

## The complaint

Mr S complains that Monzo Bank Ltd has lent to him irresponsibly. He says proper checks would have shown Monzo shouldn't have lent to him and he's seeking to have the loan written off without detriment to his credit file.

## What happened

I set out a detailed background to this complaint in my provisional decision and I don't think it is necessary to repeat that here.

My provisional decision set out why I was inclined to reach different conclusions to the investigator and gave both parties the opportunity to provide further comments and evidence before I issue a final decision on the complaint.

My provisional decision forms part of this final decision and should be read in conjunction with it. The findings in my provisional decision are quoted below.

*"I've also considered the law, any relevant regulatory rules and good industry practice at the time the loans were offered.*

*Monzo should be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.*

*In summary Monzo is expected to carry out proportionate checks to make sure Mr S could afford to repay his loans when they fell due. There isn't a prescribed list of checks, but Monzo's checks need to be borrower focussed and could take into account specific things about Mr S like his income and the loan amounts.*

*Monzo has provided Mr S' application for all three loans and when Mr S applied for all the loans, he stated he was employed, living with parents and had no dependents. Mr S declared £1,987 as his income for loan 1 and Monzo estimated he had living costs of around £655 and credit commitments of around £101. Monzo said it added a buffer of £125 and this left with Mr S with sufficient income to afford the repayments for loan 1.*

*Our investigator hasn't recommended that loan 1 be upheld and Mr S hasn't disputed this and as there isn't a continuing dispute about loan 1, I haven't gone into great detail about the decision to lend. Based on the information available, I haven't seen anything that suggests Monzo was wrong to lend Mr S this loan at the time.*

*Mr S' application for loan 2 shows he declared an income of £2,017 and Monzo says it estimated he had living costs of £724.37, as well as credit commitments of around £53.82. Monzo also added £125 buffer and based on this, Mr S was left with sufficient income to repay the loan and have some left over.*

*Monzo had access to Mr S' bank statements and so I expect it would likely have had an overview of Mr S' income and expenses from his account. Mr S' average income in the three months before this loan was around £1,700, I can't see any obvious living costs and as Mr S declared he lived with his parents at the time, I think it's reasonable for costs like rent and utilities not to be visible on his account. I think Monzo's estimated living cost of £724.37 was reasonable in the circumstances. In*

*terms of his credit commitments, I can see Mr S paid £144 towards a credit card he held with another lender and made several payments towards a buy now pay later account. I can also see he made payments to his flex account with Monzo.*

*The investigator thought the number of payments to his flex and buy now pay later accounts show Mr S was spending a significant sum of his income on credit. Our investigator thought this posed a significant risk Mr S would struggle to repay the loan.*

*Where a customer is already paying out a significant amount of their income towards repayments to credit this can sometimes increase the possibility of a further loan being unaffordable. However, I'm mindful of the circumstances in this case and the composition of Mr S' total repayments to credit. Mr S was being reasonable by regularly paying back more than required into his flex account. Monzo has provided the flex account statements and I can see Mr S made several overpayments. While this was reasonable, this was something Mr S did at his own discretion, he could have repaid less and had more disposable income but chose to repay more, that was something he was entitled to exercise his discretion to do. But I don't think that Monzo ought to have assessed Mr S' ability to repay this loan on the basis that he would have to make payments he wasn't obliged to.*

*I've also considered Mr S was making buy now pay later repayments. These commitments are unlikely to have shown up on the credit searches that Monzo carried out but I'm also mindful Monzo had access to Mr S' bank statements that showed these transactions. In any event, Mr S was buying goods and would have been required to make any payments over a short-term. I haven't seen evidence to show these purchases were required for his compulsory living costs. Furthermore, I don't think it's reasonable to expect Monzo to have made provision for Mr S continuing to make such purchases and therefore having such commitments for the term of his loans.*

