

## **The complaint**

Mr W complains that Monzo Bank Ltd irresponsibly provided him with an overdraft facility that was unaffordable for him.

## **What happened**

Mr W applied for an overdraft facility in May 2023 and Monzo provided him with a limit of £2,000. Mr W says he shouldn't have been provided with the overdraft as it was unaffordable for him, and he had other debts at the time.

Monzo reviewed matters but didn't agree that the lending was provided irresponsibly, and the checks revealed that it was affordable. Mr W remained unhappy and referred his complaint to this service.

An Investigator here reviewed matters but didn't recommend the complaint be upheld. He thought Monzo ought to have carried out further checks into Mr W's circumstances, but doing so would have revealed that the lending was likely to have been affordable for him. He noted that when Mr W began having issues managing repayments, Monzo set up a repayment plan for the overdraft. Overall, he thought it had acted fairly.

Mr W disagreed with this opinion. In summary, he said his housing costs were higher than recorded because he had a shared ownership property and was paying both mortgage and rent.

Overall, an agreement hasn't been reached. So, the case has been passed to me to decide.

## **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.

Mr W has also complained about a loan Monzo provided him with around the same time. However, this is the subject of a separate complaint with this service, and therefore I make no comment about whether it was appropriate to provide the loan in this decision. This decision will focus solely on Mr W's complaint about the provision of the overdraft facility.

I've started by looking at whether Monzo acted fairly and reasonably when accepting Mr W's overdraft application.

The rules and regulations in place at the time Monzo provided Mr W with the overdraft required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Monzo had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr W.

In other words, it wasn't enough for Monzo to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr W.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Monzo did what it needed to before lending to Mr W.

Mr W's overdraft is a type of revolving credit facility. This means that when assessing whether Mr W could repay any overdraft sustainably, Monzo needed to consider whether Mr W could repay the amount he could owe as a result of his overdraft within a reasonable period of time.

Monzo recorded that Mr W was employed with an annual income of £40,000 which was converted into a net monthly income of £2,601. It took steps to understand Mr W's expenditure – as I understand it, from information provided and estimations using external sources. It then added in an affordability buffer and ultimately determined the overdraft was affordable for Mr W.

It also carried out a credit check which, in summary, showed that Mr W had between £16,000 and £17,000 in unsecured debt balances, excluding mortgages. As I understand it, there was no obvious adverse information such as defaults, insolvencies or County Court Judgments with a total value greater than £500 in the last 36 months that had been recorded.

I agree with our Investigator that Monzo ought to have found out more about Mr W's circumstances before lending, given that it was providing him with this overdraft as well as a relatively sizeable loan around the same time. With that in mind, I think it ought to have understood more about Mr W's committed non-discretionary expenditure rather than relying on estimates.

I've reviewed Mr W's bank statements in the months leading up to the lending decision. Monzo could have understood more about Mr W's committed non-discretionary expenditure in a variety of ways. However, reviewing bank statements is a simple way for this service to piece together what proportionate checks would have likely revealed. Having done so, I think it's likely that Monzo still would have lent to Mr W, and further checks would have likely revealed that Mr W could repay what he could owe as a result of his overdraft in a reasonable period of time.

Mr W also complains that Monzo failed to notice that he was in difficulties during annual reviews of the account, and that it should have offered forbearance. As well as ensuring that Mr W could afford to repay the overdraft when the limit was initially provided, Monzo also had an obligation to monitor the facility to ensure it remained affordable and that Mr W could repay the debt within a reasonable period of time.

Mr W used his overdraft regularly from when it was provided in May 2023. Monzo contacted Mr W to remind him about his overdraft usage and encouraged him to speak to it about his overdraft usage and how to avoid paying high costs. In January 2024, the notes suggest that Mr W assured Monzo that everything was in hand and he would look to start reducing the overdraft soon.

In March 2024, Mr W told Monzo he was experiencing financial difficulties mainly due to a change in circumstances. It applied breathing space on the account and said that further

interest wouldn't be charged, and messages would be reduced to allow Mr W time to focus on next steps. It then asked Mr W to complete an income and expenditure assessment over this time. Having reviewed this, Monzo concluded that Mr W would have no disposable income left to pay towards his overdraft. So, it agreed to freeze charges until August 2024. Following this, Monzo set up an arrangement on the account. With all that in mind, I think Monzo did offer Mr W forbearance when it became clear that he was struggling to manage the account.

So overall, whilst I'm sorry to disappoint Mr W, I don't think Monzo has treated him unfairly in its decision to provide the overdraft. I also think it offered forbearance as I would expect.

Separately, whilst I'm not upholding the complaint, I do want to remind Monzo of its obligations to exercise forbearance moving forward. I would certainly encourage Mr W to keep in regular contact with Monzo about difficulties he's facing with the facility.

Finally, I've also considered 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 Mr W or otherwise treated him 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 this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 October 2025.

Hana Yousef  
**Ombudsman**