

The complaint

Mr P has complained through a representative that Monzo Bank Ltd (“Monzo”) gave him a loan without carrying out sufficient affordability checks.

What happened

Monzo provided Mr P with a £6,500 fixed sum loan in August 2023. If Mr P repaid the loan in line with the credit agreement he would repay a total of £8,554.55. He was due to make 35 monthly repayments of £240 followed by a final loan payment of £154.55. The loan has an APR of 20.7%. As of March 2025, Mr P had made his payments as expected, and so an outstanding balance remains of just under £3,500.

Following Mr P’s complaint Monzo explained why it wasn’t going to uphold it. Unhappy with this response, Mr P’s representative referred the complaint to the Financial Ombudsman where it was considered by an investigator. The investigator didn’t uphold the complaint because Monzo had carried out proportionate checks that showed the repayments were affordable.

Mr P’s representative didn’t agree saying the checks weren’t proportionate because the checks ought to have identified Mr P was already spending 43% of his monthly income on serving debt. And Mr P had debts totalling over £31,000 which ought to have led to further checks. These comments didn’t change the investigator’s mind and as no agreement could be reached the complaint 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.

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I’ve used this approach to help me decide Mr P’s complaint. Having carefully considered everything I’ve decided to not uphold Mr P’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 it needed to carry out proportionate checks to be able to understand whether Mr P 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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done if, for example, a borrower’s income was low, the amount lent was high or there was evidence of an impaired credit history. 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr P's complaint. Having looked at everything I have decided to not uphold Mr P's complaint and I've explained why below.

Mr P, as part of application declared his income was £26,000 gross per year. Monzo worked out that this equated to a net monthly income of around £1,808. From the information provided by Monzo it does seem that it checked Mr P's income with a tool provided by a credit reference agency. The results of that check indicated that what Mr P declared was likely to be an accurate reflection of his actual income.

For a first loan, I think it was entirely fair and reasonable for Monzo to have relied on what it was told by Mr P about his income and the result of its own check.

Monzo's application data showed Mr P declared he had a mortgage which was costing him £406 per month. It also made some assumptions about Mr P's other costs from statistical data – relating to his age and postcode (to name a few factors), and it believed these other costs would amount to around £725 per month. It also took account of Mr P's credit check – which I come on to below and to this Monzo also added a further buffer of around £125. This left more than sufficient disposable income to afford the repayment.

In this case, Monzo carried out a search into Mr P's income and made some reasonable assumptions about monthly living costs taken from statistical data. Importantly, the use of statistical data is allowable under the rules and regulations Monzo ought to have followed. Indeed CONC 5.2.19A says;

“...the firm may take into account statistical data unless it knows or has reasonable cause to suspect that the customer's non-discretionary expenditure is significantly higher than that described in the data.”

In the circumstances of this complaint, there wasn't as far as I can see, any reason to believe that Mr P's non-discretionary expenditure was higher than the data described – therefore it was fair and reasonable for it have relied on the statistical data that it used – without the need to check it further.

Monzo, as part of its affordability assessment also carried out a credit search and it has a provided a summary of the results it received. But I want to be clear that there was no requirement to do a credit search, let alone one to a required standard. That does mean that Monzo may well have received different types and amount of data than Mr P is able to obtain from his own credit file.

Monzo knew that there were no defaults, CCJs or any other type of insolvency recorded on Mr P's credit file. So, there wasn't anything to suggest that Mr P was having or had in the past difficulties maintaining his credit commitments.

As the investigator pointed out – Monzo was aware that 10 months prior to the loan being approved, an account of Mr P's had entered arrears by one month. However, the account appears to have been quickly brought up to date. Given the lack of any other adverse payment information or impaired credit history and / or any other information which suggested financial difficulties, I think it would've been fair for Monzo to not have been overly concerned by the missed payment.

Mr P's representatives has said at the time of borrowing Mr P's total debt was more than his annual income, but that information wasn't reflected in the data Monzo was provided. Based on the credit file information Monzo did receive, I don't think it made an unfair lending decision.

Overall, Monzo carried out reasonable and proportionate checks into Mr P's application that showed the loan to be affordable for him. I'm not persuaded, given the results of the credit check Monzo received that it needed to dig further into Mr P's financial circumstances. I'm therefore, not persuaded that Monzo acted unfairly when providing the loan to Mr P.

I've also 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 Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I therefore do not uphold Mr P's complaint and I would remind Monzo of its obligation to treat Mr P fairly and with forbearance should that be necessary.

My final decision

For the reasons given above, I am not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 May 2025.

Robert Walker
Ombudsman