*I'm mindful of the monthly repayments for this loan, it was around 11% of Mr S' income. Also, at the time Mr S lived with parents so even if he used a significant portion of his income towards credit, something I'm not satisfied he had to do, due to his low living costs which Monzo's assessments appear to have overestimated, I think he was still in a position to afford this loan repayments.*

*Mr S' income of £1,700, his estimated living costs which Monzo used covering his non-discretionary costs, his other credit card payment and the repayment of this loan left him with sufficient disposable income. I think the disposable income was enough to cover Mr S' compulsory payments towards his other credit accounts and discretionary spending. I'm also mindful Mr S only used his overdraft for one day in the three months before this loan. So, based on reasonable checks Monzo ought to have conducted, I don't think it lent this second loan when it shouldn't have.*

*Mr S' declared income had increased by the time of loan 3 to £2,338, his monthly living costs including credit commitments were around £1,390, Monzo again added the buffer of £125 and that left with Mr S a large income amount to repay his loan and cover other costs. Again, Monzo had access to Mr S' bank statements and I can see that his average income in the three months before this loan was £3,153. I can see Mr S was still making payments towards a credit account with another lender. Mr S has also provided evidence to show he had another loan he was repaying. I think even with this new loan and Mr S' other credit commitments, and for the reasons I've explained for loan 2, Mr S would have been left with a large enough sum to repay this loan and cover other expenses.*

*I appreciate Mr S has now started to struggle to manage his credit commitments and while I'm sorry to see that, this wasn't something that was apparent or ought to have been apparent to Monzo at the time it lent any of the loans.*

*I think reasonable checks showed Mr S was left with large enough amounts after taking into account his income, living costs and required regular credit commitments. Mr S is allowed to exercise his discretion about how he spends his money on other expenses, and I don't think Monzo could have taken this into account beyond the disposable income left over.*

*Mr S clearly feels strongly about the lending decisions here and I know my provisional findings will likely disappoint him, but I want to assure him that I considered all the information provided and based them on what I think is fair and reasonable in the circumstances of this case.*

*Did Monzo act unfairly in some other way?*

*I know Mr S has referred to his other credit accounts and he will need to raise separate complaints about those as they haven't been considered as part of this complaint. Mr S has also said Monzo have now given him notice it will close his account, again if Mr S is unhappy about that he'll need to raise a separate complaint about the issue.*

*Mr S has also said Monzo didn't offer to help when he reached out in his financial difficulties. I can see Mr S did contact Monzo for help and Monzo provided some options but Mr S understandably didn't want an option that negatively impacted his credit file and so there was no plan put in place. I think Monzo offered to help with reasonable options and so I can't say it has done anything wrong here. However, I'd remind Monzo about its obligation to show forbearance and treat Mr S positively in his financial difficulties."*

The deadline to respond to my provisional decision has now passed and Monzo provided Mr S' bank statements for the months before loan 1 and Mr S provided comments disagreeing with my provisional 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.

I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

Having fully reconsidered the complaint including Mr S' response to my provisional decision, I'm not upholding his complaint and will explain why below.

I should start by saying the role of the Financial Ombudsman service is to look at information provided by both parties impartially and reach a decision that we consider fair and reasonable. Our role is not to punish businesses neither is it to champion the cause of consumers. By the very nature of the work of the Financial Ombudsman Service, one party to the complaint will likely to be disappointed with the outcome reached.

I appreciate Mr S feels strongly about his complaint and an outcome that doesn't uphold his complaint isn't what he was hoping for, but I hope my explanation provides some assurance to him that I fully considered the complaint and reached an outcome based on the facts of his case that I think is fair and reasonable.

Mr S has responded to my provisional decision and has disagreed with my findings. In summary, Mr S has said.

- The income of £3,153 is incorrect, he says I used a higher amount than his actual income to conclude that he had the level of disposable income I said he did. He has referenced payments from friends and family and said this isn't income.
- He was in his overdraft and that the use of the overdraft was concerning.
- He had to make the extra payments towards his flex account with Monzo and his buy now pay later account and was reliant on these accounts.

