

The complaint

Mr B complains that Monzo Bank Ltd (“Monzo”) acted irresponsibly when it granted and then increased his, current account overdraft limit when he was struggling financially. Mr B also complains about the granting of a credit card account by Monzo but that matter has been considered separately and this decision is solely in relation to his Monzo current account overdraft.

What happened

Mr B was granted a current account with Monzo on 24 May 2023 with an initial overdraft limit of £250. In October 2023 the overdraft limit was increased to £1,000 and in November 2023 the limit was increased, for the last time, to £2,000.

In May 2024 Mr B complained to Monzo that it had been irresponsible in granting him an overdraft limit (in May 2023) and irresponsible in increasing that overdraft limit twice (in October and November 2023).

On 11 December 2024 Monzo sent Mr B a final response letter (“FRL”). Under cover of this FRL Monzo said it was satisfied it had conducted reasonable and proportionate checks prior to the overdraft being offered and the subsequent increases. Unhappy with the FRL, Mr B brought his complaint to our service.

Mr B’s complaint was considered by one of our investigators who didn’t uphold it, coming to the view that Monzo had treated Mr B fairly.

Mr B didn’t agree and so his complaint has been passed to me for review and decision.

On 13 October 2025 I issued a provisional decision on this case. In summary I said:

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

Having done so, I can confirm that I’ve come to a different conclusion to the investigator and I don’t think Monzo acted fairly in this case.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Did Monzo conduct proportionate checks prior to making its lending decisions? And was the decision to lend fair?

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.

So before agreeing to approve or increase the credit available to Mr B, Monzo needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but aren't 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. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect Monzo to think about Mr B's ability to repay the whole borrowing in a reasonable period.

I note that the credit score that Mr B had when he first applied for an overdraft was 570, which would indicate a consumer with a poor credit rating with past credit difficulties or a lack of credit history.

As part of the application prior to the £250 overdraft approval in May 2023, Mr B declared he worked full time with an income of £28,000 per year, which Monzo calculated to be around £1,921 a month, a calculated figure it said it confirmed with a credit reference agency. Mr B also declared that he paid £400 towards his rent. Monzo then completed a credit check which it says showed he had no existing credit commitments and that he had no recent defaults or missed payments. Lastly it said it estimated his monthly essential living costs to be around £931. It said based on these figures it was satisfied that Mr B had a sufficient disposable income of approximately £464 a month (this included an additional buffer added by Monzo of £125) to be able to afford an overdraft of £250. But I disagree and I'll explain why below.

We asked Mr B for a copy of his credit file which I'm grateful for him providing. This is to see what Monzo should have seen about his accounts with other lenders prior to it approving him for a £250 overdraft. The credit file shows that Mr B already had a £4,500 overdraft with another company. And I've also viewed Mr B's bank statements for his overdraft account with this different lender.

So as part of a proportionate check, I think Monzo needed to take a closer look at Mr B's credit file to see how much or if any of this overdraft was being used in the three months prior to approving him for a £250 overdraft. I think this is particularly pertinent as Mr B's income was being paid into another account which he also used for his direct debit payments.

Mr B's credit file shows that prior to Monzo approving the overdraft limit for him, he was constantly near the maximum limit and had been so for a number years. And as Mr B was reliant on this other overdraft, it's evident he was in a cycle of debt and reliant on hardcore

borrowing. So I'm persuaded that there were signs that Mr B couldn't manage his existing overdraft and therefore would be unlikely to be able to afford a new £250 overdraft with Monzo, regardless of the relatively small amount.

I think given the fact that there was evidence on Mr B's credit file of hardcore borrowing with another lender, Monzo should have conducted further checks. Whilst I'm not saying that Monzo should have requested statements from this other lender, it should at the very least requested confirmation of Mr B's income and expenditure. Mr B stated he was earning £28,000 a year which from the checks it conducted, Monzo assessed it to be around £1,921. But from the evidence I've seen, Mr B's monthly income was averaging around £1,400 in the three months prior to the lending decision and this also included benefits. So had Monzo requested confirmation of Mr B's income, such as requesting copies of his payslips, it would have seen it was considerably less than what Mr B had stated on his application. Monzo also stated that Mr B had no credit commitments at the time of the application. But again, that isn't correct. As well as a credit card account with a limit of £1,800 which was near the limit and not reducing despite repayments, Mr B also had an outstanding loan which he was paying £135 a month towards.

