

The complaint

Mr B complains that Monzo Bank Ltd (Monzo) acted irresponsibly when they agreed to him having a Flex account and giving him further credit limit increases.

What happened

In August 2022 Mr B applied for a Flex account with Monzo. His application was successful, and his account was opened with a £500 credit limit. In October 2022 the credit limit was increased to £1,000. In February 2023 the credit limit was increased to £3,250 and in May 2023 the credit limit was increased to £4,000. Mr B said Monzo also around the same time provided him with an overdraft and subsequent overdraft increases as well as a loan. He said he struggled to maintain the repayments and complained to Monzo.

Monzo said they'd carried out proportionate and reasonable checks that showed the lending to Mr B was affordable and he should have been able to sustain the repayments.

Mr B wasn't happy with Monzo's response and referred his complaint to us.

Our investigator said Monzo's checks were proportionate and reasonable for the account opening and the first credit limit increase and that Monzo had made a fair lending decision. She said Monzo should have verified Mr B's income for the subsequent checks in February and May 2023. But found that if these further checks had been done it would still have been fair for Monzo to lend to Mr B.

Mr B didn't agree and has asked for his complaint to be referred to an ombudsman.

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.

Firstly Mr B has also complained about Monzo's decisions to provide him with overdraft limits and a personal loan (some of which happened after Mr B's last Flex account credit limit increase). I can see that these complaints are being considered separately. So, in my decision I will only be considering Mr B's Flex account.

I appreciate my decision will disappoint Mr B but having considered his complaint I've decided not to uphold it. I will explain why.

The Flex account provides a running account credit, unlike personal loans, there's no fixed weekly/monthly repayment for running-account credit. The borrower would normally receive monthly statements, stating the list of transactions, outstanding balance, required repayment amount and the due date. The Flex account also works a bit differently to most credit cards, with customers having the option to move items across to it from their spending on their Monzo current account if they wish, or to pay for items or services by way of an instalment plan option of up to 12 months. Interest would be charged daily and the minimum monthly payment calculated on the basis that each transaction plus any interest would be cleared

within the 12 months.

Monzo needed to make sure that they didn't lend irresponsibly. So, Monzo needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay before agreeing to any credit. 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.

Flex account limit £500 – August 2022

Mr B applied for the Flex account in August 2022. He said he worked full time earning £34,000 per year, he'd no dependents and was living with his parents paying a household contribution of £125. Monzo said they checked Mr B's credit history and there weren't any defaults and Mr B had been up to date with his credit commitments in the previous six months. Monzo used Mr B's application data, information from their CRA check as well as other statistical data in their affordability assessment. This showed Mr B to have a monthly income of £2,239, monthly spending of £712.15, household costs of £125 and credit commitments of £920.95. Which meant Mr B would have an available income of around £480. Monzo showed that if Mr B had drawn down the full amount of his credit limit of £500 he'd accrue interest of around £55, so he'd have a minimum monthly payment to settle this within 12 months of around £50.

So I'm satisfied the checks Monzo did were proportionate and reasonable and that they made a fair lending decision.

Flex account limit £1,000 – October 2022.

I can see Monzo did similar checks. This again showed Mr B's monthly income to be £2,239, monthly spending of £712.15, household costs of £125 and credit commitments of £1,085.50 (this increase would take account of Mr B now having a Flex account). Which meant Mr B would have an available income of around £316. Monzo would also have the additional information as to how Mr B was managing his Flex account. And I can see Mr B was paying his repayments on time as well as paying extra amounts towards his instalment plans. For Mr B to clear transactions up to £1,000 plus his daily interest I'm satisfied the checks Monzo did were proportionate and reasonable and showed that Mr B should have been able to sustain his repayments.

Flex account limit £3,250 – February 2023

The information provided indicates that Monzo carried out similar checks to those it carried out in 2022. The credit check provided broadly similar results insofar that Mr B still had no significant adverse information - such as defaulted accounts or county court judgments (CCJ) - recorded against him and Mr B hadn't missed payments to credit in the period since the card had been granted.

But Monzo's record shows Mr B income as having increased to £75,000 per annum. And from their affordability assessment Mr B's income had increased to £2,820, his monthly spending to £959.13, his household costs had reduced to £120, and his credit commitments were now £1,186.85. Monzo determined Mr B's increased monthly income by considering information from CRA, the amount of funds which Mr B was receiving into his main bank

account. But as the credit limit was being significantly increased and Mr B was an existing Monzo current account holder, I would have expected Monzo to have cross checked any declaration of income against this information rather than third-party information.

Monzo was increasing Mr B's credit limit to £3,250 so I do think that Monzo needed to find out about Mr B's actual regular living costs instead of relying on estimates of them. I can see from these statements that Mr B was utilising his overdraft facility consistently. But having considered Mr B's Monzo account statements, I haven't seen much in the way of living expenses going out of his account, which is understandable as Mr B has said he was living with his parents and making a small contribution to the household costs. His income averaged to around £2,039 in the three months prior to this credit limit increase. And once the living expenses which I can discernibly identify are added to Mr B's non-Monzo credit commitments, I'm satisfied he was able to make the payments required to clear £3,250 within a reasonable period of time.

Flex account limit £4,000 – May 2023

Monzo has shown they did similar checks. As with the above increase I think Monzo should have considered the information they had – Mr B's current account with them, rather than a reliance on third party data. I can see from Mr B's bank statements his average income over the three months prior was around £2,110. Again, there is little discernible evidence of living costs, but they do show Mr B was less reliant on his overdraft facility. Taking Mr B's credit commitments into account I'm satisfied he'd sufficient disposable income to sustain his repayments.

From Mr B's Flex account, I can also see that he was paying more than the minimum payments that were required, and that he didn't fully utilise the last two credit limit increases for a period of time after the credit limit was increased.

I think the checks that were completed showed that the account limit was likely to be affordable. I've kept in mind the way the Flex account operates, so that Mr B would need to be in a position to clear any flex balance he owed within 12 months and be able to do so sustainably. It seemed likely that were Mr B to use the full extent of the credit increase he would still be able to meet his existing credit costs plus other essential spending whilst still being left with sufficient disposable income. I've seen he was making regular use of his Monzo personal account overdraft. Relying on an overdraft is always an issue of potential concern. But I've not seen enough evidence to suggest that Mr B's financial situation was at immediate risk of deteriorating.

Mr B said he was spending on gaming platforms and gambling sites. Whilst I can see some transactions that would show this, I wouldn't consider the transactions as being compulsive in nature. Much of Mr B's spending was discretionary.

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

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 April 2025.

Anne Scarr
Ombudsman