

The complaint

Miss T complains that Monzo Bank Ltd lent irresponsibly when it approved her loan application.

What happened

Miss T applied for a £2,000 loan with Monzo on 14 December 2023. In her application, Miss T said she was employed with an annual income of £22,455 that Monzo calculated left her with £1,607 a month after deductions. Miss T said she was living with her parents and wasn't paying rent. Monzo applied an estimate of £540 a month for Miss T's general living expenses. A credit search found no evidence of County Court Judgements, defaults, payday loans or recent arrears. The credit file showed Miss T was making monthly repayments of £66.25 to her existing debts.

Monzo applied its lending criteria to Miss T's application and included a £125 monthly buffer to her outgoings. Monzo says Miss T had an estimated disposable income of £875 a month after covering her existing outgoings. Monzo approved Miss T's loan application with monthly repayments of £116.

Miss T successfully applied for a credit card with a £500 limit around a week after the loan application was approved.

Last year, Miss T complained that Monzo lent irresponsibly and it issued a final response. Monzo didn't agree it lent irresponsibly and didn't uphold Miss T's complaint.

An investigator at this service looked at Miss T's complaint. They thought Monzo had completed the relevant lending checks before approving Miss T's loan application and weren't persuaded it lent irresponsibly. Miss T asked to appeal, so her complaint 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.

Before agreeing to lend, the rules say Monzo had to complete reasonable and proportionate checks to ensure Miss T could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I understand Miss T has also referred her complaint about the credit card Monzo approved to us. That case has also been allocated to me and I'll deal with the complaint Miss T raised in a separate decision. Miss T applied for the loan with Monzo around a week before the credit card application was made. So the credit card application doesn't impact this irresponsible lending complaint about Miss T's loan.

I've set out the information Monzo obtained and used when considering Miss T's application above. Miss T's told us that when she applied for the loan, she wasn't working and was in receipt of benefits. But the application information advised Miss T was employed full time with an income of £22,455. I think it's fair to note that Monzo uses services provided by the credit reference agencies that confirms the level of income being received into a customer's bank account each month to check the income levels given in application. So I'm satisfied Monzo did seek to verify the information Miss T gave about her income during the application process.

Monzo also asked Miss T about her housing costs and she confirmed there were none as she was living with parents. In addition, Monzo applied an estimate of Miss T's general living expenses obtained from nationally recognised statistics totalling £540 a month. And Monzo also included a £125 buffer in its affordability calculations to take potential increases in Miss T's outgoings over the course of the loan into account. Monzo says that after Miss T's regular outgoings were met she had an estimated disposable income of £875 a month which was more than sufficient to cover her new loan payment of £115.

In my view, the level and nature of the lending checks Monzo completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied that Monzo's decision to approve Miss T's loan of £2,000 was reasonable based on the information it obtained. I'm very sorry to disappoint Miss T but I haven't been persuaded that Monzo lent irresponsibly.

Miss T has explained she was suffering with serious mental health difficulties when she applied for the loan which meant she was vulnerable. I'm very sorry to hear about Miss T's difficulties and don't doubt what she's said. But I have to consider whether that information would've been apparent to Monzo when assessing her loan application. And I've looked at all Miss T's contact with Monzo but haven't seen anything that would've made her vulnerability known either before or during the application process. I'm very sorry to disappoint Miss T but I haven't been persuaded Monzo treated Miss T unfairly when it approved her application.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 Miss T or otherwise treated her 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

My decision is that I don't uphold Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 24 July 2025.

Marco Manente
Ombudsman