

The complaint

Mr R complains that Monzo Bank Ltd have irresponsibly lent to him.

What happened

Mr R was approved for a Monzo Flex account in July 2022 with a £1,000 credit limit. I have set out the credit limit changes below:

August 2022	£1,000 to £3,000
October 2022	£3,000 to £4,000
April 2023	£4,000 to £4,500
April 2023	£4,500 to £5,000

Mr R says that Monzo irresponsibly lent to him. Mr R made a complaint to Monzo, who did not respond to his complaint, so he brought his complaint to our service. Our investigator did not uphold Mr R's complaint. He said that Monzo made fair lending decisions. Mr R asked for an ombudsman to review 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.

I'm aware that Mr R has complained about other products he holds/held with Monzo. I must make it clear to him that this decision will solely focus on his Monzo Flex account. Any other ombudsman decisions he's asked for will be communicated to him separately, if he has not received these yet.

I've considered that Monzo increased Mr R's credit limit a number of times over a short period of time. This could indicate that Mr R was hungry for credit. But I am mindful that Monzo did complete checks at each lending decision, and they did not rely on data they previously had, even if the last lending decision was only days earlier. So this factor alone would not mean a lending decision was irresponsible. So I've looked at what Monzo's other checks showed to see if they made fair lending decisions.

Before agreeing to approve or increase the credit available to Mr R, Monzo needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Monzo have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Monzo Flex account

I've looked at what checks Monzo completed prior to opening Mr R's account. I'll address the credit limit increases later on. Monzo looked at information from a Credit Reference Agency (CRA) and used information from Mr R to determine whether he could afford sustainable repayments for a £1,000 credit limit.

The CRA Monzo used told Monzo that Mr R last defaulted on an account 68 months prior to the account opening checks. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Monzo made to see if they made a fair lending decision.

The CRA told Monzo that the last time Mr R had last missed two consecutive payments was 26 months prior to the checks. So although Mr R had financial difficulties in the past, they didn't appear to be recent.

Mr R told Monzo his gross annual income was £75,000 and he was employed full time. Monzo completed an affordability exercise using Mr R's net monthly income, and his expenditure which was based on a mixture of information from modelling (such as Monzo's estimated costs for certain outgoings), and information from a CRA (such as Mr R's existing outgoings for his debt, as he held other forms of lending at the time).

In addition to this, Monzo included a buffer of £125 a month, in case Mr R's outgoings unexpectedly increased, which I'm persuaded was a responsible thing to do. The affordability assessment showed that Mr R would have around £2,400 disposable monthly income. So it would appear Mr R would have enough disposable income to be able to meet repayments for a £1,000 credit limit. The credit limit would have equated to around 1.3% of Mr R's declared gross annual income.

So I'm persuaded that the checks Monzo completed for this lending decision were proportionate, and they made a fair lending decision here.

August 2022 credit limit increase - £1,000 to £3,000

Monzo's checks for each lending decision were broadly the same, therefore, to avoid repetitiveness, I'll focus on the outcome of the checks in this section and the subsequent sections.

The CRA told Monzo it had been 27 months since Mr R had two consecutive payments in arrears, and it had been 69 months since the last default he had. Mr R again told Monzo he earned the same as at the last lending decision. The affordability assessment showed that Mr R would have around £2,350 a month disposable income, which would be sufficient to sustainably afford repayments for a £3,000 credit limit. The £3,000 credit limit would equate to 4% of Mr R's declared gross annual income.

So I'm persuaded that the checks Monzo completed for this lending decision were proportionate, and they made a fair lending decision here.

October 2022 credit limit increase - £3,000 to £4,000

Mr R declared a gross annual income of £75,000. The CRA reported to Monzo that it had been 28 months since Mr R had two consecutive payments in arrears, and 70 months since the last default.

The affordability assessment that Monzo completed showed that Mr R would have around £2,287 a month disposable income. I've reviewed Mr R's Flex statements leading up to this lending decision. The statements do not appear to show any missed payments since Mr R's account had been opened.

The £4,000 credit limit would equate to around 5.3% of Mr R's declared gross annual income. So I'm persuaded that Monzo's checks were proportionate, and that they made a fair lending decision to increase the credit limit here.

April 2023 credit limit increase - £4,000 to £4,500

Mr R declared a gross annual income of £85,000, so it appears he may have had a pay rise since the last lending decision for the Flex account. The CRA reported to Monzo that it had been 34 months since Mr R had two consecutive payments in arrears, and there were no defaults showing on his credit file for this lending decision.

The affordability assessment that Monzo completed showed that Mr R would have around £2,032 a month disposable income. I've reviewed Mr R's Flex statements leading up to this lending decision. The statements do not appear to show any missed payments since the last lending decision.

The statements also show occasions where Mr R paid early, and he made extra repayments, which I wouldn't expect Mr R to be able to do if he was struggling financially at the time. On 24 February 2023, Mr R's interest he was charged brought his outstanding balance to £4,004.82, but I note he also made a repayment on the same day for £1,026.30, which brought him back under his credit limit.

The £4,500 credit limit would again equate to around 5.3% of Mr R's declared gross annual income. So I'm persuaded that Monzo's checks were proportionate, and that they made a fair lending decision to increase the credit limit here.

April 2023 credit limit increase - £4,500 to £5,000

Mr R declared a gross annual income of £85,000. The CRA reported to Monzo that it had been 35 months since Mr R had two consecutive payments in arrears, and there was no default being reported by the CRA.

The affordability assessment that Monzo completed showed that Mr R would have around £2,058 a month disposable income. I've reviewed Mr R's Flex statements leading up to this lending decision. The statements do not appear to show any missed payments since the last lending decision, albeit I note the last lending decision was only 10 days prior to the last credit limit increase. But on the day of this credit limit increase, Mr R did make an early repayment of £1,667.52, and an extra repayment of £305.18.

The £5,000 credit limit would equate to around 5.9% of Mr R's declared gross annual income. So I'm persuaded that Monzo's checks were proportionate, and that they made a fair lending decision to increase the credit limit here.

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 can't conclude that Monzo lent irresponsibly to Mr R 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.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 July 2025.

Gregory Sloanes
Ombudsman