

The complaint

Miss C complains that Monzo Bank Ltd (“Monzo”) acted irresponsibly by providing her with an overdraft facility she says she couldn’t afford.

What happened

Miss C was given an overdraft with her Monzo account in September 2022. The overdraft limit was £2,000.

Miss C complained to Monzo in April 2024, saying it should have known she was already at risk of getting into financial difficulty, largely due to spending on gambling transactions. She said that had Monzo carried out better checks it would have seen she was in a spiral of debt. By way of redress, in addition to seeking a refund of all fees and charges added to her account due to the overdraft, she is also seeking an additional £250 by way of a credit to her account.

Monzo upheld the complaint in part, on the basis that it shouldn’t have added some interest and charges after Miss C had started a debt management plan. It therefore paid compensation by way of a refund of interest of £83.31 plus an additional sum of £25 by way of additional compensation for inconvenience.

One of our investigators looked into the complaint and didn’t recommend that Monzo needed to do anything more.

As Miss C is unhappy with our investigator’s finding, 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.

Your text here I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point, it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

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 Miss C’s complaint.

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 Miss C could afford to repay before agreeing to any overdraft credit. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.

Monzo agreed to Miss C's overdraft application after carrying out credit checks and searches to ensure the overdraft limit was likely to be affordable. Monzo used a credit reference agency to help with this. The credit check and searches suggested that the overdraft amount of £2,000 was affordable. The affordability checks looked at what Miss C had told Monzo on her application about her monthly income and living costs. She said her annual income was around £71,000 and she had housing costs each month of £550. The credit check also included a verification of her level of income. The credit check established that there were no recent adverse markings on her credit file, such as missed payments or defaulted accounts. Using statistical data for its affordability assessment, Monzo calculated that Miss C was receiving a monthly net income of around £4,100. Allowing for her declared housing costs of £550, credit repayments of around £1,200 and estimated monthly spending of £1,000 and allowing some extra affordability leeway, it found that Miss C had a disposable income of about £1,300. Based on these calculations, Monzo found it was likely that Miss C could afford a £2,000 overdraft.

Miss C has told us about her level of gambling transactions on the account prior to the overdraft being approved. Some of the sites used were from niche sites which did not bear the gambling category code used by banks and lenders. I've also seen that she took the step of activating the Monzo app gambling block function on her account at the same time as her overdraft application was approved. Having such a feature in place acts as a useful tool to help consumers to try to ensure that further gambling transactions do not take place. However, the gambling block tool will only pick up transactions that are clearly designated as being related to online gambling and bear the gambling category code. I also don't think that activating the gambling block should necessarily have prompted Monzo to ask further questions in relation to her overdraft application. I say this given that Miss C had passed its credit and affordability checks and her account use didn't suggest it was being used as a main account.

Given the information Monzo had gathered when she applied for the overdraft, I don't think it needed to carry out any further checks. I also can't say that from the checks there was enough to suggest there might be a risk that Miss C could be unable to sustainably repay an overdraft of its size.

I've also thought about what else Monzo could have done to help and support Miss C. I say this since her account statements show she was relying heavily on her overdraft facility, especially in 2023. I've seen that Monzo reached out to Miss C at the time of her annual account review, letting her know that she'd been going over her overdraft limit. This led to Miss C getting in touch to let Monzo know about her debt management plan and Monzo then stopped adding interest. I don't think Monzo needed to do anything more at this point.

I've seen Miss C's response to our investigator's view. I see she has referred to the gambling block declining payment on a gambling transaction. Monzo has told us that this occurred due to it having previously been reported to Monzo by another customer, leading to its being added manually to the gambling block's criteria.

Monzo's offer of compensation

Monzo has already upheld the part of Miss C's complaint relating to interest it ought not have charged in relation to her debt management plan being put in place. It has therefore refunded her the interest charges relating to the overdraft. It has also made an additional payment of £25 for any inconvenience it may have caused Miss C. The refund of interest and charges is in line with our approach whilst the additional refund is not something we would normally award without supporting evidence being provided to us. It remains open to Miss C to accept the offer of compensation, although I understand that payments cannot be

made to Miss C's account as it is overdrawn. Miss C can let our investigator know or contact Monzo herself if she would like to accept the offer.

It follows that I consider Monzo's upholding of part of this complaint and its offer of compensation to be fair. But I am not upholding any other part of this complaint.

I would add that, if it has not done so already, I would expect Monzo to apply appropriate forbearance so as to accommodate Miss C in agreeing a fair and sustainable repayment plan.

I am sorry to have to disappoint Miss C on this occasion.

I've considered whether the relationship between Miss C 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 her 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

Monzo Bank Ltd has already made an offer to settle part of Miss C's complaint and I think that offer is fair in all the circumstances. I don't think Monzo Bank Ltd needs to do anything more in relation to the remainder of Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 22 July 2025.

Michael Goldberg

Ombudsman