

The complaint

Monzo Bank Ltd (“Monzo”) provided Mr M with an overdraft with a credit limit of £250 on 18 July 2023. Mr M says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won’t repeat them again here. The facts aren’t in dispute, so I’ll focus on giving the reasons for my decision.

Monzo accepted our investigator’s view that it shouldn’t have provided the overdraft but Mr M thought he should be given more compensation than the recommended refund of interest, fees and charges. For that reason, this case 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 reached the same conclusion as our investigator and for broadly the same reason. I’ll explain my reasoning below.

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.

We’ve set out our general approach to complaints about unaffordable or irresponsible lending on our website and I’ve taken this into account in deciding Mr M’s case.

I’ve decided the credit wasn’t provided fairly because:

- I don’t think the checks Monzo did before providing the overdraft in July 2023 were reasonable and proportionate given the credit limit it offered and what it knew about Mr M’s financial situation.
- If Monzo had done proportionate checks, I think it’s likely these would have shown it was unfair to provide the overdraft to Mr M. I say this as from the income and expenditure evidence I’ve seen, Mr M was left with a negative disposable income.

- I think Monzo should have requested a full income and expenditure disclosure from Mr M given his low monthly pay and had it done so, it would have seen that he was left with a disposable income which would have meant the overdraft was likely to be unsustainable.
- Mr M felt he should be provided with further compensation on top of the recommendation our investigator made for the interest, fees and charges to be refunded. Mr M has shared some sensitive and personal information regarding how the overdraft has impacted him and his family for which I'm grateful. But the stance taken by our investigator is the one we use for irresponsible lending complaints and so I won't be asking Monzo to provide further compensation other than my recommendations below.

This means I don't think Monzo should have provided the overdraft to Mr M in July 2023.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr M in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Monzo should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied after 18 July 2023.
- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr M, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Monzo should remove any adverse information from Mr M's credit file. *
- Or, if an outstanding balance remains on the overdraft once these adjustments have been made, Monzo should contact Mr M to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr M's credit file, it should backdate this to 18 July 2023.

*HM Revenue & Customs requires Monzo to deduct tax from any award of interest. It must give Mr M a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax

My final decision

My final decision is that I'm upholding this complaint and Monzo Bank Ltd must put things as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or

reject my decision before 1 January 2026.

Paul Hamber
Ombudsman