

The complaint

Mr E complains that Monzo Bank Ltd (Monzo) acted irresponsibly when they agreed to him having a revolving credit facility and subsequent credit limit increase.

What happened

In March 2022 Mr E applied for a Flex account with Monzo. His application was successful, and his account was opened with a £500 credit limit. In July 2022 the credit limit was increased by a further £1,500 to £2,000. Mr E said Monzo also around the same time provided him with an overdraft and subsequent overdraft increase as well as a loan. He said he struggled to maintain the repayments and complained to Monzo.

Monzo said they'd carried out proportionate and reasonable checks that showed the lending to Mr E was affordable and he should have been able to sustain the repayments.

Mr E wasn't happy with Monzo's response and referred his complaint to us.

Our investigator said Monzo's checks were proportionate and reasonable for the account opening and the credit limit increase and that Monzo had made a fair lending decision.

Mr E didn't agree and has asked for his complaint to be referred to an ombudsman.

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.

Firstly, Mr E has complained about other Monzo decisions that provided him with overdraft limits and a personal loan (one of which happened after Mr E's last Flex account credit limit increase). I can see that these complaints are being considered separately. So, in my decision I will only be considering Mr E's Flex account.

I appreciate my decision will disappoint Mr E but having done so I've decided not to uphold this complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Monzo offered the account they needed to complete reasonable and proportionate checks to be satisfied Mr E would be able to repay the debt in a sustainable way. In deciding what was proportionate Monzo needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Mr E was provided with a revolving credit facility rather than a loan, unlike personal loans, there's no fixed weekly/monthly repayment. The consumer would normally receive monthly statements, stating the list of transactions, outstanding balance, required repayment amount and the due date.

As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. The Flex account does work a bit differently to most credit cards, with consumers having the option to move items across to it from their spending on their Monzo current account if they wish, or to pay for items or services by way of an instalment plan option of up to 12 months. Interest would be charged daily, and the minimum monthly payment calculated on the basis that each transaction plus any interest would be cleared within the 12 months.

Monzo needed to carry out proportionate checks to be able to understand whether Mr E could afford to repay any credit, and to make sure that they didn't lend irresponsibly. There isn't a set list of checks a lender must do. But CONC says that a lender should take reasonable steps to estimate a consumer's income and non-discretionary spending. It also says a lender shouldn't generally rely on the income declared by a consumer but seek validation through an independent source such as a credit reference agency (CRA) or third party. And allows for the use of statistical data in determining a consumer's non-discretionary spending. Monzo was approving a credit limit of £500. They said they used application, CRA and statistical data to assess the affordability of their lending. I've considered the checks Monzo did, and what these showed.

Mr E applied for the Flex account in March 2022. He said he worked full time earning £27,565 per year, he said he'd housing costs of £300 and had no dependents. Monzo said they cross checked this with a CRA. They assessed Mr E's monthly income to be £1,867. He'd no defaults registered, and it had been eight months since he'd any arrears showing on his credit history. Mr E's had credit commitments of £216.85 a month, and statistical data assessed his other essential spending to be £614.70 a month. Monzo said they also allowed for a "buffer" amount of £125. Which meant Mr E should have had an available income of around £610.

Monzo showed that if Mr E had drawn down the full amount of his credit limit of £500, he'd accrue interest of around £63, so he'd have a minimum monthly payment to settle this within 12 months of around £50.

So, I'm satisfied the checks Monzo did were reasonable and proportionate for the type and amount of credit they were providing. They'd taken reasonable steps to estimate Mr E's income, cross checking this with a CRA, considered his credit commitments also supplied by a CRA check, and assessed his other essential spending using statistical data. And I don't think that there was anything immediately obvious in the information that they had, including Mr E's existing credit, which meant they shouldn't rely on it. So, I don't think Monzo needed to have asked Mr E to provide further evidence in support of his expenditure before they provided him with a credit limit in this instance. And based on these checks I'm satisfied Monzo made a fair lending decision as Mr E should have had sufficient disposable income to sustain his repayments.

In July 2022 Monzo increased Mr E's credit limit by a further £1,500. I can see Monzo did similar checks. Monzo also had the additional information as to how Mr E was managing his Flex account. And I can see Mr E was paying his repayments on time as well as paying extra amounts towards his instalment plans. Monzo's assessment based on these checks showed Mr E's monthly income to be £1,876, monthly essential spending of £630.04, household costs of £280 and credit commitments of £473.72 (this had increased as Mr E had an overdraft, a loan and his Flex account). Again, Monzo included a "buffer" amount of £125. Which meant Mr E should have had an available income of around £367 a month. The CRA check also showed it'd been 11 months since Mr E's credit history showed any arrears.

Mr E was increasing his borrowing by a further £1,500 so I'd expect an additional monthly repayment of around £140 for Mr E to clear transactions over 12 months.

So, I'm satisfied the checks Monzo did were reasonable and proportionate for the type and amount of credit they were providing. They'd taken reasonable steps to estimate Mr E's income and essential spending. And I don't think that there was anything immediately obvious in the information that they had, including Mr E's existing credit, which meant they shouldn't rely on it. So, I don't think Monzo needed to have asked Mr E to provide further evidence in support of his expenditure before they provided him with a credit limit increase in this instance. And based on these checks I'm satisfied Monzo made a fair lending decision as Mr E should have had sufficient disposable income to sustain his repayments.

Mr E said he was spending on gaming platforms and gambling sites. But from the evidence he's provided any gambling activity was only visible on his other bank account statements. I've not seen anything to suggest Monzo was made aware Mr E might have had a gambling problem during his application. And his account appears to have either been in credit or within agreed overdraft limits in the months prior to the credit limit increase. So, I don't think there's any clear evidence that Monzo should have been aware of Mr E's gambling or meant that lending to him could be irresponsible.

While I accept that Mr E's circumstances might have been worse than what the information Monzo obtained showed, I can't say Monzo acted irresponsibly in lending to him, as I'm satisfied the checks they did were proportionate and reasonable. And I wouldn't have expected them to ask Mr E to provide any other evidence in support of his application and credit limit increase. So, Monzo wouldn't have seen any of his gambling activity before they agreed to lend to him. And I can't hold them accountable for something they didn't see.

Although I'm not upholding Mr E's complaint, I would remind Monzo of their continuing obligation to exercise forbearance and due consideration, given what Mr E now says about his financial position should he have difficulty making his payments going forward.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Mr E has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr E or otherwise treated him unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 24 November 2025.

Anne Scarr
Ombudsman