

The complaint

Mr E complains that Monzo Bank Ltd (Monzo) irresponsibly gave him a fixed sum loan agreement that he could not afford to repay.

What happened

In April 2022 Mr E applied for a fixed sum loan with Monzo. He was given a loan for £3,000. The total repayable, including the loan fee and interest was £3,905.44. He was required to make 24 monthly repayments of £162.74.

In March 2025 Mr E complained that Monzo should never have provided him with the fixed sum loan. He said that appropriate affordability checks hadn't been completed, and if they had Monzo would've seen that the loan was unaffordable to him. Monzo didn't think that it had acted unfairly when lending to Mr E.

Mr E also raised complaints about Monzo's decision to grant him a credit card and an overdraft facility. However, those issues are being dealt with under separate complaints and don't form part of this decision.

Our investigator didn't recommend that the complaint should be upheld. They thought Monzo had completed proportionate affordability checks and there was nothing in the checks that suggested Mr E wouldn't be able to afford the borrowing.

Mr E didn't agree, so the complaint has been passed to me 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.

There isn't a set list of checks Monzo were required to complete before lending to Mr E. The rules require it to ensure it carried out proportionate checks. What is proportionate will vary with each lending decision and takes into account things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Monzo says that at the time of the application, Mr E declared his annual salary to be £28,000. Monzo says it checked this using information from a credit reference agency, which confirmed Mr E's monthly income was around £1,876.

Mr E says he had a lot of outstanding debt and this should have alerted Monzo that he was struggling and to conduct further checks. However, Monzo was aware of Mr E's credit commitments. It completed a credit check which showed that Mr E had £2,452 of unsecured lending, of which it calculated monthly repayments totalling around £275. The check showed these repayments were being managed well, with no signs of financial difficulties. Monzo also estimated Mr E's essential monthly living costs to be £630 using statistical data and Mr E declared his monthly housing expenditure was £280.

Monzo allowed a buffer of £125, in case of unaccounted for spending. This left a monthly disposable income of around £565. Based on this, Monzo considered Mr E had sufficient income to sustainably and comfortably afford the new loan repayments.

The credit check indicated that Mr E made some late payments on his credit commitments in the past, however the most recent of these were seven months before the application and Mr E had managed to repay several loans since, indicating his financial circumstances had improved. I don't think this alone would be enough to exclude Mr E from further lending, and from what Monzo could see, there were no signs of any further payment issues at the time of the loan application, or obvious signs that Mr E might have been struggling financially.

Mr E says he was overdrawn at the time of the application. I can see from Mr E's Monzo current account statements that whilst he was indeed overdrawn at the time of the application, he only entered his overdraft 11 days before receiving the loan funds. He applied for the overdraft only one month prior to the loan. I think that it's reasonable of Monzo to assume he had intentions to utilise it and just because he did shortly after applying for it, I don't think this is in itself was problematic.

Mr E says it can be seen from the statements that funds were being transferred to other accounts and because of this Monzo should have investigated his management of those accounts too. However, it is not for Monzo to say how Mr E manages his funds, only to ensure he can sustainably afford the credit it provides. There is nothing in the bank statements that I have seen that would cause Monzo to think Mr E was struggling financially at the time. It appears he had sufficient income to meet his essential outgoings and credit commitments.

Based on the checks Monzo completed and what Mr E had declared about his income and expenditure, I think Monzo completed proportionate affordability checks in this specific case. Having thought about what those checks showed, I've seen no reason to persuade me that Monzo made an unfair lending decision. I say this because there were no signs of recent financial difficulty and the checks indicated Mr E had enough disposable income to afford the loan repayments without difficulty. There wasn't anything in the way Mr E had managed his Monzo current account that I think ought to have caused Monzo any concerns either.

I note that Mr E says that he was gambling at the time of the application. I'm not disputing the impact this can have on an individual's finances, and I'm sorry Mr E was struggling with it. However, I have not seen anything to suggest that Monzo either knew this or ought to have known. Having seen Mr E's current account statements leading up to the time of the application, there is nothing there to indicate signs that Mr E was gambling. I don't think there was anything in the checks it did that ought to have prompted any further checks of accounts with other lenders.

In reaching my conclusions, I've also considered whether the lending relationship between Mr E and Monzo might have been unfair to Mr E under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Monzo did not lend irresponsibly when providing Mr E with the loan. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

While it'll likely come as a disappointment to Mr E I won't be upholding his complaint against Monzo Bank Ltd for the reasons explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 22 December 2025.

Jenny Hiltunen
Ombudsman