

The complaint

Miss T complains Monzo Bank Ltd's (Monzo) decision to lend to her was irresponsible and unaffordable for her. She says had Monzo completed adequate checks before providing her with a personal loan, they wouldn't have agreed to provide her credit.

What happened

In March 2024, Miss T took out a personal loan with Monzo for £10,000. The agreement required her to make 59 monthly repayments of £246, followed by a final repayment of £164.16.

In July 2024, Miss T complained to Monzo, saying they'd acted irresponsibly by failing to complete adequate affordability checks, such as checking her outgoings, prior to agreeing the lending. She said had they done, they would've seen a significant amount of gambling transactions which should have prompted them to ask more questions.

In September 2024, Monzo sent Miss T their final response, but they didn't uphold her complaint. In summary, Monzo said they'd determined the lending was affordable for Miss T after following their lending criteria and disagreed they'd lent irresponsibly.

Miss T disagreed with Monzo's response, so she referred her complaint to our service.

One of our Investigators looked into things and thought the checks Monzo carried out prior to lending were proportionate. And because Monzo's checks showed Miss T had enough disposable income to afford the monthly repayments, he didn't think they'd done anything wrong by agreeing to lend to her.

Miss T disagreed with our Investigator saying her outgoing bills at the time were higher than those considered by Monzo. Miss T also said her credit file would've shown she was withdrawing large amounts of cash from her existing credit cards and that statements for a bank account held elsewhere, would've shown uncontrollable gambling spending.

In summary, Miss T said given the amount of external debt she held in addition to the loan being applied for, she didn't agree Monzo's checks were proportionate.

Our Investigator's view remained unchanged. Because no resolution could be reached, this case has been passed to me to decide.

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, although I appreciate it'll be a disappointment to Miss T, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

I'm aware I've summarised this complaint in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've

concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, especially in relation to Miss T's personal circumstances, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to repeat or comment on every detail here, to be able to reach what I think is the right outcome that's reasonable in the circumstances of this complaint.

I want to thank Miss T for providing the detailed information she has, surrounding her circumstances at the time of taking out this agreement. I appreciate these details must have been difficult for Miss T to share.

Miss T has told us that she was previously in an abusive relationship and that her ex-partner built up debt on credit cards in her name. She's said when that debt became unmanageable, she took out the Monzo loan in question to consolidate this debt.

I've thought carefully about everything Miss T has told us and whilst I appreciate this must have been a very difficult time for her, I think it's clear from her testimony that she applied for this loan and consented to take it out.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Miss T's complaint. Monzo needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like Monzo to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did Monzo complete reasonable and proportionate checks to satisfy themselves Miss T would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?
- If they did, was their decision to lend to Miss T fair?
- Did Monzo act unfairly or unreasonably in any other way?

Did Monzo complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £14,650, with Miss T committing to make repayments of at least £246 for 60 months. This was, therefore, a lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see Monzo to have completed a thorough affordability check.

At the time of her application, Monzo say Miss T declared her annual income as being £34,700, that she was a tenant with no outgoings towards accommodation and that she had

no dependants.

Monzo completed a credit reference agency check to verify Miss T's net monthly income as being £2,301, which supported the income figure she had declared to them.

In addition to the information Miss T declared, Monzo also completed a credit check to help them understand how she managed both her current and existing finances.

The check returned a credit score considered 'good' by the provider and showed Monzo Miss T had 29 active credit accounts at the time, none of which had defaulted or were two or more months in arrears.

Monzo also used information from statistical data and Miss T's credit report to help them get a better understanding of her expenditure. They estimated her outgoings towards essential spending to be around £830 a month and her credit report showed she had commitments to existing credit of around £740 a month.

While Miss T declared her costs towards accommodation as being zero, Monzo added an amount of £250 a month towards housing costs. After allowing for an additional buffer of £125 a month, Monzo calculated Miss T had an affordability capacity of around £357 a month.

So, in summary, I wouldn't expect Monzo to do more in the circumstance's given the credit check result showed them Miss T's overall finances were managed well. Monzo verified her income and took into consideration her actual existing credit commitments, alongside using statistical data and allowing for additional buffers to gain a better understanding of her expenditure before making a lending decision.

Miss T also held a bank account with Monzo. While Monzo haven't specifically said they've reviewed these when making their lending decision, I would expect information already available to them to be taken into consideration should the account have been run in a concerning manner.

But having looked at the statements for the months leading up to the agreement being taken out, I've seen nothing in the way the account was maintained I think ought to have prompted Monzo to have looked into things further.

Miss T has told us the bank account held with Monzo wasn't her main account and that had Monzo looked at her other account, they would've seen a high level of gambling spend. While I sympathise with the situation Miss T found herself in, because I think the checks Monzo carried out were proportionate here, I can't say they would have needed to or have any reason to have requested sight of this information.

Overall, I think Monzo completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if the agreement was affordable and sustainable for Miss T.

But this doesn't automatically mean Monzo went on to make a fair lending decision – it's this I'll go on to look at next.

Did Monzo make a fair lending decision?

Monzo verified Miss T's net monthly income and found the figure matched the equivalent annual income figure declared by her at the time of the application.

In addition, when calculating Miss T's expenditure, Monzo used a combination of her actual existing credit commitments alongside statistical data – importantly allowing for an additional outgoing of £250 a month towards housing costs, discounting the zero-figure declared at the time of the application.

After doing this, Monzo found Miss T had a monthly expenditure of around £1,820, which left her a disposable monthly income of around £480. Monzo then allowed for an additional buffer of £125 a month, before calculating her monthly affordability capacity for the new agreement to be £357.

The loan agreed for Miss T required her to pay no more than £246 a month, a figure well within the affordability capacity Monzo had calculated.

Miss T's kindly provided a copy of her credit report. While it is from a different provider to the one used by Monzo, the content of it supports what they say they found and overall show that while she had existing credit, this credit was being managed well with no obvious signs of financial difficulties or reliance on cash advances.

In addition, while I've not seen that Miss T declared the loan was to consolidate other debt at the time, she has told us that was the purpose for borrowing the funds so I'm satisfied had Monzo been told this, on balance, I think it would have given them confidence her outgoings would be less than the figure they'd calculated.

I understand following the loan being taken out there was some gambling transactions carried out through the account held with Monzo. But I must take into account what Monzo would have known at the time they made their decision. And based on the evidence provided, I'm satisfied their checks were reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint.

Did Monzo act unfairly or unreasonably in some other way?

Miss T has argued it's not fair that she now has to repay a debt which wasn't hers initially. I appreciate and I sympathise with Miss T's argument. However, Miss T has told us that the purpose of this loan was to consolidate that debt, it didn't directly fund it, and as I've explained above, I think Miss T has consented to taking out the loan and that Monzo made a fair lending decision. So, I don't think it would be fair to require Monzo to write off the remaining loan balance as Miss T asked.

However, as Monzo is now aware of Miss T's wider circumstances, I'd remind it of its responsibility to treat her positively and sympathetically going forward.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what you have complained about, including whether it's relationship with you might have been unfair under s.140A Consumer Credit Act 1974.

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons I've given, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 28 April 2025.

Sean Pyke-Milne
Ombudsman