

The complaint

Mr D complains that Monzo Bank Ltd was irresponsible in its lending to him. He wants the interest paid on the loan refunded and all remaining interest removed, and consideration given to whether he should be awarded compensation for the stress this loan has caused. Mr D also wants any unfair conditions regarding his ability to repay from another bank removed.

What happened

Monzo provided Mr D with a £6,000 loan in May 2024. The term was 60 months, and Mr D was required to make monthly repayments of £148.

Mr D said that proportionate checks weren't carried out before the loan was provided. He said Monzo relied on estimates of his spending rather than his actual financial circumstances and his income wasn't verified. He said Monzo's calculation resulted in a very narrow affordability capacity which in real terms made the loan unaffordable and vulnerable to financial strain.

Monzo issued a final response dated 24 June 2025. It said that it carried out credit and affordability checks and these showed the loan to be affordable. It explained that when Mr D applied for the loan, he was told that Monzo would automatically take the monthly repayments from his Monzo account unless he told it he wanted to make payment from another bank. It said if Mr D wanted to pay from another bank, he would need to use his Monzo app to set up the new payment instruction.

Mr D referred his complaint to this service.

Our investigator thought the checks carried out before the loan was provided were reasonable and proportionate. He said that based on these checks the loan appeared affordable and there was no evidence to suggest the loan would be irresponsible.

Mr D didn't accept our investigator's view.

Mr D said that the affordability calculations used weren't correct as Monzo included housing costs of £400 when he was paying £400 a month in rent and an additional £356 for a mortgage. He said that proper verification didn't happen and had accurate figures been used these would have shown the loan to be unaffordable.

Our investigator responded to Mr D's comment and explained that the £400 figure was confirmed through his application.

Mr D said that Monzo was aware of his mortgage payments as they were made from his Monzo account.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint. While I came to the same conclusion that our investigator had, being not to uphold the complaint, I included additional reasoning for this. The details of my provisional decision are set out below.

Mr D was provided with a £6,000 loan which required monthly repayments of £148. As part of the application assessment, Mr D was asked about his employment, income and residential status. Mr D said he was employed with an annual income of £26,000, had a mortgage and no dependents. He said his monthly accommodation costs were £400. As Mr D had a bank account with Monzo it was able to verify his income through his account transactions and a net monthly income of £1,808 was confirmed. A credit check was undertaken, and this didn't identify any defaults or insolvencies and showed Mr D's active accounts to be up to date. Mr D's total outstanding balances and repayments for these (excluding his mortgage) were around £9,098 and £374 respectively.

Noting the size of the repayments compared to Mr D's income and as his credit results didn't suggest he was overindebted or struggling with his existing commitments, I think the checks carried out were proportionate. However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loans should have been given. To assess that I have considered the outcome of Monzo's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Mr D's income was verified using his Monzo account statements. I note Mr D's comment about his payslips not being requested but I think it reasonable that Monzo would rely on the information Mr D provided and check this against his Monzo statements. Only if this raised issues would I expect further verification to take place. In this case, Mr D declared an annual income of £26,000 and Monzo used a net monthly figure of £1,808. Having looked through Mr D's Monzo statements for the three months leading up to the loan application, he received income into his account above the £1,808 recorded. Therefore, I find that Monzo acted fairly by including the amount it did based on Mr D's declared income and his account statements.

Mr D has said that it wasn't reasonable for Monzo to rely on estimates for his expenses and said that it recorded too low an amount for his housing costs. As I set out above, I think the checks were reasonable, but I have considered the point Mr D has raised that Monzo should have been aware of his mortgage payment. While I accept that Monzo used Mr D's account statements to verify his income rather than to check his expenses, Mr D declared that he had a mortgage in his application and said his share of the mortgage was £356. The mortgage was also shown in the credit check. However, as Mr D didn't mention that he was also paying rent, I think it reasonable that Monzo would accept the declared £400 of housing costs as relating to Mr D's mortgage payment. I can see from Mr D's Monzo statements that he was also making a monthly payment of over £400 for what appeared to be rent. But, as he didn't identify this in his application, I do not find I can say that Monzo was wrong not to include it and to rely on the declared £400 of housing costs.

