

The complaint

Miss W complains that Monzo Bank Ltd trading as Monzo lent to her irresponsibly.

What happened

On 15 March 2020, Miss W applied for - and was given - an overdraft of £1,750. The overdraft limit has not changed since.

On 16 October 2024, Miss W complained to Monzo. She said it had been irresponsible for it to have agreed such a high overdraft limit when she was on a salary of £25,000 a year. She said if it had checked her credit file Monzo would have seen she had recently opened two credit cards, two other overdrafts and a loan. She was struggling to pay for these facilities and by agreeing the overdraft, Monzo simply made her situation worse.

To resolve her complaint, Miss W asked for a refund of interest and charges she'd paid along with statutory interest of 8% simple per year. She asked for any adverse information added to her credit file to be removed.

Miss W didn't receive a response from Monzo so she referred her complaint to our service. After our involvement, Monzo apologised for the administration error which meant it hadn't logged her complaint. It said it would correspond with us about it.

One of our investigators looked into the complaint. He said it hadn't been unreasonable for Monzo to have lent to Miss W based on her application and the information it found in checks it carried out.

But our investigator said Monzo had a duty to monitor Miss W's use of the overdraft, and it ought to have been evident from March 2021 that she was struggling with it. He noted that Monzo had sent text messages to Miss W about her overdraft use – a sign that it recognised she wasn't using the overdraft as intended. But Monzo hadn't taken any positive action beyond texting; our investigator felt it should have. He upheld Miss W's complaint and recommended a refund of charges and interest from 15 March 2021 onwards.

Miss W accepted our investigators view of her complaint, but Monzo didn't. It acknowledged that it had text Miss W regularly but said it would have caused her hardship if it had removed her overdraft in March 2021.

As there was no agreement, the complaint has been passed to me for a 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.

Miss W has accepted our investigator's view that the overdraft was fairly lent in the first place, so I'll not discuss the lending decision further. The remaining dispute is whether Monzo ought to have done more than simply sending Miss W texts about her persistent use

of the overdraft. As I've said, our investigator felt it ought to have done more to help Miss W and so recommended a refund of the cost of the overdraft from March 2021.

In response to our investigator's view, Monzo provided a copy of its process for "*Supporting overdraft customers in repeat use*". It closely follows regulations set by the Financial Conduct Authority (FCA) set out in the Conduct of Business Sourcebook (CONC).

CONC 5D.2 (as the bank's process sets out) says that banks should monitor customer's accounts in order to identify those who may be in actual or potential financial difficulties and those that aren't. Banks are then obliged to contact customers who may be (or are) in difficulty, to contact customers to highlight their usage and the cost of borrowing.

CONC 5D.3.3 sets out things a bank can do to support people in difficulty to reduce the use of the facility and improve their financial situation. The options include (CONC 5D3.3(4)) forbearance such as reducing or waiving interest and other charges, transferring the overdraft debt to another credit agreement in more favourable terms, and agreeing staged reductions in the overdraft limit.

Monzo says its process is to contact these customers monthly, and those who are not in potential or actual difficulty quarterly. In this case, Monzo contacted Miss W seven times between 1 July 2020 and 11 February 2021 (8 months), so I take it that it felt she was at least in potential financial difficulty. Monzo's process includes a section on "*Support and forbearance*" which includes the interventions suggested in CONC that I've mentioned above.

In response to our investigator's view, Monzo said it felt removal of Miss W's overdraft would have caused her hardship, and I agree with that. But it hasn't explained why it didn't implement its forbearance and support measures such as "*interest cancelling tokens*" or a repayment plan over 18 months for instance. Instead, Monzo allowed the overdraft to remain with Miss W continuing to pay interest and charges while it had identified that she was in (or at risk of) financial difficulties.

Putting things right

I agree with our investigator that having identified that Miss W was in or at risk of financial difficulties, Monzo should have stepped in to support her by 15 March 2021. That being so, I don't think it should benefit through receipt of charges and interest by continuing to provide the overdraft on the same terms from then onwards. Monzo should:

- Re-work Miss W's current overdraft balance so that all interest, fees, and charges applied to it from 15 March 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Monzo should contact Miss W to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on her credit file, it should backdate this to 15 March 2021.

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 Miss W 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 her credit file. †

† HM Revenue & Customs requires Monzo to take off tax from this interest. It must give

Miss W a certificate showing how much tax it has taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint. Monzo Bank Ltd trading as Monzo should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 2 September 2025.

Richard Hale
Ombudsman