

## **The complaint**

Mr B has complained about a Monzo credit card account, also known as a flex account, that was provided to him by Monzo Bank Limited ("Monzo"). He's said the card was unaffordable for him and so it should never have been provided in the first place.

## **What happened**

Monzo first granted Mr B the flex account in June 2023 with an opening credit limit of £500. It then went on to increase his credit limit on two occasions: to £1,500 in October 2023 and then to £2,500 in November 2023.

Mr B started getting into difficulty with repaying the account by January 2024. A flex account works a little differently to many credit cards. A borrower can move across spending from their Monzo bank account. And it can also be used a bit like other credit cards, paying things in person or online. Typically, transactions need to be repaid over a maximum of 12 instalments. And certain types of transactions – such as gambling – aren't allowed.

One of our investigators reviewed what Mr B and Monzo had told us. And he thought that Monzo hadn't done anything wrong or treated Mr B unfairly. So he didn't recommend that Mr B's complaint be upheld.

Mr B disagreed with our investigator's assessment and asked for an ombudsman to look at his complaint.

## **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 carefully considered everything, I've decided not to uphold Mr B's complaint. I'll explain why in a little more detail.

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 B's complaint.

Monzo needed to make sure that 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 B could afford to repay before providing him with the flex account.

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.

So, with that in mind, I'll first look at the card opening and then go on to consider each of the credit limit increases in turn.

### *Account opening*

Monzo says it agreed to Mr B's card application after he provided details of his monthly income and some information about his typical monthly expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr B could afford to make the repayments he was committing to.

On the other hand, Mr B has said he should never have been provided with the card as he was already struggling financially. He also says he was gambling and that this was part of the problem.

I've thought carefully about what Mr B and Monzo have said.

As I've mentioned, Mr B was asked to provide some details about his income and expenditure. He said he was employed full time and earning an income that Monzo verified and worked out to be around £1,900 net monthly.

Monzo didn't just rely on what it was told as it carried out a credit search as well. Having considered this information, it appears as though Mr B didn't have any significant adverse information recorded against him, such as a default, county court judgement or repeated missed payments.

Whilst I realise that Mr B's actual circumstances may not have been fully reflected either in the information he provided, or the information Monzo obtained, I see he also said in his application that he was a tenant with monthly accommodation costs of £400.

Monzo also carried out an affordability assessment of its own. Using statistical information, it estimated his monthly spending requirements as £930. It also looked at how much credit he already owed which looked to be only £12.50. Taking all this into consideration and allowing £125 for unforeseen spending and emergencies, Monzo worked out that Mr B ought to have had around £452 by way of available spare income each month.

All of this means that, at the time of his application it looks as though the new account was likely to be affordable for Mr B. I think Monzo had gained a reasonable idea of Mr B's income and committed non-discretionary spending. And I don't think it needed to do better or deeper checks.

As this is the case, I don't think that Monzo did anything wrong when agreeing to open the account. I think it carried out proportionate checks - although I accept that Mr B disputes this - and reasonably relied on what it found out which suggested he'd be able to afford the repayments and going forwards meet them on a sustainable basis.

### *First credit limit increase – October 2023*

Monzo carried out similar checks for this. Mr B was earning the same income and his credit situation remained good. Once again, Monzo carried out an affordability check and this time worked out that Mr B had disposable income of around £389. His credit obligations had increased, to around £42 per month.

By this point Monzo could also see how he'd been using his card. He'd gone over his credit limit in September 2023. That in itself could be a potential source of concern. However, I see Mr B had a payment dispute over a purchase which meant he had to repay an additional sum which appears to have affected his monthly minimum payment. At this point in the lending relationship, against a background of what Monzo had already seen about Mr B's finances, I wouldn't have necessarily expected him to be turned down for the limit increase simply because of that.

So I don't think Monzo acted unfairly in approving this increased limit.  
*Second credit limit increase – November 2023*

Here again, the checks were carried out on broadly the same basis. The key information about Mr B's financial circumstances hadn't changed – which isn't surprising given that only a month had passed since the first increase. The only material changes to what Monzo found was that Mr B's income had gone up a bit, so his monthly income was verified as £2,150 and his monthly credit debt commitment as £50. That all meant he looked to have around £780 available by way of disposable income. And I've noted there'd been no further payment issues with the account.

That means that having carried out checks that were proportionate, the information Monzo found showed that Mr B was likely to be able to afford the increased credit limit.

I've seen that Mr B has spoken about how the credit limit amounts made it possible for him to gamble. But that's not something Monzo could have been aware of at the time of granting the card – and I don't think Mr B would have willingly spoken about it to them at that point. I've seen some gambling-type transactions on Mr B's bank statements after the flex account had been opened, but they look to be only a relatively minor part of Mr B's overall spending. So I don't think this is something that I would have expected Monzo to act on when deciding whether to lend to him.

I know Mr B is unhappy with our investigator's finding and I'm sorry to hear that. I've gone over the points he's made. I know he also had an overdraft with Monzo and that's been looked at separately by us. To the extent that it formed part of Mr B's overall financial situation though, I think it's likely Monzo was aware of the overdraft and how he was using it.

To summarise, I don't think that Monzo treated Mr B unfairly or unreasonably when providing him with the account or the two limit increases that followed. And so I won't be upholding Mr B's complaint. I appreciate this will be very disappointing for Mr B, especially given the difficult time he's been going through. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

I would like to add here that I've seen Monzo took steps to help and support Mr B when he started getting into difficulty with meeting repayments in January 2024 when he was given extra time to pay. But his problems with meeting repayments continued so Monzo gave him a breathing space from April to June 2024. Unfortunately Mr B's problems continued from there and the account went into default in November 2024.

Having carefully reviewed all the available evidence and information, I think Monzo acted fairly to try and help Mr B through his financial difficulties. I am not saying that it necessarily did everything it could have done, but I don't think it fell short of its obligations to provide him with a reasonable level of support.

So, although I'm not upholding this complaint, I'd like to remind Monzo of its continuing obligation to exercise forbearance and due consideration should it intend to collect on any

outstanding balance, in light of what Mr B has said about experiencing financial difficulty and struggling to repay this account.

I've considered whether the relationship between Mr B and Monzo might have been unfair under Section 140A of the Consumer Credit Act 1974. However, 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 Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 September 2025..

Michael Goldberg

**Ombudsman**