing for me to say is that this was Mr S' first loan with Monzo. The information provided does suggest Mr P was asked to provide some details about his income and expenditure and Monzo didn't just rely on what it was told as it carried out a credit search too.

Having considered this information, it appears as though Mr S didn't have any significant adverse information recorded against him at this stage. There were a couple of late payments, which in itself wasn't concerning and there wasn't anything such as defaulted accounts or county court judgements ("CCJ") recorded against Mr S either. Furthermore, Mr S also appears to have declared that he was living at home with parents at this stage too.

I accept that Mr S' actual circumstances may not have been fully reflected either in the information he provided, or the information Monzo obtained. It appears as though Mr S' financial circumstances took a turn for the worse shortly after taking his loan. And I'm sorry to hear that Mr S has gone through a very difficult time after having been provided with this loan.

I've also seen what Mr S has said about his employment. However, it looks as though this happened after Mr S was given this loan and at the time, at least, it seems as though Mr S did have the funds necessary to make the payments to this loan. In these circumstances, Monzo had no way of knowing or no reason to suspect that Mr S' circumstances would take a turn for the worse at the time it made its lending decision.

Bearing in mind everything, I would expect Monzo to have had a reasonable idea of Mr S' income and committed non-discretionary spending, which it did do here. As this is the case, I don't think that Monzo did anything wrong when deciding to lend to Mr S - it carried out proportionate checks (although I accept that Mr S disputes this) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Monzo treated Mr S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind Monzo of its continuing obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance, in light of what Mr S has said about experiencing financial difficulty and him struggling to repay this.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 June 2024.

Jeshen Narayanan
Ombudsman