

The complaint

Mr A complains that Monzo Bank Ltd (Monzo) was irresponsible in granting him a personal current account overdraft, as it was unaffordable for him. Mr A also complains that his relationship with Monzo was unfair as he was allowed to rely on high-cost debt, and this had an ongoing impact on his finances.

What happened

Mr A held a personal current account with Monzo. On 16 May 2018, Mr A applied for an overdraft, which Monzo granted. The initial credit limit was £50.

The credit limit was increased as follows:

Date	New credit limit
7 June 2018	£350
15 June 2018	£400
2 July 2018	£750

In 2024, Mr A complained that Monzo had been irresponsible in granting the overdraft facility and subsequent credit limit increases.

Monzo didn't issue a final response to Mr A's complaint within the time limit set by the regulator, so the complaint was referred to our service.

Monzo said it thought the complaint about the initial granting of the overdraft, and the first two credit limit increases had been brought out of time. It thought it had acted responsibly in granting the final credit limit increase, and in continuing to provide Mr A with the overdraft.

One of our Investigators considered things. She issued an opinion in which she said she thought that Mr A's complaint about Monzo's initial decision to grant the overdraft, and its decision to grant the first two credit limit increases, had been brought out of time. But she thought our service could consider whether the relationship between Monzo and Mr A was unfair, as well as Monzo's decision to grant the final credit limit increase and its decision to continue to provide the overdraft, as those events had occurred within the six years prior to the complaint. She didn't uphold Mr A's complaint.

Our Investigator then issued a further opinion in which she explained that, having reviewed things again, she realised that Mr A had raised the complaint on 15 May 2024, so she thought the complaint had been raised in time. She continued to not uphold the complaint.

Monzo didn't respond to the Investigator's second opinion. Mr A's representative disagreed.

I issued a provisional decision. In summary, I said that I thought the complaint had been brought in time. I said I thought Monzo had acted reasonably in granting the overdraft and increasing its limit, but that by October 2019 Monzo should have stepped in as Mr A had shown signs of financial difficulty. To put things right, I said that Monzo should rework the account to refund fees and charges.

Mr A's representative accepted my provisional decision. Monzo didn't respond by the deadline, so the case comes to me for final 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 issued a provisional decision, in which I said:

"Why I think this complaint is one our service can consider

Monzo didn't consent to our service considering parts of Mr A's complaint, as it thought those parts of the complaint had been brought outside the time limits set by the regulator, the Financial Conduct Authority (FCA). In brief, those time limits say that complaints must be brought:

- *Within six years of the event complained of; or*
- *Within three years of when the complainant ought reasonably to have known they had cause for complaint.*

Unless there were exceptional circumstances which prevented the complaint from being brought in time.

The Investigator issued a second opinion, in which she explained she thought the complaint had been brought within the six-year time period. Monzo didn't respond to that opinion.

For the avoidance of doubt, I agree with the Investigator that this complaint has been brought in time. I say that because Mr A's representative has provided a copy of the letter of complaint dated 15 May 2024. I've no reason to doubt this letter was sent, and I'm therefore satisfied Mr A's complaint was raised in time. Even if I'm wrong that Mr A referred his complaint to Monzo within six years of the overdraft being granted and the first two credit limit increases, I think our service can consider Mr A's complaint that his relationship with Monzo was unfair. In either case, as I don't think it changes the outcome I intend to reach, I don't intend to comment on this further.

I've considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the consumer credit handbook (CONC). In summary, these say that before Monzo granted the overdraft, and prior to each credit limit increase, it needed to complete reasonable and proportionate checks to satisfy itself that Mr A would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open-ended account Monzo needed to consider whether Mr A would be able to repay the debt within a

reasonable period. It also had a duty to review the account regularly to ensure the overdraft continued to be affordable for Mr A.

Granting of the overdraft facility and credit limit increases

Monzo has explained it considered information from external credit reference agencies before granting the overdraft facility to Mr A in May 2018, and before increasing the credit limit in June and July 2018.

