

## The complaint

Mr P, who is represented by a third party, complained to Monzo Bank Ltd ('Monzo') in February 2024 about an overdraft facility that had first been agreed in August 2021.

Mr P says Monzo acted irresponsibly in providing him with the overdraft facility and that it was unaffordable for him.

## What happened

Mr P first opened the account in April 2019. Then, in August 2021, Monzo agreed to provide Mr P with an initial overdraft facility of £50. Then, a week later, Mr P applied for three separate increases, taking the overdraft limit up to £300. Two weeks later, in September 2021, the overdraft limit was increased again, this time to £500.

In November 2024 Mr P started getting into arrears on his overdraft and agreed a payment plan which he was unable to keep to. A new plan was agreed in January 2025.

Mr P says Monzo acted irresponsibly in granting him the overdraft and the increases he was approved for soon after.

One of our investigators reviewed what Mr P and Monzo had told us. And he thought Monzo hadn't acted unreasonably in relation to the granting of the overdraft or the increases.

As Mr P and those representing him disagree, 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr P's complaint.

Having carefully considered everything provided, I've not been persuaded to uphold Mr P's complaint. I'll explain why in a little more detail.

Monzo needed to make sure that it didn't lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay before agreeing to any credit. 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.

Monzo relied on information provided by Mr P at the point of applying for the initial and subsequent overdraft increases. It then went on to carry out an affordability assessment using statistical data. Mr P told Monzo he was earning £12,000 per year and was paying housing costs of £400 per month. Monzo could see from the credit check that it had been 20 months since he had defaulted on any payments. The credit check also showed that Mr P had missed credit payments in the past six months. Monzo then calculated that, allowing for his monthly income of £975 plus housing costs and estimated monthly spending of around £450, and then credit repayments of just under £30, the overdraft looked to be something that Mr P could repay affordably. It allowed a £75 buffer which meant he would still be left with around £100 by way of disposable income each month.

I've seen that Monzo relied on the same credit and affordability information for the three overdraft increases that followed, taking the overdraft limit up to £300. At that level the overdraft still looked to be affordable and something Mr P would be able to repay on a sustainable basis, even were he to use the overdraft consistently. An overdraft is intended for short-term use and for that reason Monzo provided calculations on what the cost would be if Mr P use the overdraft for three consecutive months, being a total of £25.97.

Looking at the increase to the overdraft that was approved in September 2021, when it was increased to £500, Monzo said the total charge for credit would be £43.28 were the overdraft to be used for three months. By this time Mr P told Monzo his income had increased significantly, to £25,000 per year. And Monzo's credit and affordability checks provided information that was consistent with this. This led to the new overdraft being seen to be affordable with disposable income available of around £575, whilst allowing for a buffer of £125.

Given the information Monzo had gathered during the course of these applications, I don't think it needed to carry out any further checks. I also can't say from what I've seen about the checks that there was enough to suggest there might be a risk that Mr P could be unable to sustainably repay an overdraft of its size. I would add, as noted by our investigator, that Mr P's Monzo bank statements show that his income, although variable, tended to be higher each month than what he'd put on his application.

I've also thought about what else Monzo could have done to help and support Mr P when he was making use of the overdraft facility he'd been given. Monzo says it monitors accounts to look for signs of financial difficulty. As I've said, it wasn't until Mr P contacted Monzo in November 2024, when he was in financial difficulty, that he was offered help and support. Mr P's account statements show that from September 2021 he went on to rely heavily on his overdraft. He didn't breach his overdraft limit – if he'd done that regularly it might have suggested he was having difficulty managing his spending. He also made regular transfers of sums of money received to his saving pot account – as well as transferring amounts back into it when he needed to. His level of income was enough to steadily bring down his level of overdraft if he chose to do so. The level of discretionary spending on his bank statements suggests that that this was achievable if done over time.

So I think it's reasonable to say that Mr P was aware of his overdraft limit and that he was taking steps to keep within in that limit when he was getting close to it. And I haven't seen anything to show that Mr P reached out to Monzo to say he was experiencing some level of financial hardship before November 2024.

Ultimately, I don't think I can say that Mr P's use of his overdraft, in circumstances where he was permitted to do so and where there were no obvious signs of financial stress, meant that

Monzo ought reasonably to have taken unilateral action, such as by reducing his overdraft limit. I also think that such action could have potentially created problems given that the timing and level of Mr P's income coming in was variable. And I've kept in mind that Monzo had made Mr P aware of how much it would cost to continue using his overdraft.

It follows that, In the specific circumstances of Mr P's complaint, I don't think Monzo needed to do more. I don't think Monzo treated Mr P unfairly or unreasonably when providing him with his initial overdraft or the four increases that followed. And when he got into difficulty, more recently, I think on balance it did enough to support him. I'm therefore not upholding Mr P's complaint.

I appreciate this will be disappointing for Mr P. But I hope he will understand the reasons for my decision and that he at least feels his concerns have been listened to.

I've also considered whether the relationship between Mr P 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 P or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 August 2025.

Michael Goldberg

**Ombudsman**