

## **Complaint**

Mr K has complained about personal loans Monzo UK Plc (“Monzo”) provided to him. He says that this loan was unaffordable and shouldn’t have been provided.

## **Background**

Monzo provided Mr K with a loan for £7,000.00 in January 2023. Mr K’s loan had a term of 48 months and the total amount to be repaid of £11,416.10, which included interest, fees and charges of £4,416.10, was due to be repaid in 47 monthly instalments of £237.84 followed by a final instalment of £237.62.

One of our investigators reviewed what Mr K and Monzo had told us. And she thought that Monzo hadn’t done anything wrong or treated Mr K unfairly. So she didn’t recommend that Mr K’s complaint be upheld.

Mr K disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 Mr K’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr K’s complaint. I’ll explain why in a little more detail.

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 Mr K could afford to repay before providing him with his loans.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Monzo says it agreed to Mr K’s applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mr K could afford to make the repayments he was committing to.

On the other hand, Mr K has said he should never have been provided with these loans due to his overdraft usage and his other debts.

I've carefully thought about what Mr K and Monzo have said.

The first thing for me to say is that this wasn't simply a case of Monzo accepting over-optimistic declarations of Mr K's income and expenditure at the time of this application. Monzo's credit searches did show that Mr K had some existing debts. But these weren't excessive in comparison to his income and at the time of the application, at least, they were being well managed.

Given what Monzo's credit searches showed, Mr K's income and the rest of the information declared, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained during its assessment.

In considering whether Monzo was reasonably entitled to lend to Mr K, I've also thought about Mr K's arguments in relation to the transactions on Mr K's Monzo current account in the lead up to his application for this loan. The suggestion here appears to be that Monzo ought to have conducted a full review of Mr K's financial circumstances – i.e. one akin to a mortgage affordability assessment – simply because Mr K's main bank account was with Monzo.

However, such an approach – of mandating that a full financial review be carried out, irrespective of any other circumstances simply because a customer has their main account with a lender – does not to me, at least, to be in keeping with the principle of carrying out an assessment that is proportionate.

Indeed, I consider that a lender insisting on reviewing a customer's bank statements irrespective of the rest of the circumstances (such as the amount lent, the monthly payments due and what any other information the lender may hold indicates), simply because a customer has a current account with that lender, would be disproportionate. In my view, it would be an example of simply continuing to apply a process to a situation, without taking account of the situation and what else a lender might know about the customer.

So I wouldn't expect a lender to automatically carry out a forensic review of bank statements (in the way that Mr K has) before lending to a customer, simply because that customer has a bank account with it, in the way that Mr K appears to be suggesting. In my view, whether it would be proportionate to take such a course of action would depend on the rest of the circumstances of the borrowing.

I've therefore considered whether the circumstances at the time of Mr K's application warranted a full review of his bank statements. In this case, given the rest of the information gathered suggested that Mr K was in a reasonable financial position, I don't think that forensically reviewing Mr K's bank statements would have been proportionate here.

Mr K had a decent salary and his repayment record on his existing credit was reasonable. There wasn't anything else in the information gathered that suggests the repayments were unaffordable. So, in my view, the circumstances here did not suggest that a manual review of multiple months' worth of bank statements was necessary.

For the sake of completeness and with a view to providing Mr K with some reassurance, I would, in any event, add that regardless of whether Mr K may have been making payments to a crypto currency platform, which isn't immediately obvious from his statements, there

isn't anything prohibiting a lender from lending in such circumstances. This is particularly when there are no obvious signs of distress in the customer's circumstances.

Finally, while I accept that this isn't in itself determinative, I do think that it is nonetheless worth noting that Mr K not only made his payments when they fell due for the period the loan was active, he also settled it within a year which was well ahead of its intended completion date. Therefore, Mr K's repayment record and actions do tend to support the fact that this loan was affordable for him.

In reaching these conclusions, I've also considered whether the lending relationship between Monzo and Mr K might have been unfair to Mr K under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Monzo irresponsibly lent to Mr K or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Monzo treated Mr K unfairly or unreasonably when providing him with his loan and I'm therefore not upholding this complaint. I appreciate this will be very disappointing for Mr K. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 September 2025.

Jeshen Narayanan  
**Ombudsman**