DRN-5715314

The complaint

Mrs C complains that Monzo lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Mrs C applied for a Monzo credit card in May 2022. In her application, Mrs C said she was employed with an annual income of £28,750 that Monzo calculated left her with £1,917 a month after deductions. Monzo carried out a credit search and found Mrs C was making monthly repayments of around £35 to her existing creditors. The credit search found Mrs C had a default that was 15 months old and some missed payment in the previous year. Monzo carried out an affordability assessment and used estimates for Mrs C's general living expenses of £1,022 and rent of £205 a month. Monzo also applied an affordability buffer of £125 for the application. Monzo calculated that Mrs C had an estimated disposable income of £529 a month after covering her existing outgoings and approved her application, issuing a credit card with a £500 limit.

Monzo went on to increase the credit limit to £1,500 in October 2023. Monzo used Mrs C's income of £28,750 in its affordability assessment. A credit search found no new adverse credit or recent missed payments were recorded on Mrs C's credit file. The credit file information found Mrs C was making monthly repayments of £268 to her existing credit. A new affordability assessment was completed using a figure of £1,157 a month for Mrs C's regular living expenses and £250 for rent. An affordability buffer of £125 was also applied by Monzo. After applying its lending criteria, Monzo says Mrs C had an estimated disposable income of £162 a month after covering her existing outgoings. Monzo approved the credit limit increase to £1,500.

Last year, Mrs C complained that Monzo lent irresponsibly and it issued a final response. Monzo said it had carried out the relevant lending checks before approving Mrs C's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mrs C's complaint. They thought Monzo completed reasonable and proportionate checks before approving Mrs C's application and increasing the credit limit and weren't persuaded it lent irresponsibly. Mrs C asked to appeal and said her monthly Monzo repayments were high and that she was using her overdraft facility to cover credit card payments. As Mrs C asked to appeal, 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.

Before agreeing to lend or increasing the credit limit, the rules say Monzo had to complete reasonable and proportionate checks to ensure Mrs C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information that Monzo used when considering Mrs C's application above. Mrs C confirmed her annual income as £28,750 and Monzo reached a monthly take home figure of £1,917. Monzo's confirmed it used a service provided by the credit reference agencies to check Mrs C's income level. I understand Mrs C's pay wasn't being received into her Monzo current account. But the service allows lenders to check income by looking at their credit reports even if it's being paid into an account with a different bank. I can see Monzo applied estimates for Mrs C's general living expenses of £1,022 a month and rent of £205 a month when completing its affordability. Monzo's confirmed it uses estimates for these outgoings where appropriate and I'm satisfied that's something it's allowed to do under the relevant lending rules. In my view, the estimates Monzo used were reasonable. In addition, I can also see Monzo used an affordability buffer of £125 a month when completing its affordability calculations.

The credit search identified Mrs C had a default that was 15 months old and some missed payments. But Mrs C's credit file shows her existing commitments had been up to date for several months before the application was made. And I can see Monzo took Mrs C's monthly repayments of £35 to her other debts into account when completing its assessment.

Ultimately, Monzo reached the view Mrs C had a disposable income of £529 a month after covering her existing outgoings. In my opinion, that was a reasonable conclusion to reach following proportionate lending checks by Monzo. I'm sorry to disappoint Mrs C but as I'm satisfied Monzo completed proportionate checks and its decision to approve her application was reasonable based on the information it obtained, I'm unable to agree it lent irresponsibly.

Before Monzo increased the credit limit to £1,500 in October 2023 it completed a new set of lending checks. That included a credit search that found no evidence of new defaults or other adverse credit. Mrs C had no missed payments recorded for several months and her commitments were up to date. Monzo says it checked Mrs C's income level again via the credit reference agencies. And a new affordability assessment used estimates of £1,157 for Mrs C's general living expenses and £250 for housing costs. I'm satisfied those were reasonable estimates and applied in line with the relevant lending rules. Mrs C's monthly repayments of £268 to her existing creditors were also included in Monzo's affordability assessment along with a £125 buffer.

Monzo reached the view Mrs C had a disposable income of £162 a month after covering her existing outgoings, in addition to the £125 buffer it applied. In my view, that figure was sufficient for Mrs C to sustainably afford repayments to the increased credit limit. Overall, I'm satisfied the level and nature of Monzo's checks were reasonable and proportionate to the amount and type of credit Monzo went on to approve. And I'm satisfied the decision to increase Mrs C's credit limit to £1,500 was reasonable based on the information Monzo obtained. I'm very sorry to disappoint Mrs C but I haven't been persuaded Monzo lent irresponsibly so I'm unable to uphold her 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 Mrs C 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 Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 September 2025.

Marco Manente
Ombudsman