

The complaint

Mr R complains that Monzo Bank Ltd (“Monzo”) didn’t complete adequate affordability checks and had it done so, it would have seen the loan offered and advanced to him (by it) was unaffordable. Mr R says he was in financial difficulty at the relevant time and had a gambling addiction, and this should have been evident from his bank statements.

For ease, in my decision I will refer to Mr R when talking about him or his representative.

What happened

Mr R opened a current account with Monzo in June 2023 and applied for and was approved for a personal loan in July 2023. The loan was for £5,000 and was to be repaid over 30 months with monthly instalments of £250 and a final repayment of £165.

In November 2024, Mr R complained to Monzo that it had provided the loan irresponsibly.

On 29 November 2024, Monzo issued Mr R with a final response letter (“FRL”). Under cover of this FRL, Monzo explained how it assessed Mr R’s affordability for this loan and concluded that it hadn’t lent irresponsibly and didn’t uphold the complaint. Unhappy with this FRL, Mr R brought his complaint to our service.

Our investigator didn’t uphold Mr R’s complaint.

Mr R didn’t agree. He says Monzo should have checked his bank statements and had it done so, it would have seen he was in financial difficulty, had to borrow off family and friends and was gambling excessively and couldn’t afford the loan.

As Mr R didn’t agree, the case has been passed to me to make 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.

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.

Monzo will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr R's complaint. Having looked at everything I have decided to not uphold Mr R's complaint and I've explained why below.

Monzo's decision to grant Mr R a £5,000 loan in July 2023

Monzo was required to lend responsibly. It needed to conduct checks to make sure that the loan it offered to Mr R was affordable and sustainable. Such checks need to be proportionate to things like the loan amount offered to Mr R and how much he had to repay each month.

This means to reach my decision I need to consider if Monzo carried out proportionate checks at the time of Mr R's application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

Mr R was approved a £5,000 loan with an APR of 39 %. The total cost of the loan was £7,415.

As part of Mr R's application, he declared he was employed and receiving an income of £40,000 a year which equated to £2,263 a month. He also declared that he was living with his parents and had no rental commitments.

Monzo says it conducted a credit check to determine whether to lend to Mr R. Monzo, from the credit checks it conducted and the information Mr R provided, assessed his expenditure to be in the region of £1,469 a month based on £812 living expenses and other credit commitments of £657 (and an affordability buffer of £125). Monzo said that this gave Mr R a disposable income in the region of £794 a month.

Monzo said there wasn't any adverse information on Mr R's credit file (and which on the face of it suggests Mr R was reasonably managing the credit he had already been provided with), and a loan of £5,000 appeared affordable for him. On the other hand, Mr R told us that he had a gambling addiction, was struggling financially and had to borrow off family and friends.

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

Monzo didn't just simply accept what Mr R said. It carried out credit searches which showed that Mr R had no adverse information on his credit file that it could see. And I don't think that it was unreasonable to rely on Mr R's declarations, which suggested that the repayments were affordable given he was left with a disposable income of around £794 a month with which to afford the loan and any other unexpected payments.

I accept that Mr R has told us that his actual circumstances may not have been fully reflected either in the information he provided, or the information Monzo obtained. Mr R told us he was gambling excessively at the time of the applications, had to borrow off family and friends and was struggling financially. However, Mr R didn't make Monzo aware of these issues until he made his complaint to it and nor would it have been evident from the information it obtained. I'm sorry to hear about what Mr R told us was happening in his personal life at the time but I'm pleased that he's subsequently told us that things have since improved.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the monthly repayments and the lack of other obvious indicators of an inability to make the monthly repayments for the loan in the information Monzo did obtain, I don't think that reasonable and proportionate checks would have extended into requesting the information that would have shown Mr M's personal issues at the time.

At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr M's regular living costs as I don't think Monzo requesting to look at Mr R's bank statements would have been proportionate. But saying that, had Monzo asked Mr R to confirm his expenditure, I'm not sure he would have disclosed either the loans he had from his family and friends, nor the fact that he was gambling excessively. And neither would have been apparent from the credit checks Monzo conducted. I say this as when Mr M initially applied for the loan, he didn't disclose the fact he was struggling financially, had to borrow off family and friends and had a gambling addiction. So I'm not convinced Mr R would have disclosed this subsequently had Monzo tried to look further at his financial commitments as he may have realised this may have resulted in the loan being declined.

As this is the case, I don't think that Monzo did anything wrong when deciding to lend to Mr M - it carried out proportionate checks (albeit I accept that Mr R doesn't agree that these went far enough) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Monzo treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R as I can see that he feels strongly about this matter. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Did Monzo act unfairly in any other way

I've also considered whether Monzo acted unfairly or unreasonably in any other way, including whether the relationship between Mr R 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 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

My final decision is that I don't uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 September 2025.

Paul Hamber
Ombudsman