



The complaint

Mr W complains that Monzo Bank Ltd irresponsibly provided him with a loan that was unaffordable for him.

What happened

Mr W was provided with a loan for £10,000 in May 2023. The loan term was 60 months, and Mr W was required to make 59 monthly repayments of £205, followed by a final payment of £193.14.

Mr W says he shouldn't have been provided with the loan, and the repayments have been unaffordable for him. He also says he already had lots of other debt at the time.

Monzo reviewed matters but didn't agree that the lending was provided irresponsibly; it thought the checks revealed that the lending was affordable for Mr W. Mr W remained unhappy and referred his complaint to this service.

An Investigator here reviewed matters but didn't recommend the complaint be upheld. He thought Monzo carried out enough checks before lending and the checks revealed that the lending was likely to be affordable. He also noted that Mr W used a large proportion of the loan to consolidate debt elsewhere.

Mr W disagreed with this opinion. In summary, he said he didn't have the disposable income that Monzo recorded at the time, and his housing costs were higher than recorded because he had a shared ownership property and was paying both mortgage and rent. He also said that Monzo was the only lender who would lend to him at the time.

Overall, an agreement hasn't been reached. So, the case has been passed 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.

Mr W has also complained about an overdraft Monzo provided him with around the same time. However, this is the subject of a separate complaint with this service, and therefore I make no comment about the provision of the overdraft in this decision. This decision will focus solely on Mr W's complaint about Monzo providing him with a loan.

The rules and regulations in place at the time Monzo provided Mr W with the loan required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Monzo had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr W.

In other words, it wasn't enough for Monzo to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr W.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Monzo did what it needed to before lending to Mr W.

Monzo recorded that Mr W was employed with an annual income of £40,000 which was converted into a net monthly income of £2,601. It took steps to understand Mr W's expenditure – as I understand it, from information provided and estimations using external sources. It then added in an affordability buffer and ultimately determined the loan was affordable for Mr W.

It also carried out a credit check which, in summary, showed that Mr W had between £16,000 and £17,000 in unsecured debt balances, excluding mortgages. As I understand it, there was no obvious adverse information recorded such as defaults, insolvencies, or County Court Judgments with a total value greater than £500 in the last 36 months.

Our Investigator thought that the checks carried out were proportionate and didn't reveal any issues. Considering how much Monzo was intending to lend Mr W, I do think it ought to have taken steps to understand more about his committed non-discretionary expenses rather than relying on estimations. However, having reviewed Mr W's bank statements from the months leading up to the lending decision, I think further checks into his circumstances would have likely revealed that the lending would be affordable for him. So overall, I've reached the same conclusion as our Investigator has.

It's important to note that Monzo could have taken steps to understand more about Mr W's committed non-discretionary expenses in a variety of ways – it didn't necessarily need to review bank statements. However, reviewing bank statements is an easy way for this service to retrospectively piece together what further checks would have likely revealed. And, as outlined, I think Monzo still would have lent to Mr W had it taken steps to understand more about his committed non-discretionary expenditure.

Additionally, as I understand it, Mr W used a large portion of the loan to repay debt elsewhere; it's certainly possible that he may have improved his position by doing so. Therefore, whilst I know this won't be the outcome Mr W is hoping for, I don't think Monzo acted unfairly or unreasonably when it provided him with the loan. It follows that I'm not upholding this complaint.

Finally, I've also considered whether the relationship 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 W 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 W to accept or reject my decision before 24 October 2025.

Hana Yousef
Ombudsman