

## The complaint

Mr R complains that Monzo Bank Ltd (Monzo) acted irresponsibly in granting him a personal current account overdraft, and in increasing its limit.

## What happened

Mr R has had a personal current account with Monzo for several years. In July 2022, Monzo granted Mr R a personal current account overdraft. The initial credit limit was £750.

The credit limit was increased as follows:

Date	Credit limit
August 2022	£1,000
September 2022	£1,500
March 2023	£2,000

In 2024, Mr R complained that Monzo had been irresponsible in granting the overdraft facility and subsequent credit limit increases. Monzo didn't issue a final response to Mr R's complaint within the time limit set by the regulator, so the complaint was referred to our service. Mr R also complained about a credit card and loans he held with Monzo. Those complaints have been dealt with separately by our service.

Monzo said it thought it had acted responsibly in granting the personal current account overdraft facility, and in increasing its limit.

One of our Investigators considered Mr R's complaint, and didn't uphold it. Mr R disagreed, so the case comes 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.

I've considered the relevant rules and guidance on responsible lending set by the regulators, laid out in the consumer credit handbook (CONC) since 2014. In summary, these say that before Monzo granted the overdraft facility it needed to complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open-ended account, Monzo also needed to consider whether Mr R would be able to repay the debt within a

reasonable period. And, Monzo had a duty to regularly review the overdraft to ensure it remained affordable for Mr R.

Monzo has explained it considered information from external credit reference agencies before granting the overdraft facility to Mr R in July 2022, and before increasing the credit limit in August and September 2022, and March 2023.

Monzo has told us that, in July, August and September 2022, the information from the credit reference agency showed that Mr R's monthly income was around £4,300, which matched the annual income of £75,000 he declared. This rose to around £4,850 in March 2023, when Mr R declared an income of £85,000.

Monzo estimated Mr R's payments to his other debt commitments to be between around £41 in July 2022, rising to £1,280 in March 2023. Mr R declared his monthly accommodation costs to be £335, and Monzo estimated his essential monthly outgoings to be between around £1,000-1,100. It therefore calculated he had a disposable income of between around £2,400 in July 2022 to around £2,100 in March 2023.

The information from credit reference agencies also showed that Mr R hadn't been two or more payments in arrears on any of his accounts in over two years.

As it appears Mr R's current account with Monzo was his main account, which he used for day-to-day spending, I would also have expected Monzo to consider the information in Mr R's bank statements. I've therefore considered Mr R's bank statements, and found that his average income in the three months prior to when the personal current account overdraft facility was granted, and each time the limit was increased, was as he declared in the application (or higher). I couldn't see that Mr R's essential expenditure (on items such as food, utilities, travel etc) was significantly different to Monzo's estimate.

I also couldn't see any signs of financial difficulties, such as returned payments or use of short term lending. When Mr R made the complaint about unaffordable lending, he also told Monzo that he was experiencing issues with problem gambling. I also looked to see whether this should have been apparent to Monzo from his bank transactions. I could only see a few gambling transactions – perhaps one or two a month. So I don't think Monzo should have had any concerns.

As I've explained above, Monzo needed to conduct proportionate checks to satisfy itself Mr R would be able to repay the debt in a sustainable way, within a sustainable period. I'm mindful that Mr R also held a credit card with Monzo, the credit limit of which had risen to £4,000 by the final credit limit increase on the overdraft in March 2023 – giving Mr R a total credit limit available to him of £6,000.

Overall, I think the checks Monzo conducted were proportionate. And, given Monzo had calculated Mr R's disposable income to be over £2,000, I think it reasonably considered that the initial overdraft limit and each of the credit limit increases were sustainably affordable for him.

As I've explained above, Monzo also had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Mr R. Overdrafts are also generally intended for short-term, emergency borrowing – which isn't how Mr R was using his personal overdraft facility with Monzo. From the granting of the personal overdraft facility, Mr R used it for the majority of each month.

Monzo sent Mr R messages about his persistent usage of the overdraft every three months. These messages flagged to Mr R that he was using the overdraft a lot; that it was an

expensive way to borrow, and said that he could contact Monzo to look at ways to manage his overdraft.

I'm mindful that some of Mr R's spending from the personal overdraft facility was discretionary – and, arguably, he could have used those funds to pay down the balance of the account. And, I can't see any other signs of financial difficulties, such as returned payments.

In April 2024, just over a year after the last credit limit increase had been granted, Mr R told Monzo he was experiencing financial difficulties and issues with problem gambling. By this time, Monzo had sent Mr R messages about heavy usage of his overdraft facility every three months for a year – and his overdraft usage hadn't reduced. So, at around this point, I would have expected Monzo to take further steps to support Mr R to reduce his overdraft usage.

In any case, as Mr R contacted Monzo to let it know he was experiencing financial difficulties, it froze interest and charges on the account.

So, on balance, I think Monzo took reasonable steps to support Mr R, based on the conduct of the account.

Monzo should speak with Mr R to agree an affordable repayment plan for the personal current account overdraft. If he hasn't, Mr R may also wish to seek independent debt advice. StepChange and National Debtline are organisations which offer free independent debt advice.

I've also thought about whether Monzo's actions meant there's an unfair relationship between it and Mr R. However, for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr R in this instance, 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**

My final decision is that I don't 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 9 July 2025.

Frances Young  
**Ombudsman**