

## **The complaint**

Miss W complains that Monzo Bank Ltd (Monzo) lent to her irresponsibly.

## **What happened**

Miss W has an overdraft with Monzo, the initial lending decision for an overdraft of £250 was made in October 2023. The credit limit was increased between 2023 and 2024 with the account reaching a limit of £1,000 in September 2024.

In January 2025, Miss W complained to Monzo saying it had lent to her irresponsibly and failed to complete appropriate checks before lending to her. She said proportionate checks would have shown she had recently taken out a lot of credit and she had a poor credit history. So, she's asked for the interest and charges applied to the overdraft to be refunded.

Monzo looked into Miss W's complaint and said it felt it had acted fairly in providing the overdraft and subsequent increases. In summary Monzo didn't uphold the complaint.

Miss W didn't accept what Monzo said and pointed out it had provided more than one credit account in a short space of time. As she remained unhappy Miss W referred her complaint to our service and one of our investigators looked into it.

After considering the information available our investigator felt Monzo had completed proportionate checks for both the initial lending and subsequent increases. So, they said Monzo hadn't acted unfairly in providing the credit.

Miss W rejected the investigators view and as there was no agreement, 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Monzo carry out reasonable and proportionate checks to satisfy itself that Miss W was in a position to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Monzo make a fair lending decision?
- Did Monzo act unfairly or unreasonably towards Miss W in some other way?

Monzo had to carry out reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit sustainably. It's not just about Monzo assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Miss W.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Monzo has provided this service with evidence of the checks it completed in 2023 and 2024. Having reviewed this information I don't think I can fairly say that the checks it completed weren't proportionate to the overdraft limits it approved. I'll explain why.

The checks show that Miss W had a regular income at the time of the first and subsequent lending decisions. Monzo also found that Miss W's income had increased by the time of the last lending decision in 2024. It calculated her income and expenditure by using national averages to establish what her essential expenditure would likely be. Monzo also gathered information from the credit reference agencies to work out how much Miss W needed to pay towards existing debt. It verified some of these figures by looking at Miss W's account. Having done this it found that Miss W had a disposable income of over £300 for the first two lending decisions and this increased over time to a disposable income of over £700 by the last lending decision.

Monzo has explained that it carried out a full credit search to get an understanding of Miss W's situation before it decided to lend to her. It said this revealed her level of active borrowing was reasonable to her income, she had no County Court Judgements (CCJs) debt management plans, bankruptcies, or IVAs. But it did find a default that had occurred more than 18 months before its initial lending decision. Given the historic nature of the default, Monzo continued with its checks, and I don't think this was unreasonable. It also noted that there were two missed payments more than eight months before. However, it appeared that these had now been brought up to date. So, I wouldn't have expected Monzo to decline Miss W's initial application for £250 based on the information it found during its credit search. I can see that when Monzo completed its checks for the overdraft limit increases, Miss W hadn't had any further adverse information recorded on her credit file and she appeared to be managing her existing credit as expected. So, again, I wouldn't have expected Monzo to decline the applications based on this information.

In addition to this I can see that Miss W broadly managed the account well between being approved for the overdraft in October 2023 and the final increase in September 2024. So, I don't think there was anything here that suggested it would be unfair for Monzo to increase Miss W's available overdraft limit.

I fully accept it's possible that Miss W's position might have changed or worsened after the lending decisions took place. I know that Miss W has referred to other debt. But I think Monzo took reasonable steps to establish and account for Miss W's debt at the time of the lending decisions. So, it wouldn't be fair and reasonable for me to say that Monzo should have known that Miss W would struggle with her overdraft at the time it was making its lending decisions. Particularly as the available information indicates that Miss W could repay what she owed and afford the further credit, at the time the lending decisions were made.

So, I'm persuaded the checks Monzo completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve the overdraft, and the subsequent increases was reasonable based on the information Monzo obtained about Miss W's circumstances. I'm very sorry to disappoint Miss W but overall, I'm not persuaded that Monzo created unfairness in its relationship with her as a result of its decisions to lend in relation to the overdraft.

I can't see from my review of her statements that there were any obvious signs of financial difficulty on the account that I think it would have been reasonable for Monzo to pick up on. Given this I haven't found that Miss W was treated unfairly in any other way.

Overall, and based on the available evidence I don't find that Monzo has acted unfairly in this case. It's not clear enough to me that Monzo created unfairness in its relationship with Miss W by lending to her irresponsibly and I don't find Monzo treated Miss W unfairly in any other way either based on what I've seen.

### **My final decision**

For the reasons explained my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 23 October 2025.

Charlotte Roberts  
**Ombudsman**