

## **The complaint**

Miss L complains Monzo Bank Ltd hasn't treated her fairly in relation to a loan she was tricked into taking out during a scam.

## **What happened**

Miss L has accounts with a number of businesses, including an account with a business who I'll refer to as "R" throughout the rest of this decision.

Miss L says she was contacted by one of her banks to say that her accounts had been compromised and that she'd get calls from her other banks about this too. She says that one of those calls came from someone claiming to be from R and that they told her she needed to move all of her money into her account with R and then into a number of "safe accounts".

Miss L says she also received a call that she believed was from Monzo. She says she was told that fraudsters were trying to apply for a loan, and that the only way to stop them doing so was to apply for a substantial loan herself. She says she did as instructed, applied for a £25,000 loan (giving inaccurate information about her income and circumstances generally) and transferred the proceeds of that loan to a "safe account", also as instructed.

Miss L says she was told she'd be called the next day with details allowing her to access the accounts and that the loan would be cancelled. She says she contacted her banks when that didn't happen and realised she'd been tricked and scammed. She contacted Monzo and, amongst other things, said it shouldn't have agreed to lend her such a large amount as it should have recognised that the loan was unaffordable and that the application was based on inaccurate information.

Monzo looked into Miss L's complaint and said that it didn't agree that the loan was unaffordable and that it could grant her a breathing space whilst it investigated the scam she'd complained about. Miss L says the information Monzo then gave her about the breathing space was inconsistent – suggesting on the one hand that she wouldn't have to make any payments whilst the scam was investigated and on the other hand that it would record missing payments on her credit file if she didn't make payments. Having looked into Miss L's complaint, Monzo said that it was going to hold her liable for the loan as she'd applied for it and received the proceeds. Miss L complained to us.

One of our investigators looked into Miss L's complaint and said that it wouldn't be fair to ask Monzo to write the loan off as Miss L had asked Monzo for it. They also said that although the application for the loan had said Miss L had a salary of £170,000 – which wasn't true – Monzo had verified Miss L's actual income (but not her actual expenses) before approving the loan. Our investigator didn't, therefore, agree that Monzo had done proportionate checks and said that had it done so it would have realised that the £546 monthly repayments were unaffordable for Miss L. In the circumstances, our investigator didn't think it would be fair for Miss L to pay any interest or charges on the loan she took out, but it would be fair to ask her to repay the capital borrowed. Our investigator recommended that Monzo arrange an affordable repayment plan for Miss L – for the capital – and remove any adverse information recorded on her credit file.

Miss L wasn't happy with our investigator's recommendations saying that it wasn't fair that she was being asked to pay for a loan that Monzo shouldn't have granted. She also said that as she'd been tricked into transferring the proceeds to fraudsters, it wouldn't be reasonable to ask her to pay more than R had managed to recover. I can see that Miss L has offered to pay Monzo £16,000 – in other words, the amount that was recovered by R after she reported the scam – in full and final settlement of the loan since receiving our investigator's recommendation. She did so on 24 June 2024. In response, Monzo said that Miss L needed to pay £26,211.06 in order to settle the loan. In other words, the original £25,000 borrowed plus just over £1,000 in interest and charges. Since then, Miss L says she's paid Monzo £2,730 – in other words, the missed payments from February to June 2024 – as Monzo was threatening to default her, and has been paying £313.28 a month since then.

As Miss L was unhappy with our investigator's recommendation, she asked for her complaint to be referred to an ombudsman for a decision. Her complaint was passed to me.

### **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.

Earlier on this month I issued a provisional decision in which I said the following:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Having done so, and having spoken to Miss L, I agree with our investigator that Monzo didn't carry out sufficient checks when approving the loan that Miss L is complaining about. And that, in fact, it ended up granting an unaffordable loan. We'd normally say that a business shouldn't profit in such circumstances. In other words, we'd normally say a business ought not to charge interest and fees on such a loan, but it should be able to recover the capital. But we can take wider circumstances into account and in cases, for example, where the customer hasn't had the benefit of the loan we can, for example, ask the business to write the whole loan off, if appropriate.*

*In this case I don't think Monzo has been particularly fair to Miss L, or sympathetic to the fact that she has, in effect, been scammed out of over £30,000's worth of savings. I don't think it helped offering her a breathing space and then saying if she missed payments that it would record this on her credit file. Nor did I think threatening to default her, and telling her that she'd have to pay capital, fees and interest if she wanted to settle the loan after our investigator had recommended removing fees and interest was particularly fair. Miss L's offer, on the other hand, to pay the money that had been recovered in order to settle the outstanding loan was a constructive gesture. And, more importantly, I think a fair overall resolution to this complaint taking everything into account.*

*Given what I've just said I'm minded to require Monzo to write off the loan and remove it from Miss L's credit file if she pays £16,000 in full and final settlement as she has offered to. In the event that Miss L makes that payment, Monzo will also need to refund the payments that Miss L has made to date. This will allow both parties to move on."*

I asked Monzo to comment on the mechanics of getting the loan written off and refunding the payments Miss L had made when it responding to my provisional decision. And I invited both parties to comment on what I'd said.

Both parties agreed with my provisional decision. Miss L said that she was willing to pay the £16,000 (and have her payments to date refunded) or £12,634.44 (in other words, £16,000 less the payments she's made to date) so she could move on. And that her only remaining concern was her credit score. Monzo proposed that Miss L pay £12,634.44 and that it would then arrange for the rest of the balance to be written off.

### **Putting things right**

Given that both parties have agreed to my provisional decision, I'm going to ask Monzo to write off this loan within 14 days of Miss L paying it £12,634.44. I'm also going to require Monzo to make arrangements to remove the loan and any adverse information it has registered from Miss L's credit file. In other words, as mentioned in my provisional decision, to put Miss L back into the position she would have been had she not taken the loan out in the first place and / or cancelled it within the cooling off period.

### **My final decision**

My final decision is that I require Monzo Bank Ltd to write off the loan Miss L has complained about and to make arrangements to remove the loan from Miss L's credit file – along with any adverse information it has registered – within 14 days of Miss L paying it £12,634.44.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 22 October 2024.

Nicolas Atkinson  
**Ombudsman**