

## **The complaint**

Mr C has complained that Monzo Bank Ltd acted irresponsibly when it provided him a £500 overdraft facility in March 2024.

## **Background**

Mr C has a number of accounts with Monzo. In March 2019 he disclosed to the bank that he had a compulsive spending problem that can result in him gambling in a harmful way. He asked that Monzo place a gambling block on his accounts and add a 'no lending' note to prevent him from being able to apply for credit from the bank. The bank did this and Mr C managed his accounts well for the next few years. In November 2021 Mr C, who was still managing his spending well at that time, requested for the lending block to be removed in order to allow him to apply for an overdraft facility. Monzo agreed to do this but clarified Mr C wouldn't automatically be approved for any credit he applied for. The gambling block remained on his account.

In January 2024 Mr C requested the gambling block be removed from his account, which Monzo did without question. Mr C then applied for a £500 overdraft facility with Monzo in March 2024 and the request was approved. By the time he applied for the overdraft facility Mr C had already taken out a credit card with Monzo and a week after this application he applied for a £10,000 loan which was also approved. Unfortunately, by this time Mr C was gambling in a harmful way again, and by May 2024 he found himself in financial difficulty and needed to enter a repayment plan with Monzo across all three accounts. In October 2024 Mr C reduced his overdraft limit.

Mr C has said that Monzo shouldn't have approved him for any of the credit he applied for in early 2024. He believes the bank had sufficient information on file to know that he was a vulnerable consumer with a compulsive spending problem and that giving him access to so much credit would result in him experiencing harm. He has asked that the entire debt he has with Monzo be written off and for the bank to pay him compensation to put him back into the position he was in before January 2024.

Monzo has said that at the time Mr C disclosed his vulnerability and history of compulsive spending it added the appropriate markers to his account and offered tailored support. It also says that when he asked for the lending block to be removed in 2021 it only did so after confirming he was managing his finances well and not gambling. It also noted it was more than a year before the bank approved any credit applications made by Mr C following the removal of the block.

Regarding the application for the overdraft, it says that at the time Mr C applied for it, Monzo ran all the necessary checks to ensure the lending was affordable and sustainable for him. Having done so it didn't think it was wrong to approve the application and so it didn't uphold his complaint.

Unhappy with Monzo's response Mr C brought his complaint to our service. I issued a provisional decision on the 28 March 2025. In it I found that Monzo was wrong to provide Mr C with an overdraft facility in March 2024 as it should have been clear to the bank that he

was a vulnerable consumer and was spending in a compulsive and harmful way. So I said I would direct the bank to refund all interest, fees and charges associated with the overdraft and pay Mr C £250 compensation for the distress caused by its irresponsible lending decision. I asked both parties to reply by 25 April 2025 with any further submissions they wanted to make.

Mr C responded to the decision saying he would only accept a full write off the debt he had with Monzo but didn't provide any new information for me to consider.

Monzo didn't respond to the provisional decision.

As I've not received any new information from either party my opinion on the matter remains the same and I'm upholding Mr C's complaint against Monzo. For the sake of clarity, I will repeat the findings from that decision below.

### **My findings**

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

Mr C has argued that Monzo knew he was a vulnerable consumer at the time he applied for the lending and ought to have realised that providing him access to the overdraft facility would have resulted in him experiencing harm. He has explained that in early 2024, due to an unexpected change in the medical support he was receiving, he relapsed and started to gamble in a harmful and compulsive way. As a result, between January and May 2024, Mr C lost all his savings, and applied for multiple forms of credit, not only with Monzo but with other lenders as well. He is now in a very difficult position financially and has said he has had to consider bankruptcy.

He believes the harm he experienced was foreseeable and that Monzo should have done more to support him. I would like to thank Mr C providing so much detail about his personal circumstances at the time as I appreciate compulsive spending and problem gambling can be extremely difficult to talk about and Mr C has done so with honesty and openness throughout this process.

I also want to acknowledge that I previously issued the decision on Mr C's complaint about the loan he took with Monzo and so some of the language in that decision has been repeated here. This is due to the fact that both lending applications took place within a week of each other and so the circumstances surrounding both lending decisions are very similar and there is some overlap in considerations.

But I want to assure both parties I have considered the complaints separately and impartially and where I've summarised facts in the same way, or not commented on something directly, it's not because I haven't considered everything in full. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

When Mr C opened his account with Monzo in 2019 he disclosed that he had a compulsive spending problem that resulted in him gambling in a harmful way. He asked what sort of support Monzo could offer him and the bank placed both a gambling block on his account and added a 'no lending' flag to his account to prevent him from applying for any form of credit with it.

