

The complaint

Mr T complains that Monzo Bank Ltd rejected his request to write off his loan.

What happened

In May 2023 Mr T took out a loan with Monzo for £25,000. The loan was repayable by 23 monthly repayments of £1,153.

Mr T complained to Monzo. He said the loan shouldn't have been approved because he'd applied for it whilst experiencing a manic episode. Mr T asked Monzo to write off the loan.

Monzo rejected the complaint and said it couldn't write off the loan. It said it couldn't disclose the specific reason for declining Mr T's request.

Mr T remained unhappy and brought his complaint to this service. He doesn't think the loan should've been approved and he wants to know the reason why his request for the loan to be written off was declined.

Our investigator didn't uphold the complaint. He said he understood Mr T's frustration at not knowing the specific reason why his request for the loan to be written off was declined but said this service isn't able to require a business to disclose confidential criteria. The investigator looked into whether Monzo had acted unfairly by approving the loan. He said that Monzo had completed reasonable and proportionate checks before it approved the loan. The investigator acknowledged that Mr T had concerns about the approval of the loan at a time when he was experiencing a manic episode but said that Monzo hadn't been aware of this until after the loan had been approved.

Mr T didn't agree. He said he didn't have capacity at the time he entered into the loan agreement and said that the contract was void and unenforceable as a result.

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.

I appreciate that Mr T wants to know the specific reason why Monzo declined his request for the loan to be written off. I've reviewed the available information and I can see that Monzo passed Mr T's request to a specialist team who reviewed everything – including the medical evidence and Mr T's financial circumstances - and determined that a write off wasn't appropriate.

Lending decisions – and decisions on whether to write off lending – are a commercial decision which only the lender can make. The criteria on which lenders reach their decisions will vary from lender to lender but generally, that criteria is business sensitive information and not something which this service can require the lender to disclose.

What I am able to do is look at whether Monzo treated Mr T fairly and reasonably when it considered his request to write off the loan. Based on what I've seen, I'm satisfied that it did.

I've seen evidence that Monzo considered the request and applied its internal criteria to reach a decision.

I've gone on to consider whether Monzo acted irresponsibly when it lent to Mr T. Our approach to complaints about unaffordable and irresponsible lending, including the relevant rules, guidance and good industry practice, is set out on our website.

Monzo needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice, this means that it needed to carry out proportionate checks to make sure Mr T could afford to repay what he was being lent in a sustainable manner. These checks could take into a number of things, such as how much was being lent, the repayment amount, Mr T's borrowing history and his income and expenditure.

Monzo has provided details of the checks it carried out before approving the loan. As well as looking at the information supplied by Mr T as part of the application proves, and information it already held about Mr T's usage of his Monzo account, I've seen evidence that Monzo carried out a full credit check. As part of the credit check Monzo assessed both credit risk and affordability. The checks showed that there were no defaults on Mr T's credit file. The affordability check showed that Mr T's debt to income ratio wasn't high enough to raise any concerns, and his credit score was sufficiently high for Monzo to offer the loan.

Mr T has said that he thinks Monzo didn't carry out reasonable checks. He says there was no real attempt to ascertain his financial circumstances and that proof of income should've been requested. Mr T says this would've shown that the figure he put on his application for income was inflated, which in turn should've led Monzo to question his capacity.

I don't agree with Mr T that Monzo needed to carry out further checks on his income. Monzo checked Mr T's income and disposable income using industry tools and found that he had sufficient disposable income to be able to sustainably repay the loan. Monzo also looked at Mr T's bank statements as part of the affordability check. In the circumstances, I don't think it was necessary for Monzo to carry out further checks. There was nothing in the information which would've caused Monzo to have concerns that Mr T wasn't able to afford the loan.

Mr T has said that the loan shouldn't have been approved because he was experiencing a manic episode at the time he applied for it. He's said that he didn't have capacity to enter into the agreement and that it should be void.

I've reviewed the information which was available to Monzo at the time of the application. There's nothing to indicate that Mr T was unwell. Mr T's bank statements prior to the approval of the loan don't show any unusual or erratic spending habits.

In relation to capacity, this service can't make a finding on whether Mr T lacked capacity at the time he entered into the agreement. Only a court can do this. As a matter of law, capacity is presumed unless it is shown otherwise.

There's no evidence that Mr T made Monzo aware that he was experiencing a manic episode at the time he applied for the loan. So, I can't fairly say that Monzo was aware - ought to have been aware - of Mr T's circumstances.

I've reviewed the medical information which Mr T has provided, and I can see that he's had a really difficult time. However, there's nothing to suggest that Monzo had access to this information at the time when Mr T applied for the loan. I can see that Mr T made Monzo aware of his diagnosis around one month after the loan had been approved. I'm satisfied that Monzo acted fairly and reasonably once it had been made aware of Mr T's circumstances, as it referred the account to the specialist support team and set up a

payment arrangement for Mr T.

Taking everything into consideration, I'm unable to say that Monzo has lent irresponsibly to Mr T, or that it has treated him unfairly or unreasonably. For the reasons I've given, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 23 July 2024.

Emma Davy
Ombudsman