

The complaint

Miss W says Monzo Bank Ltd ('Monzo') irresponsibly lent to her. She says that based on her existing financial situation she should not have been approved for a flex credit account.

What happened

This complaint is about a flex credit account that Miss W took out in July 2022. This is a running, or revolving, credit account where Miss W had a credit limit of £500. Miss W could use the account to draw down money to other accounts, or to purchase goods or services (from some retailers).

Miss W needed to make the minimum monthly repayments, via an instalment plan, and interest was calculated on the account daily. The minimum payment is described in the terms and conditions and other supporting sales information.

Miss W has also complained about the account was managed and the customer service Monzo has provided to her over the life of the account. This part of her complaint has been considered separately. I won't consider the customer service issues raised as part of this decision. Miss W has also complained about an overdraft. Again, this has been considered separately and I won't consider Miss W's complaints about this product here.

I'm only considering the initial lending decision to start the flex account.

The account was generally well maintained up until the middle of 2024 when, after this, Miss W started to have problems making the minimum repayments. I've noted the arrangements that were made to repay the account going forward, but as I said, these don't form part of this complaint.

Miss W complained to Monzo saying that it had lent irresponsibly to her and had not assisted her when she had financial and health problems.

Monzo didn't provide a final response to the complaint within eight weeks and so Miss W brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Miss W's complaint. He thought Monzo had performed proportionate checks, and these showed the account was affordable.

Miss W didn't agree with the Investigator. Much of Miss W's response concerned the customer service she had received from Monzo but she still didn't agree that the flex account should have been approved.

Because Miss W didn't agree, this matter has been passed to me to make a final decision.

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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Monzo complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit in a sustainable way?
 - a. if so, did Monzo make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss W could sustainably repay the borrowing?
2. Did Monzo act unfairly or unreasonably in some other way?

And, if I determine that Monzo didn't act fairly and reasonably when considering Miss W's application, I'll also consider what I think is a fair way to put things right.

Did Monzo complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Monzo asked Miss W what her income was, and she said that it was around £20,495 a year, or £1,488 a month, from full time employment. Miss W said her income was unlikely to reduce in the next year.

I can't see that Monzo verified Miss W's income using something like her payslips or bank account statements. But Monzo says the credit reference agency said her income of £1,488 was 'verified'. In any event there is no indication the amount Monzo used was wrong. So even if Monzo had done more here I don't think it would have made a difference.

Monzo also looked at some information from Miss W's credit file. This showed she had 21 other accounts, but it had been 64 months since her last default and 26 months since she had missed any repayments.

There wasn't any further evidence of missed or late payments in the recent time before the application. And it didn't show that Miss W was having more serious problems. So, I think it's reasonable to say the credit reference information showed that Miss W was paying her existing credit, without any issues. And there's nothing in this information that shows me Monzo should've declined her application, or that it should've been unduly concerned about her current financial position.

Miss W declared that her housing costs were £183 a month, Monzo then used statistical information to estimate Miss W's other monthly outgoings which it thought would likely be around £542 a month. The credit report shows she had existing credit commitments costing her around £216 a month. It added a buffer of £125 and from this it calculated she would have about £422 left over to pay the flex account.

When it had made the above calculation it thought the amount Miss W had left over was enough to make the flex account repayments. I don't think this was unreasonable here, given Miss W's other circumstances and the lack of evidence of significant financial difficulties.

Whilst Monzo didn't ask Miss W, or find out another way, about all of her expenditures and used statistical information for some of this. The account had a relatively modest credit limit when it was started and so the minimum repayments would also have been modest. So, I don't think it was unreasonable to have used Miss W's declared income and housing costs, the credit report information and some statistical information in this case.

And the regulations that Monzo need to adhere to (in CONC 5.2.19A) allow the use of statistical data where there is no evidence that the consumers outgoings would significantly exceed the estimates. I don't think this would be the case here.

Miss W has said that the reality of her financial situation was that it was poor at the time, and she was struggling financially. But I can't see that this information was made available to Monzo when she applied for the account. And I haven't seen any further information that shows its likely Monzo was made aware of any financial problems Miss W might've been having – if she was having them. Or anything that would've prompted it to investigate Miss W circumstances further. So, I think it was reasonable for Monzo to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Monzo did when it approved the flex account were proportionate. And I think its decision to approve the account was reasonable.

Did Monzo act unfairly or unreasonably in some other way?

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this case.

My final decision

For the reasons set out above, I don't uphold Miss W's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 23 May 2025.

Andy Burlinson
Ombudsman