

The complaint

Monzo Bank Ltd ('Monzo') provided Mr G with an overdraft in 2021. Mr G says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website and I've taken this into account in deciding Mr G's case.

Monzo looked at the complaint in 2022. And gave referral rights to this service. Mr G did not bring his complaint to us at that time. Instead, he raised the complaint with Monzo again in 2025. When the complaint came to this service in 2025, Monzo said they thought it was fair for us to look at Mr G's complaint as they had done so. This was a customer focused action by Monzo.

The complaint came to us with Monzo having upheld it in part and they had paid Mr G some redress already. Our investigator thought that we would most likely have upheld the complaint from the overdraft increase in 8 November 2021 and our normal redress would apply. Monzo agreed and went further by offering to refund all fees and interest Mr G had paid on the account.

This offer represents a full uphold of the overdraft from the start date. As such the redress is as much, if not more than, I would award if I looked at the merits of this case. That being so, and as Monzo has agreed to pay full redress, there is no need for me to recover the merits of the case.

Mr G did not agree to the redress. Mr G felt that as the lending had been deemed to have been provided unreasonably, he shouldn't have to repay the credit he made use of. I will address that issue.

The standard redress for unaffordable lending is for the business to return the interest and charges that it attached to the unaffordable lending. The idea is that the business should not benefit from the unaffordable lending it provided. And that would be the fair way to compensate someone who experienced unaffordable lending, normally.

It would not be normal redress to suggest that the credit amount (in this case an agreed overdraft) be returned to the consumer or written off. I say that because in such a case it could be argued that the consumer had access to the capital amount twice. I have seen insufficient evidence that would be a fair settlement in this case.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr G in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

How to put things right

Monzo has made an offer to do the following. So Monzo should now:

Re-work Mr G's current overdraft balance so that all interest, fees and charges applied are removed. Monzo has already refunded some of this and has agreed to refund the rest of the interest. Therefore, it should go ahead and do this.

And

If an outstanding balance remains on the overdraft once these adjustments have been made Monzo should contact Mr G to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr G's credit file, it should backdate this to 8 November 2021. This is because this is the date of the limit increase that we upheld and which Monzo agreed to.

Or

If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr G along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Monzo should remove any adverse information from Mr G's credit file. †

† HM Revenue & Customs requires Monzo to take off tax from this interest. Monzo must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I'm upholding this complaint and Monzo Bank Ltd must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 February 2026.

Douglas Sayers
Ombudsman