

The complaint

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

What happened

On 20 December 2023 Miss T applied for a Flex credit card with Monzo. Miss T had successfully applied for a £2,000 loan with Monzo around a week earlier. In Miss T's application she confirmed she was employed full time with an annual income of £22,455. Monzo says that left Miss T with £1,607 a month after deductions. Miss T also said she was living with her parents with no rent. Monzo carried out a credit search and found Miss T was making monthly repayments of around £183 to her existing creditors, including her new loan repayments of £115. No adverse credit limit County Court Judgements or defaults were found on Miss T's credit file and there was no record of any recent missed payments.

Monzo also used a service provided by the credit reference agency to look to help verify Miss T's income and applied estimates obtained from nationally recognised statistics to get a picture of her monthly general living expenses of £540. Monzo applied its lending criteria to Miss T's application and said she had an estimated disposable income of £883 a month after covering her existing commitments and outgoings. Monzo approved Miss T's application and issued a credit card with a £500 limit.

Miss T went on to complain that Monzo lent irresponsibly. Monzo issued a final response to Miss T's complaint but didn't agree it had acted unfairly or lent irresponsibly. An investigator at this service looked at Miss T's case. They thought Monzo had completed proportionate checks before approving Miss T's credit card application and thought the decision to approve it was reasonable based on the information it obtained. 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint. Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

As I've noted above, Miss T confirmed her income was £22,455 a year that Monzo says left her with £1,607 a month after deductions. Monzo has provided details of its lending criteria and approach which includes using a service provided by the credit reference agencies to help it verify the income figure provided. So I'm satisfied it was reasonable for Monzo to use the income figure Miss T gave in her application.

Monzo's credit check found Miss T's existing debts, including the loan it recently approved. I can see Miss T's existing debts and loan repayments were taken into account by Monzo when completing its affordability assessment. Monzo's credit check found Miss T's monthly repayments came to £183 a month. I note no adverse credit was found on Miss T's credit file which indicated she was in a stable financial position.

Monzo also used estimates for Miss T's general living expenses of £540 a month, an approach it's allowed to take under the relevant lending rules. I can see that Miss T confirmed she wasn't paying rent each month in the application as she was living with her parents. Monzo took all the information it obtained and applied its lending criteria, reaching the conclusion Miss T had an estimated disposable income of £883 a month after covering her existing outgoings. In my view, a disposable income of £883 a month would've been sufficient to sustainably afford repayments to a new credit card with a limit of £500.

Miss T's explained that she was suffering with serious mental health difficulties when she applied for her credit card and has provided medical evidence to confirm. I don't doubt Miss T was going through a difficult time when she applied but I have to be fair to both parties and consider whether Monzo would've been aware of her vulnerability when assessing the application. I've looked at all the available communications and information but haven't seen anything that would've identified to Monzo that Miss T was suffering with her mental health or vulnerable when she applied for her credit card. As a result, I'm unable to say Monzo treated Miss T unfairly on the basis of her mental health.

I've considered all the available information but haven't been persuaded Monzo lent irresponsibly or treated Miss T unfairly. In my view, Monzo's lending checks were reasonable and proportionate to the £500 credit limit it approved. And I'm satisfied the decision to approve Miss T's application was fair based on the lending data Monzo obtained during the application process. As I haven't been persuaded Monzo lent irresponsibly, I'm unable to uphold Miss T's complaint.

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