

## **The complaint**

Miss F complains that Monzo Bank Ltd gave her an overdraft and subsequent limit increase which she couldn't afford to repay.

## **What happened**

In June 2023 Monzo agreed a £250 overdraft on Miss F's current account. Shortly after this in October 2023, Monzo agreed a further limit increase.

Miss F argues that Monzo shouldn't have agreed the initial limit or increase. In particular her representatives have said there was adverse information, including defaults and payday lending, on Miss F's credit file. They argue that this should have suggested to Monzo that Miss F couldn't have sustainably afforded to repay the borrowing.

Monzo didn't agree. It argued it completed proportionate checks and as a result of these checks, it was reasonable to lend. Unhappy with Monzo's response, Miss F referred her complaint to our service. One of our investigators considered the complaint. They thought Monzo had completed proportionate checks and as a result of these checks, they thought Monzo had made fair lending decisions. Miss F disagreed and asked for an ombudsman to consider the complaint.

## **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.

Having done so, I'm not going to uphold this complaint. I appreciate this will be disappointing to Miss F.

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

Monzo needed to make sure it lent responsibly to Miss F. It therefore needed to complete sufficient checks to determine if Miss F could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if a borrower's income was low or the amount lent was high.

*Did Monzo complete reasonable and proportionate checks before agreeing to lend?*

In relation to the initial limit Monzo has said it completed a credit search, gathered details of

Miss F's income, gained high level information about her circumstances (such as number of dependants, residential status, if her circumstances were due to change etc.) and estimated her monthly spend.

When the limit increase took place Monzo seems to have gathered the same types of information. It's not clear if Monzo completed an additional full credit search at this time or if it relied on the previous results (although I can see some information was again verified using Miss F's credit file at this time.) I say this because, Miss F has provided a copy of her credit file which suggests a "*hard search*" only took place at the time the initial limit was agreed. I asked Monzo for clarification on this point and a copy of its full search results for both lending decisions, but I haven't received a response.

So it seems most likely from everything I've seen, that although Monzo updated some of the information it held about Miss F using information from her credit file, it relied on the full results from the time of the initial lending decision for the limit increase. However, given the limit increase was £750 (increasing it to £1,000) and was only a short period of time after the overdraft was initially given, I don't think this was unreasonable.

It's clear Monzo took sufficient steps to confirm Miss F's regular income and outgoings, and it gained an understanding of her current financial commitments. As I've said above, I also think it was reasonable for Monzo to rely on its previous credit search results before agreeing the increase. And taking into consideration the size of the credit (£250, increasing to £1,000) I think the checks Monzo completed before agreeing to lend were reasonable and proportionate.

*Based on the information the checks revealed, did Monzo make fair lending decisions?*

Monzo confirmed Miss F had a net monthly income of £2,156 and after taking into consideration her regular expenditure, including credit commitments, Miss F still had around £275 in disposable income each month at the time of the initial application. When her overdraft was increased it estimated she had around £250 disposable income each month. This suggests she had sufficient means to sustainably afford the lending being given at each point.

Miss F's representatives have argued that her credit file showed adverse information, specifically payday lending and defaults. They argue this should have suggested to Monzo that she was having trouble managing her money. I've considered this and I can't see that there was extensive high-cost credit on her credit file, such that would suggest she was having recent problems managing her money. In addition, the defaults look to be historic. I can see defaults in March, April and November 2018 which have balances outstanding and another from December 2019 which was satisfied shortly before the overdraft increase. So whilst I think Miss F likely had previous problems managing her money, I don't think they suggested recent problems given the significant period of time between the defaults and the lending decisions.

So taking everything into consideration, I think that the information which Monzo checks would have revealed would have suggested Miss F could afford to repay this lending. I therefore think Monzo made fair lending decisions when agreeing the initial overdraft limit and subsequent increase.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Monzo lent irresponsibly to Miss F or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons explained above I don't uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 11 June 2025.

Claire Lisle  
**Ombudsman**