

## **The complaint**

Miss T complains that Monzo acted irresponsibly when it granted and then increased her, current account overdraft limit because had it conducted proportionate checks it would have seen she was gambling. Miss T 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 her Monzo current account overdraft.

## **What happened**

Miss T was granted a current account with Monzo on 9 August 2023 with an initial overdraft limit of £500. In September 2023 the overdraft limit was increased to £750 and in October 2023 the limit was increased, for the last time, to £1,000.

In October 2024 Miss T complained to Monzo that it had been irresponsible in granting her an overdraft limit (in August 2023) and irresponsible in increasing that overdraft limit twice (in September and October 2023). On 6 December 2024 Monzo sent Miss T 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, Miss T brought her complaint to our service.

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

Miss T didn't agree and so her complaint has been passed to me for review and 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.

Having done so, I can confirm that I've come to the same overall conclusion as the investigator and for broadly the same reasons.

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?*

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 Miss T, Monzo needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 Miss T's ability to repay the whole borrowing in a reasonable period.

As part of the application prior to the £500 overdraft approval in August 2023, Miss T declared she worked full time with an income of £70,000 per year, which Monzo calculated to be around £4,137 a month, a calculated figure it confirmed with a credit reference agency. Miss T also declared that she paid £900 towards her mortgage. Monzo then completed a credit check which says showed that her existing credit commitments were around £1,116 a month and that she had no recent defaults or missed payments. Lastly it said it estimated her monthly essential living costs to be around £1,214. It said based on these figures it was satisfied that Miss T had a sufficient disposable income of approximately £781 a month (this included an additional buffer added by Monzo of £125) to be able to afford an overdraft of £500. And on balance, I agree.

I don't think Monzo needed to conduct any further checks at this stage as from what it saw from the credit checks it did complete, Miss T had no defaults or missed payments and had a sufficient declared income to be able to afford the facility. And I think it's reasonable that businesses can rely on the information that consumers provide and what the credit checks reveal when making their lending decisions. So I think Monzo made a fair lending decision when it agreed the initial overdraft limit of £500 based on the proportionate checks it conducted as there was no evidence to suggest the facility wasn't sustainable for Miss T.

Miss T was allowed to increase her limit twice in a two month period after the initial overdraft limit was approved, finally increasing to £1,000 in October 2023. But even with this further last increase, Miss T's financial circumstances hadn't changed significantly and Monzo assessed Miss T would still have a disposable income of £567 a month in which to pay the debt. And there was no adverse information from Miss T's credit file for both the subsequent increases that would have concerned Monzo or cause it to doubt whether the facility was affordable. So I'm satisfied that the checks that Monzo conducted were proportionate and that it made a fair lending decision when it increased Miss T's overdraft limit to £750 in September 2023 and then to £1,000 in October 2023.

Miss T told us that Monzo shouldn't have increased her overdraft limit as there was evidence of gambling on her account. However, from looking at her Monzo account from the initial granting of the £500 limit until the last increase to £1,000 on 11 October 2023, I can't find any evidence of any excessive gambling. I've noted there is evidence of gambling after the last increase but this aspect has already been subject to a further complaint to both Monzo

and us and we issued a final decision regarding it in August 2024. So I'm unable to comment further on this aspect other than to say that there was no evidence of gambling prior to the last credit limit increase on Miss T's Monzo current account. And as Miss T's current account wouldn't have been due for an annual review until August 2024 (one year after the facility was granted) and from the information Monzo gathered from both Miss T and its credit checks, there wouldn't have been any indicators to suggest that Miss T may have been struggling financially, even if that was the case.

My final decision is I don't uphold Miss T's complaint. I appreciate that Miss T will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that Monzo made an unfair lending decision when approving and then increasing her overdraft limit.

*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 Miss T 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 Miss T or otherwise treated her 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 Miss T's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 29 July 2025.

Paul Hamber  
**Ombudsman**