

## The complaint

Miss S is a sole trader. She complains that Monzo Bank Ltd (Monzo) acted irresponsibly when they granted her a business loan. In particular, she says Monzo failed to carry out proper checks which would have demonstrated that the loan was unaffordable.

## What happened

The broad circumstances of this complaint are well known to the parties, so I'll only give a summary of the key events:

- On 12 January 2025, Miss S successfully applied to Monzo for a £5,000 loan, which she repaid shortly afterwards on 3 February 2025.
- The next day, on 4 February 2025, Miss S applied to the bank for a new £14,000 loan (the Loan) which Monzo granted also.
- At the time of her application, Miss S had two existing loans with third party lenders. And on drawdown of the Loan, she used part of the proceeds to repay the outstanding balances of £1444.05 and £5572.61.

However, Miss S believes Monzo should have rejected her application for the Loan, and that they acted irresponsibly when they granted it. According to Miss S, if Monzo had looked carefully enough into her circumstances, they would have noticed that:

- She'd recently repaid the previous loan with them and shouldn't therefore have approved new lending within such a short space of time.
- She has a gambling problem. Indeed, after she'd settled the two third party loans just mentioned, she used the rest of the proceeds of the Loan to fund her gambling.
- There were multiple searches on her credit file for which the bank should have been concerned.

Monzo didn't think they'd done anything wrong. In their response to the complaint, they said:

- When Miss S applied for the Loan, she told them it was intended for business purposes. More specifically, to expand and grow her sole trader business.
- Based on their own checks, using various tools - including looking into Miss S' personal income and expenditure, they concluded that the Loan was affordable.

Miss S didn't agree with Monzo's conclusion and so, she referred her complaint to this service to look into.

Our investigator did so. However, he didn't uphold the complaint. He said in summary:

- As a sole trader, Monzo took into account Miss S' income from her paid employment and deducted what they'd had been told was her rent and fixed monthly commitments. And bearing in mind Miss S also told Monzo, she was going to use the Loan to grow her sole trader business, it was anticipated this was likely to increase

her available income to service the Loan in the future.

- When all these were considered alongside Miss S' credit score data, he was satisfied that the Loan was affordable.
- He noted Miss S' testimony that she had a gambling problem. But after reviewing both her personal and business account statements with Monzo for the 12 months prior to the application, apart from a monthly lottery payment, he found no evidence that might reasonably have alerted Monzo to this.

Miss S disagreed and maintained her position that Monzo did lend irresponsibly. She said Monzo, should for example have noticed that since opening her business account in 2023, transactions passing through it were limited. And furthermore, she had a monthly income of under £1,900 and doesn't believe it was enough to maintain repayments on the Loan.

### **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've come to the same overall conclusion as our investigator, and for broadly the same reasons. I'll explain why.

Lending decisions are a matter for a bank's commercial discretion. And as an ombudsman, I would not interfere with the exercise of that discretion unless I was satisfied it was done unfairly.

I don't think the granting of the Loan to Miss S the day after she'd repaid the £5,000 borrowing with Monzo was in itself evidence the bank did anything wrong. That being said, before agreeing to the Loan, I'd expect Monzo to take reasonable steps to ensure that they weren't acting irresponsibly.

To do that, Monzo would need to show they carried out proportionate checks to make sure that Miss S could afford to repay the Loan. What is proportionate will vary depending on the particular circumstances. A larger loan, over a longer period for example may need to have more checks to be regarded as proportionate.

But, generally speaking, I'd expect a lender to have regard to such things as, the nature and duration of the customer relationship where that's relevant, repayment history of any previous borrowing, and credit file entries. So, I've looked at what consideration Monzo gave to these when assessing Miss S' application.

Monzo have told us that although the Loan was a business loan, nonetheless, since Miss S was a sole trader, they assessed her application in the same way they would a personal loan. I don't think the bank's approach was unreasonable given that as a sole trader; Miss S would have been personally liable for the Loan in any event.

### *Repayment history*

Monzo have shared details of the previous loans that Miss S had with them. And I can see that between 2023, and 4 February 2025 she borrowed and successfully repaid several loans ranging from £1,500 to £7,000. And as noted above, she'd also successfully repaid the £5,000 loan she'd recently borrowed from Monzo, which meant Miss S' had reduced her monthly outgoings by £240. Miss S' credit file showed no arrears or defaults.

### *Miss S' Income and Expenditure*

Monzo also shared details of how they assessed Miss S' ability to afford the Loan. As the investigator observed, based on her declared £34,000 per annum income, Miss S' net monthly income was assessed as £ 2,256 from which Monzo deducted her estimated monthly expenditure, rent and other debt obligations. That left a monthly 'affordability capacity' of £647.56 against monthly instalments for the Loan at £488. It's not obvious that Monzo's calculations were wrong. And I don't think reasonably they would have caused the bank to be concerned that Miss S might not be able to meet the required monthly repayments on the Loan.

But I do agree with Miss S' submission regarding the pattern of use on her business account. She's right that although it had been used regularly since it was opened in 2023, the transactions passing through it were, on the whole, relatively small. Deposits for example were generally no more than £500. But I don't think this would have been a fair reason to decline Miss S' application. Especially considering the intended purpose of the Loan as she represented to the bank. In other words, that the Loan was intended for use to expand her business and, it would follow, increase her income.

### *Miss S' Credit File*

Monzo also said that in the three months prior to the application for the Loan, Miss S' credit file shows that there was only one credit search, and three within the previous 12 months.

I appreciate Miss S has submitted there were in fact several searches on her credit file, and I can see that was the case. I can understand why she might have been concerned and conclude Monzo ought to have shared that concern.

However, these were soft searches. Generally speaking, a soft search is an enquiry that's made on a credit report and it is not visible to a potential lender. Such searches can be carried out any number of times without impacting a borrower's credit scores or influence the decision that a lender may choose to make.

Miss S has acknowledged she has a good credit history, and her credit report supports that conclusion. For example, from my review, there were no recorded arrears, defaults or CCJs. Rather, Miss S seemed always to have made full and timely repayments on all her borrowings. So, credit searches conducted by Monzo wouldn't have put them on notice that there were potential issues regarding the repayment of the Loan.

Taking everything into account, I agree with the investigator that there is no evidence that might reasonably have led Monzo to conclude that the Loan was unaffordable and it was therefore irresponsible for them to agree to lend to Miss S.

### *Miss S' gambling*

I thank Miss S for sharing this information. It's unlikely this would have been an easy thing to do, and I'm grateful to her for being so candid.

However, I don't agree that Monzo should have been aware of this information from the checks they carried out.

Like the investigator, I also reviewed Miss S' Monzo personal and business account statements for the 12 months prior to the application for the Loan. There were no obvious payments to gambling establishments that might reasonably have led Monzo to conclude that Miss S has this problem.

To summarise, with all the above evidence considered, I'm satisfied that Monzo did carry out enough checks to ensure the Loan was affordable. I consider Monzo's came to a fair decision when they decided to grant the Loan to Miss S and did not therefore lend irresponsibly.

### **My final decision**

For the reasons given above, my final decision is I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 5 January 2026.

Asher Gordon  
**Ombudsman**