In its affordability assessment, Monzo deducted Mr D's £400 of housing costs, around £374 for his existing credit commitments and an estimate of £706 for his monthly spending. This left around £328. Monzo applied a £125 affordability buffer reducing this amount to around £203. While this would only leave around £55 after the Monzo loan repayments for Mr D's unforeseen expenses, as an affordability buffer had been included, I do not find I can say this loan should have been considered unaffordable.

While I do not think in this case Monzo needed to verify Mr D's expenses, I have looked through the Monzo account statements for the three months leading up to the loan application to see what further analysis of these would have shown. As I noted above, the

statements show higher payments into the account than were included in the Monzo affordability assessment (around £2,400 compared to £1,808). Mr D's payments for credit commitments were lower than recorded in the credit file so I find it reasonable the credit file result of around £374 would be relied on. Mr D's housing costs were higher (as has been explained above) but his other regular costs for expenses such as utilities, insurance, communication / media contracts were lower than Monzo estimated. Taking this all into account, I accept that after the Monzo loan repayments Mr D would be left with limited disposable income, but in this case, I do not find I can say that Monzo should have identified the loan as unaffordable.

In conclusion, I think the checks carried out were reasonable and as these showed the loan to be affordable, and there were no issues in Mr D's credit file that meant the loan shouldn't have been provided, I do not find I can say Monzo lent irresponsibly.

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

Mr D didn't accept my provisional decision. He said that Monzo had clear, verified evidence of his housing costs at the time as his Monzo account was connected to his mortgage account and there was a regular payment of around £350 a month. He said that despite this Monzo used his self-declared rent cost of £400 and treated this as his full housing cost when his actual housing cost was around £750. He said that Monzo used open banking to verify his income and so was required to also use it to assess his expenditure. He said that had his full housing costs been included then the loan wouldn't have been provided.

Mr D said that the financial strain he now faces is a direct consequence of Monzo approving this loan on incomplete information that it already had in its system. He thought that because of this his complaint should be upheld.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

I have considered the points Mr D has raised in response to my provisional decision but these haven't changed my conclusions. As I set out in my provisional decision, noting the size of the repayments compared to Mr D's income and that his credit results didn't suggest he was overindebted or struggling with his existing commitments, I think the checks carried out before the loan was issued were proportionate.

Mr D's main concern is that Monzo included housing costs of £400 in its affordability assessment rather than his full housing costs which were around £750 - £350 for his

mortgage and £400 for rent. Mr D believes that Monzo had the information available to be able to identify the accurate figure and that had this been included in the assessment the loan wouldn't have been given.

As I explained in my provisional decision, Mr D declared that he had a mortgage in his application and said his share of the mortgage was £356. The mortgage was also shown in the credit check. However, as Mr D didn't mention that he was also paying rent, I think it reasonable that Monzo would accept the declared £400 of housing costs as relating to Mr D's mortgage payment. While I appreciate that there was a regular payment of around £400 also leaving Mr D's account, Mr D didn't identify this as an additional housing cost in his application. I appreciate the comment Mr D has made about the information being available to Monzo but in this case I accept that based on the loan size and other information available, Monzo's approach to verifying the income was proportionate and I don't think it was required to verify his expenses.

Monzo's affordability check included Mr D's income as £1,808, his general costs as around £706, his housing as £400 and his credit commitments as around £374. This left around £328 for the Monzo loan repayments and any other costs. This suggested the loan to be affordable for Mr D.

Mr D thinks further assessment of his expenses should have happened but in this case I do not agree. However, even if I did agree, while further checks may have shown Mr D's housing costs to be around £750, they would also have shown he had lower outgoings (around £454 compared to the £706 Monzo included). Deducting the higher housing costs, lower outgoings and the £374 credit commitments from the income would leave very limited income for any other costs, but I note that further checks would likely have identified a higher income figure for Mr D (around £2,400). So, based on the information I have seen I do not find I can say this loan should have been identified as unaffordable for Mr D.

While I know that my decision will be disappointing for Mr D, in this case, I do not find I can uphold this complaint. .

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 December 2025.

Jane Archer
Ombudsman