In November 2021 Mr C requested that the 'no lending' block be removed from his account, which Monzo agreed to do after it had checked that he was still managing his finances well.

It also asked him about his gambling habit whether or not it was still under control. At that time Mr C confirmed that he was receiving ongoing support and was now managing his finances well. He thanked Monzo for checking that he wasn't gambling, and the lending block was removed.

I think this was an appropriate response by Monzo. It acknowledged the information Mr C had previously disclosed and checked that he was managing his finances well and not at risk of using any credit he may get access to, to gamble. And I can see that Monzo also explained that removing the block didn't automatically guarantee Mr C would be approved for any lending he might apply for. Any application would still have to go through an affordability assessment before being approved. Indeed, Mr C applied for credit between 2021 and 2024 and these applications were declined at that time. So, I'm satisfied that Monzo behaved responsibly when it agreed to remove the no lending markers from Mr C's account in 2021.

However, I do think that Monzo failed to offer Mr C proper support as a known vulnerable customer in January 2024 when he requested the gambling block to be removed from his account. Prior to this request Mr C had explicitly told Monzo in March 2019 that he had a gambling problem. Then in November 2021 when he requested the no lending marker be removed Mr C referenced time spent in a rehab facility getting help with his gambling addiction. He also confirmed that he wanted the block to stay in place at that time. However, looking at the notes on Mr C's account from January 2024 when he requested the gambling block be removed it appears the advisor agreed to remove it with the minimum cooling off period, and without any additional welfare checks, or even basic questions on the basis that there had been no gambling on the account since it was opened.

This rationale is clearly flawed, given the entire reason there had been no gambling on the account was that when he opened it Mr C immediately disclosed he had a compulsive spending problem and asked for the block to be added as a safeguarding measure. There are clear notes to indicate that Mr C was at risk of gambling in a harmful way and on the day he asked for the block to be removed there were two attempted transactions to a well-known high street gambling merchant. So, I think Monzo should have done more before it agreed to remove the block and should have applied some friction to the process by questioning what had changed in Mr C's circumstances that meant he was now able to gamble safely, when he had previously explained he'd spent time in rehab for support with his gambling addiction.

Ultimately Mr C was entitled to have the block removed and Monzo couldn't refuse his request outright. But I do think it should have questioned what was going on and done more to try to support a customer who was showing clear signs of vulnerability and a relapse into harmful behaviour. The request to have this safeguarding measure removed in January should also have been considered in March when Mr C asked for access to more credit. Had Monzo reviewed what it knew about Mr C in more detail it may have realised he was experiencing financial harm when he applied for the overdraft just over eight weeks later. So, it missed an opportunity to offer support when support was genuinely needed. And for that failure I think it should pay Mr C £250 compensation in addition to the redress suggested by the investigator.

I know Mr C disagrees with the redress I've proposed and believes Monzo should write off the entire debt he now holds with it. But it would be unreasonable to ask Monzo to write off the debt linked to his overdraft facility as this is money Mr C spent and is liable to repay.

However, I don't think Monzo ought to profit from its incorrect lending decision which is why Mr C only needs to repay the capital amount he spent and not any associated interest or charges added to the account by Monzo. But I do appreciate the situation he now finds himself in and I agree Monzo should have done more to try to safeguard him in 2024 which

is why I'm upholding his complaint and asking the bank to pay additional compensation on top of the standard redress of refunding interest and charges.

### **Putting things right**

In order to put things right Monzo Bank Ltd should:

- Rework Mr C's current overdraft balance so that all interest, fees and charges applied to it from March 2024 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Monzo should contact Mr C to arrange a suitable repayment plan. Mr C is encouraged to get in contact with and cooperate with Monzo to reach a suitable agreement for this. Monzo can also reduce Mr C's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave him over his limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr C along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Monzo should remove any adverse information from Mr C's credit file. Monzo can also reduce Mr C's overdraft limit by the amount of refund if it considers it appropriate to do so.

- Pay Mr C £250 compensation in recognition of the distress caused by its failure to consider his known vulnerabilities or offer support when it should have.

† HM Revenue & Customs requires Monzo to take off tax from this interest. Monzo must give Mr C a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons set out above, and in my provisional decision of 28 March 2025 I uphold Mr C's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 May 2025.

Karen Hanlon  
**Ombudsman**