Given that Monzo assessed Mr B's expenditure to be £931, his rent to be £400, he had a monthly loan repayment of £135 and his actual income was around £1,400 a month, this would have left Mr B with a negative disposable income in which to try and pay back his other revolving credit and other overdraft. So the reality is that Mr B would have had to use debt to pay back this debt, which isn't sustainable. So I don't think Monzo conducted proportionate checks prior to making their lending decision as had it done so, it would have seen that the £250 overdraft facility for Mr B was neither affordable nor sustainable.

When Monzo granted Mr B the initial overdraft limit of £250 in May 2023, this was followed by a further increases in limit to £1,000 in October 2023 and to £2,000 in November 2023. So it follows that as I don't think Monzo made a fair initial decision to lend in May 2023, these further increases were also unfair and not affordable for Mr B.

On balance, I'm not satisfied Monzo made a fair lending decision when it granted Mr B an overdraft limit of £250 in May 2023 and further increases up to £2,000 as I don't think the repayments would have been affordable or sustainable, given his circumstances highlighted above. So it follows I intend to ask Monzo to put things right for Mr B.

Did Monzo act unfairly in any other way

Mr B has also shared some sensitive personal information about his gambling and how his financial situation has impacted his mental health. I'm grateful for Mr B sharing this and I hope Mr B's fortunes improve. Our investigator has already signposted Mr B to organisations that may be able to help him and I would urge him to consider these.

In relation to Mr B's gambling, I'm not sure this is something that Monzo would or should have been aware of and it's my understanding that Mr B didn't make Monzo aware of this issue until he complained. And just because I don't think Monzo should have authorised the overdraft in the first instance, it doesn't follow that Monzo should have requested bank statements for Mr B's other accounts (where the gambling would be evident). I say this as Monzo just needed to look closer at Mr B's credit file to see that he had been overdrawn for a number of years and at the upper limit on his other account. So with this in mind, I'm unable to say Monzo did anything wrong in relation to Mr B's gambling problems as from the evidence I've seen, it wasn't aware of this and couldn't feasibly have found out about it.

I've also considered whether Monzo have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Monzo and Mr B, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I then explained what Monzo should do to fairly and reasonably compensate Mr B.

Mr B agreed with my provisional findings but Monzo disagreed with them. In its response to my provisional decision Monzo said, in summary, that a credit rating of 570 in 2023 indicated a fair credit rating as opposed to poor, there was no adverse information on Mr B's credit file prior to the initial application and it didn't think it needed to request bank statements or to request further income and expenditure information. Overall, Monzo thought it had conducted proportionate checks and made fair lending decisions when it granted the initial limit and subsequent increases.

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.

And whilst I acknowledge and considered the comments that Monzo have made carefully, on balance it hasn't altered my overall decision. I say this as whilst I agree that Monzo didn't need to go as far as requesting bank statements from Mr B, I think it should have looked a bit closer at how Mr B's other overdraft was being used and confirmed Mr B's income and expenditure. I say this as it should have been clear from the credit report that Mr B wasn't managing his other overdraft well, was near to his credit limit of £4,500 and in essence was reliant on hardcore borrowing. And had it requested confirmation of Mr B's income, it would have been clear that he was earning considerably less each month than it had assessed.

I also acknowledge that sometimes credit reports don't always reflect the true financial situation of consumers, as in the case here. Monzo told us Mr B had no external debt at the time of the initial application but from the information I've seen, he did. He had a £1,800 limit credit card which was near the limit at the time of the initial application and an outstanding loan, paying £135 a month towards. So I think had Monzo requested confirmation of Mr B's income and expenditure, it would have established he was earning considerably less than it assessed and his other credit commitments and expenditure left him with a negative disposable income each month. And whilst I acknowledge that the initial £250 limit was a small amount, given the way he was utilising his other overdraft and his negative disposable income each month, even this small amount wasn't affordable for Mr B.

So with the above in mind and given that I have no new material evidence to consider, I can confirm that I have no reason to depart from my provisional decision and I now confirm it as final.

My final decision

My final decision is I uphold this complaint against Monzo Bank Ltd. Monzo Bank Ltd must:

- Re-work Mr B's current account balance so that any additional interest, fees and charges applied from May 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Monzo Bank Ltd should contact Mr B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr B's credit file, it should backdate this to May 2023.

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 B, along with 8% simple interest (yearly) on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Monzo should remove any adverse information from Mr B's credit file.*

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 December 2025.

Paul Hamber
Ombudsman