

Complaint

Mr Y has complained about a flex credit card which Monzo Bank Ltd (“Monzo”) provided to him. He says the credit card shouldn’t have been provided given what he already owed.

Background

Mr Y has also complained about Monzo’s decision to provide him with an overdraft. But we’ve explained that we’re looking at that complaint separately. And this complaint is solely about Mr Y’s flex credit card.

Monzo provided Mr Y with a credit card with a limit of £500 in February 2023. The limit on the facility was never increased.

One of our investigators reviewed what Mr Y and Monzo had told us. And he thought Monzo hadn’t done anything wrong or acted unfairly when providing the credit card. So he thought that Mr Y’s complaint should not be upheld.

Mr Y disagreed and asked for an ombudsman to look at the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr Y’s complaint.

Having carefully considered everything provided, I’m currently not persuaded to uphold Mr Y’s complaint. I’ll explain why in a little more detail.

Monzo needed to make sure it didn’t lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Mr Y could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

I understand that Monzo agreed to Mr Y’s application after it obtained some information on his income and expenditure and also carried out a credit search. And the information

obtained indicated that Mr Y would be able to make the payments required for this credit card to be repaid within a reasonable period of time.

On the other hand, Mr Y says that he shouldn't have been lent to.

I've considered what the parties have said.

Mr Y's credit card was opened in February 2023 with a limit of £500. Mr Y's credit card, under the regulator's rules and guidance, is also known as a revolving credit facility. As Mr Y was being provided with a revolving credit facility, this meant that Monzo was required to understand whether he could repay around £500 within a reasonable period of time. Not whether he could pay the entire amount in one go.

I understand that Monzo carried out a credit check before initially agreeing to provide this credit card. Monzo's credit check showed that Mr Y had some adverse information – in the form of a defaulted account - recorded against him. However, it considered this to be historic as this happened just under two years prior to this application. Furthermore, the information Monzo had also suggests that Mr Y hadn't missed consecutive payments to credit since then.

I suspect that Monzo looked at whether consecutive payments were missed because, according to the regulator's guidance - set out in CONC 1.3 - missing consecutive payments to a credit account is considered to be an indication that a borrower may potentially be experiencing financial difficulty. In any event, I'm satisfied that the information on the credit search did not indicate that Mr Y shouldn't have been lent to.

What is also important to note is that a credit limit of £500 would have required low monthly payments in order to clear the full amount owed within a reasonable period of time. And the information gathered suggested that Mr Y could afford to make the low monthly repayment that would be required. Furthermore, there wasn't anything in Mr Y's Monzo current account transaction history which contradicted the information that Monzo had gathered either.

So it seems to me that the information Monzo gathered, in relation to Mr Y's circumstances, does suggest that it was reasonably entitled to believe he had the funds to make the low monthly payments required to clear a balance of £500 within a reasonable period of time.

I appreciate that Mr Y says that his circumstances were worse than this. I've also seen what Mr Y has said about not receiving sick pay in the event he was off work, as he was self-employed, and that this ended up happening in August 2023. However, while I sympathise with what Mr Y has said, Monzo could only make a reasonable decision on the basis of the information it had. It isn't unusual for a lender to lend to a self-employed individual and Monzo simply wasn't in a position to know what could happen in the future. As the information it had at the time suggested that it wasn't unreasonable to provide this flex credit card to Mr Y, I don't think that it acted unfairly.

In reaching my conclusions, I've also considered whether the lending relationship between Monzo and Mr Y might have been unfair to Mr Y under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I'm satisfied that Monzo did not irresponsibly lend to Mr Y or otherwise treat him unfairly in relation to the matter of his flex credit card. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything I don't think that Monzo treated Mr Y unfairly or unreasonably in approving his flex credit card application. I appreciate this will be likely to be very disappointing for Mr Y. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr Y's complaint, I would remind Monzo of its continuing obligation to exercise forbearance and due consideration, given what Mr Y now says about his financial position should he have difficulty making his payments going forward.

I would also encourage Mr Y to get in contact with and co-operate with any steps that may be needed to review what he might be able to repay to his credit card. Mr Y may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Monzo's actions in relation to exercising forbearance going forward.

My final decision

For the reasons I've explained, I'm not upholding Mr Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 21 February 2025.

Jeshen Narayanan
Ombudsman