

The complaint

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

What happened

Miss M has an overdraft with Monzo, the initial lending decision for an overdraft of £500 was made in July 2023. The credit limit was increased between 2023 and 2024 with the account reaching a limit of £3,000 in September 2024.

Miss M complained to Monzo saying it had lent to her irresponsibly and failed to complete appropriate checks before lending. She said proportionate checks would have shown she had other debts and a County Court Judgement (CCJ) that meant the overdraft shouldn't have been approved. She said she was struggling to repay the overdraft and so, she's asked for the interest and charges applied to the overdraft to be refunded.

Monzo looked into Miss M's complaint and said it felt it had acted fairly in providing the overdraft and subsequent increases. However, it recognised it hadn't suspended the interest on Miss M's account while the complaint was ongoing. So, it refunded the interest for that period and paid her £60 compensation in recognition of the inconvenience this caused. I can see that since then Miss M has also been able to agree a repayment plan with Monzo to pay down the overdraft at £100 a month.

Miss M didn't accept what Monzo said and maintained that she felt the decisions to lend were unfair. As she remained unhappy Miss M referred her complaint to our service and one of our investigators looked into it.

After considering the information available our investigator said that Monzo had completed proportionate checks for all but the last two lending decisions and found that had proportionate checks been completed for the last two lending decisions it would have found the lending to be unaffordable. So, they said Monzo hadn't acted unfairly in providing the overdraft.

Miss M 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 M 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 M in some other way?

Monzo had to carry out reasonable and proportionate checks to satisfy itself that Miss M 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 M.

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.

What's important to note here is that Miss M was provided with an overdraft which is a revolving credit facility rather than a loan. This means that Monzo was required to understand whether limits of up to £3,000.00 could be repaid within a reasonable period of time, rather than all in one go.

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 for the limit increases in 2023 weren't proportionate to the overdraft limits it approved. I'll explain why.

The checks show that Miss M had a regular income at the time of the first and subsequent lending decisions. It calculated her income and expenditure by using national averages to establish what her essential expenditure would likely be. This is an approach it's allowed to take under the relevant lending rules. Monzo also gathered information from the credit reference agencies to work out how much Miss M needed to pay towards existing debt. It verified Miss M's income through a credit reference agency which is acceptable practice. Having done this, and applying a buffer of £125, it found that Miss M had a disposable income of over £600 for all the lending decisions in 2023. So, I'm satisfied the lending appeared affordable on this information.

Monzo has explained that it carried out a full credit search to get an understanding of Miss M's situation before it decided to lend to her. It said this revealed her level of active borrowing was reasonable to her income, and she had no recent adverse information recorded against her. But it did find a default that had occurred more than 53 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 Miss M had missed some payments more than 17 months before the initial lending. However, it appeared that these had now been brought up to date.

I can see that when Monzo completed its checks for the overdraft limit increases in 2023, Miss M hadn't had any further adverse information recorded on her credit file and she appeared to be managing her existing credit as expected. So, I wouldn't have expected Monzo to decline the applications based on the information available.

In addition to this I can see that Miss M broadly managed the account well throughout the period of the increases in 2023. So, I don't think there was anything here that suggested it would be unfair for Monzo to increase Miss M's available overdraft limit.

So, I'm persuaded the checks Monzo completed in 2023 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 M's circumstances.

However, looking at the 2024 lending decisions, I think Monzo needed to do more to establish Miss M's actual income and expenditure, rather than relying on averages. I say this

because the lending decisions taken in 2024 significantly increased the overdraft limit and it became more likely that Miss M may struggle to sustainably repay the overdraft. Additionally, by the time of the lending decision to increase Miss M's overdraft limit to £2,000, her wages were no longer being paid into the Monzo account.

I appreciate Miss M had no further adverse markers on her credit file and Monzo says she would have had a disposable income of around £500. But I think it would have been reasonable for Monzo to get a more detailed picture of her financial situation for the increase that took place in 2024.

There are a number of ways it could have done this, but Monzo has provided this service with a copy of Miss M's statements and Miss M has been able to provide this service with copy bank statements from the account her wages were paid into. In the absence of any other evidence, I think it's reasonable to rely on these to establish what Monzo would likely have found had it completed proportionate checks.

I've reviewed the available statements for both accounts and I haven't seen anything to suggest Miss M didn't have enough disposable income to sustainably repay the overdraft over a reasonable amount of time. Miss M was still in regular receipt of wages, and I can't see that there were any obvious financial difficulties on the account. Given this, I'm persuaded that if Monzo had found out more about Miss M's income and expenditure it would have fairly concluded that she would have had enough disposable income to be able to afford the lending.

So, based on the information available to me, I can't reasonably conclude that Monzo acted unfairly when it agreed to lend to Miss M in 2024.

I fully accept it's possible that Miss M's position might have changed or worsened after the lending decisions took place. I know that Miss M has referred to a poor credit history. But I think Monzo took reasonable steps to establish and account for this 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 M would struggle with her overdraft at the time it was making its lending decisions. Particularly as the available information indicates that Miss M could repay what she owed and afford the further credit, at the time the lending decisions were made.

Based on the information available, I'm satisfied that although Monzo's checks for the higher limits could have been more detailed, it nevertheless made fair decisions to lend. I'm very sorry to disappoint Miss M but 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 see Monzo was slow to refund interest for the period it was considering Miss M's complaint and I think it could have been clearer about what the next steps were in setting up a repayment plan. However, I'm pleased to see it has now appropriately refunded the interest to the account and paid Miss M compensation for the delays. As I think its actions to put things right here are reasonable, I won't be asking it to do anything further.

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 M by lending to her irresponsibly and I don't find Monzo treated Miss M unfairly in any other way (that it hasn't already addressed) 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 M to accept or reject my decision before 23 October 2025.

Charlotte Roberts
Ombudsman