

The complaint

Miss W complains Monzo Bank Limited (Monzo) failed to carry out sufficient financial checks before it approved credit card facilities for her.

What happened

Miss W says Monzo approved “Flex” credit card accounts for her in June 2023 with a credit limit of £2,000, September 2024 for £1,500 and January 2025 for £1,250 - even though she had existing debt and recorded defaults on her credit file. Miss W feels Monzo failed to conduct thorough enough financial checks before it approved these facilities, and if it had it would have seen the borrowing was unaffordable.

Miss W wants all interest and charges to be refunded along with 8% simple interest and any adverse entries relating to these accounts removed from her credit file.

Monzo says before it approved the credit card accounts for Miss W, it carried out affordability assessments using information contained in Miss W’s application and data provided by credit reference agencies (CRA’s) and existing account conduct. Monzo say from its assessments it was satisfied the borrowing was affordable and sustainable.

Miss W wasn’t happy with Monzo’s response and referred the matter to this service.

The investigator looked at all of the available information but didn’t uphold the complaint. The investigator says there are no set list of checks lenders like Monzo must undertake but these should be borrower focused.

The investigator says when the initial credit card was approved in June 2023, although Monzo carried out financial checks using CRA’s and the information declared on Miss W’s credit application, as there were defaults registered within 15 months it should have requested banks statements for verification purposes.

On obtaining those statements however, the investigator says there were no signs of financial difficulties or reliance on credit and nothing to suggest Miss W couldn’t sustain the credit approved. The investigator felt given the level of net disposable income calculated by Monzo using external data it had gathered, the borrowing looked affordable and sustainable.

When the second credit card was approved in September 2024 following the closure of card 1, the investigator pointed out Monzo had again carried out financial checks using data from CRA’s and Miss W’s application, which showed her net disposable income (NDI) was around £842 per month, allowing a further £125 buffer for unexpected expenditure, and there had been no further adverse financial information to suggest Miss W was struggling financially in any way.

The investigator says when the third card was approved in January 2025 after the closure of card 2, Monzo conducted further financial checks as before, using CRA’s and Miss W’s credit application and past account history, which showed an improved level of NDI of around £892 per month with a buffer of £125 and no further missed payments or adverse

data showing and that Miss W's external debt had reduced.

The investigator concluded there was nothing to suggest the borrowing was unsustainable and felt Monzo had carried out reasonable and proportionate checks and its decision to lend on all three occasions was fair.

Miss W didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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 won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear that Miss W is experiencing financial difficulties and that must be a source of worry for her. When looking at this complaint I will consider if Monzo carried out reasonable and proportionate checks before it approved the "Flex" credit card accounts for her.

Miss W's complaint centres around her view that Monzo shouldn't have approved the three credit card accounts for her when it did, as she says she was already indebted and had a record of defaulted accounts, which would have become clear if Monzo had carried out more thorough financial checks at the time.

While I understand the points Miss W makes here, I'm not fully persuaded by her argument and I will go on to explain why.

The first thing to say here as the investigator has pointed out, there are no set list of checks lenders like Monzo must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Monzo what those checks must consist of, or from what sources those checks should come from.

From the information I have seen Monzo approved three "Flex" credit card accounts for Miss W and on each occasion the previous credit card account had been closed. These facilities were as follows:

1. June 2023 credit card account (card1) with a credit limit of £2,000.
2. September 2024 credit card account (card2) with a credit limit of £1,500
3. January 2025 credit card account (card3) with a credit limit of £1,250

From the information I have seen on each occasion Monzo relied upon information provided by recognised credit reference agencies along with the information Miss W declared in the three online credit card applications.

When credit card1 was approved, Monzo established from those sources that Miss W's income was £26,000 per annum and after conducting an affordability assessment based on both the external data and from information declared on Miss W's application, it calculated that her net disposable income was around £620 per month including a buffer of £125 for unexpected costs. The data also revealed that Miss W had a default registered against her

15 months prior, although there was nothing since that time, nor any CCJ's recorded.

The investigator felt given that a default had been registered, further information should have been sought by Monzo and she requested bank statements to verify income. While having what could be considered an historic default registered isn't necessarily a reason to decline a credit facility, I agree that it would have been prudent for Monzo to ask for further evidence of affordability and bank statements would be appropriate for that purpose.

Like the investigator having seen those bank statements, these seem to confirm Monzo's assessment of affordability and therefore I am satisfied even with sight of those statements it would have concluded the borrowing it approved was affordable and sustainable.

When card 2 was approved in September 2024 Monzo again carried out a similar affordability assessment using data from CRA's and information Miss W declared on her online application. This was around 15 months after Monzo had originally approved credit facilities for Miss W and her net disposable income at this time had improved to around £840 per month, allowing also for a buffer of £125 per month. This was a result of Monzo's affordability modelling, using industry standard methods to establish essential expenditure in addition to what Miss W had also declared, and so I am satisfied that was sufficient here for the level of credit approved. It's also worth mentioning there had been no further defaults or signs of financial stress from the credit searches Monzo had conducted at that time.

When card 3 was approved in January 2025, Monzo again carried out an affordability assessment from information declared in Miss W's online application and information gathered from the CRA's. This showed similar levels of NDI for Miss W and a reduced amount of other borrowing costs, and importantly it had been around 30 months since the default had been registered with no obvious signs of financial stress.

From the affordability modelling Monzo carried out, Miss W's NDI was around £890 per month along with a buffer of £125 for unforeseen expenditure, which would have been more than adequate to service a fairly modest credit card facility of £1,250. It's also fair to say by this time Monzo had built up a reasonable credit profile for Miss W alongside its affordability assessment.

So on balance overall I'm satisfied Monzo carried out reasonable and proportionate checks when it approved card 2 and card 3 and even if it had asked for bank statements before approving card 1, I am satisfied it would have concluded the borrowing was affordable and sustainable. So I can't say that Monzo acted irresponsibly here and I am satisfied its decision to lend on all three occasions was fair.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss W will be disappointed with my decision, I won't be asking anymore of Monzo here.

My final decision

My final decision is that I do not 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 22 October 2025.

Barry White
Ombudsman