- He was making payments to his partner towards household expenses.

The income I've referenced in my provisional decision before loan 3 was an average of the income Mr S received in the three months before the loan. In March 2023, Mr S received an income of £5,295.60, in April 2023 he received £2,304.83 and in May 2023, he received £2,304.83. I can see Mr S transferred £5,080, £2,300 and £2,080 to his Monzo account in the respective months. The average of these three sums is around £3,153.

Although Mr S earned slightly more than he transferred into his Monzo account, had Monzo carried out sufficient checks like I think it should have, it would likely have found Mr S' average income in the months leading to loan 3 was around £3,153. I haven't taken into account any payments Mr S received from friends and family as I agree with him that this doesn't count towards his income. In any event, regardless of whether it is reasonable to use an average of £3,153, I've nonetheless thought about the position assuming Mr S' income was the lowest amount he received of around £2,304. And based on the information I've seen, I'm satisfied that the loan would still have been affordable for him.

I went into details about why I thought the figures for loans 2 and 3 showed there were affordable and so I won't repeat those here. For loan 1, Mr S declared his income as £1,987 and Monzo estimated Mr S' living expenses as £655, his credit commitments as £101.51 and added a buffer of £125. Mr S declared he lived with his parents at the time of this loan. There isn't anything in Mr S' bank statement at the time of loan 1 that shows he'd have struggled to make the monthly repayments of £109 towards this loan. The contributions he was making towards his living costs, committed credit costs compared to his income left him with sufficient disposable income to make his repayments.

I've also taken a careful look at Mr S' use of his overdraft to see whether this ought to have led Monzo to take a different decision even though the loan payments might have appeared affordable. I can see in the months leading up to loan 1, there wasn't any use of his overdraft, and as stated in my provisional decision, he was only in his overdraft for one day leading up to loan 2.

As for his overdraft use at the time of loan 3, I can't see that Mr S was in his overdraft for a sustained period, he did use the overdraft during the period leading up to his application, but he also had the account in credit for some time during the period. I've also considered the transactions at the time he was in his overdraft, and these don't suggest he was reliant on his overdraft for his committed living spending.

As stated in my provisional decision, Mr S acted reasonably by paying more than was required towards his flex account but that isn't something I would have expected Monzo to take into account as a contractual or even committed expense going forward. Finally, buy now pay later payments are usually short term and so in my view it isn't reasonable to expect Monzo to have considered these as long-term commitments that would have impacted his ability to repay his loan over the term. Ultimately, I wouldn't know if Mr S would continue using such arrangements going forward and so I can't expect it to have factored these payments continuing to exist on an ongoing basis in its assessment.

Mr S has said he was contributing towards living costs by making payments to his partner. I can see from his statements that he was making payments to his partner but also regularly getting credited by his partner. In the months before loan 2, the highest amount I can see he paid to his partner was around £420, and in the months before loan 3, I can see he paid around £470.

With the level of Mr S' committed living costs and payments towards credit including his other loan and even taking into account his income at the lower amount, there was a clear margin available to repay the loans and have income left over.

While I'm not making a retrospective judgement on Mr S spending, in the circumstances where the majority of his spending don't appear to be committed spending, I wouldn't expect Monzo to have taken into account his discretionary spending in the circumstances of this case. So even if Monzo took its checks further for all the loan as I think it should have done, it would have made a reasonable decision to lend to Mr S in the circumstances.

For the reasons I've already given, I don't think Monzo lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

While Mr S doesn't think Monzo has done enough to provide support when he's encountered financial difficulties, I think it offered support that was reasonable even though I can understand why Mr S doesn't want support that negatively impacts his credit file. I'd again remind Monzo to treat Mr S positively and sympathetically in his financial difficulties.

### **My final decision**

For the reasons stated here and in my provisional decision, I don't uphold Mr S' complaint or make any award against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 July 2024.

Oyetola Oduola  
**Ombudsman**