

The complaint

Mr B has complained about a personal loan Monzo Bank Limited (“Monzo”) provided to him. He’s said that the loan was unaffordable for him and so it should never have been provided in the first place.

What happened

Monzo provided Mr B with the loan in October 2023. He borrowed £7,000. My understanding is that the purpose of the loan was to consolidate his existing borrow.

Mr B’s loan was repayable over 24 months. The total to be repaid was £8,706.40. This was due to be repaid in 23 monthly instalments of £363 followed by a single final instalment of £357.40.

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.

Mr B has also complained about an overdraft and also a Monzo Flex card he’s had with Monzo. We’ve already considered those complaints separately and so this decision is solely considering whether Monzo acted fairly and reasonably when providing Mr B with his loan. I will however briefly consider Mr B’s overdraft against the background of his financial situation as part of this decision.

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 this loan.

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.

Monzo says it agreed to Mr B's loan 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 this loan because he already had a lot of other credit commitments, including payday loans and the credit account and overdraft he'd already taken out with Monzo.

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

As I've mentioned, whilst this was Mr B's first loan with Monzo, Mr B already had the overdraft with his Monzo bank account plus a Monzo Flex account. For each application Mr B was asked to provide some details about his income and expenditure. Monzo didn't just rely on what it was told as it carried out a credit search too.

Having considered this information, it appears as though Mr B didn't have any significant adverse information recorded against him at this stage. I say that allowing for a missed payment 13 months earlier and two missed payments together around 20 months earlier. I don't think these were concerning given the overall picture of his finances. And there weren't any other adverse markings, such as defaulted accounts or county court judgements, recorded against Mr B either. Furthermore, Mr B also appears to have declared that he was living at home with parents at this stage too, which tends to suggest his monthly outgoings might be lower – although I would expect that he'd be making regular contributions towards household costs. 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 said in his application that he had monthly accommodation costs of £120.

Monzo also carried out an affordability assessment of its own. It verified his monthly income to be just over £3,900 and his monthly spending requirements at £1,000. It also looked at how much credit he already owed and worked it out to be a monthly commitment of just over £1,700. Taking all this into account and allowing £125 for unforeseen spending and emergencies, Monzo worked out that Mr B ought to have had around £960 by way of available spare income each month.

I think it's also relevant that this loan appears to have been taken out for the purpose of helping Mr B to consolidate existing debt. That suggests he was making an attempt to bring at least some of what he owed elsewhere into a loan agreement which would be beneficial to him, for example in terms of the size of the repayment required and interest rate.

All of this means that, at the time of his application it looks as though Mr B did have the funds necessary to make the payments to this loan.

So, I would expect Monzo to have had a reasonable idea of Mr B's income and committed non-discretionary spending. I think it did enough to establish that here. As this is the case, I don't think that Monzo did anything wrong when deciding to lend to Mr B. It carried out proportionate checks - although I accept that Mr B disputes this - and reasonably relied on what it found out which suggested the repayments were affordable.

I'd like to add here, having seen Mr B's concerns about our investigator's finding, that my consideration of Mr B's financial circumstances has included his existing overdraft with Monzo. Monzo gave Mr B an overdraft limit of £250 in August 2022. It was then increased on

four occasions before the point he applied for the loan, reaching £1,500 in March 2023 and then being reduced to £1,000 in July 2023. I think in this instance that reduction suggests that Mr B was gaining a measure of control over his finances. I realise that things may have changed by November 2023 when he applied to increase his overdraft borrowing, but that's after he applied for and was accepted for the loan, so it wouldn't be fair to consider it here. And for completeness, I've also factored in the Monzo Flex account that Mr B first took out with Monzo in August 2022 and was also paying.

To summarise, I don't think that Monzo treated Mr B unfairly or unreasonably when providing him with this loan. 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.

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.

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 10 September 2025.

Michael Goldberg
Ombudsman