Monzo has told us that, on each occasion, the information from the credit reference agency showed that Mr A's monthly income was around £2,500. It estimated his payments to his other debt commitments to be around £657, and his essential monthly outgoings to be around £910. It therefore calculated he had a disposable income of over £900.

As I've explained above, Monzo needed to conduct proportionate checks to satisfy itself Mr A would be able to repay the debt in a sustainable way, within a sustainable period. In this instance, Monzo granted various credit limits – from £50 up to £750. So, sustainable monthly repayments of around 5% of the credit limit – allowing Mr A to repay the interest charged and part of the capital if the account were utilised to its limit – would have been from around £2.50 up to £37.50.

Overall, I think the checks Monzo conducted were proportionate. And, given Monzo had calculated Mr A's disposable income to be over £900, I think it reasonably considered that the initial overdraft limit and each of the credit limit increases were sustainably affordable for him.

Ongoing use of the overdraft facility

As I've explained above, Monzo also had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Mr A.

The statements show that Mr A was using the overdraft continuously, and generally using it heavily. They also show that Mr A wasn't receiving his income into the account, and was transferring in small amounts on an ad hoc basis. By July 2019, he'd been using the overdraft facility continuously for over 12 months.

The funds Mr A was paying into the account each month were less than the fees that were being charged. So, by October 2019 – after eight months of consistently paying less into the account than was charged in fees – the fee application took him over his credit limit.

By that point, Mr A was spending very little from the account. When he had been spending from the account, it appears that he largely used it for discretionary spending. So – as I outlined above – although Monzo had received information about his income from a credit reference agency and estimated his essential outgoings – it's not possible to say whether that information was accurate. And I think that by consistently paying less into the account than Monzo was charging in fees, Mr A was exhibiting signs of financial difficulties.

Overdrafts are also generally intended for short-term, emergency borrowing, which isn't how Mr A was using his personal overdraft facility with Monzo.

Monzo sent Mr A messages about persistent usage periodically from February 2020 onwards. It hasn't sent us copies of these messages, so I can't say for certain what they said.

I don't think Monzo did enough here. I think it should have stepped in to gradually reduce

Mr A's overdraft limit from October 2019 onwards, given the signs of financial difficulty displayed. I think there was scope for that – without putting him into financial hardship – taking into account some of his discretionary spending. And I think that would have been proportionate to the signs of financial difficulty I've mentioned.

In saying that, I acknowledge that Mr A appears to haven't responded to several attempts from Monzo to contact him about his overdraft. However, had Monzo let him know it was going to take action in reducing his limit, I think it likely he would have responded at that point, and been forced to address the situation."

I've read and considered the full file again. As Mr A accepted my provisional decision, and Monzo didn't respond, I see no reason to depart from my provisional decision.

Putting things right

Finding the fair and reasonable way to put things right in this situation isn't straightforward. What Monzo Bank Ltd ought to have done is begin to reduce Mr A's overdraft limit from October 2019. And so, the amount of interest he was paying ought also to have gradually reduced. However, reconstructing the pace and trajectory of those reductions more than five years later is simply not feasible.

Taking into account my role to resolve complaints quickly and with the minimum of formality, and also my ability under Section 229 (2) (b) of the Financial Services and Markets Act 2000 to award what I consider to be fair compensation, I think the fairest outcome is for Monzo Bank Ltd to:

- Rework Mr A's current overdraft balance so that all interest, fees and charges applied to it from October 2019 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Monzo Bank Ltd should contact Mr A to arrange a suitable repayment plan. Mr A is encouraged to get in contact with and co-operate with Monzo Bank Ltd to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mr A's credit file, it should reflect what would have been recorded if Monzo Bank Ltd had begun to reduce Mr A's overdraft limit from October 2019. Monzo Bank Ltd can also reduce Mr A's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave him over his limit.

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 A along with 8% simple interest a year* on those 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 Bank Ltd should remove any adverse information from Mr A's credit file. Monzo Bank Ltd can also reduce Mr A's overdraft limit by the amount of the refund if it considers it appropriate to do so.

My final decision

My final decision is that I uphold this complaint. To put things right, Monzo Bank Ltd should

take the steps above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 July 2025.

Frances Young
Ombudsman