

The complaint

Miss C complains that Monzo Bank Limited (“Monzo”) provided her with an overdraft and subsequent increases that she couldn’t afford. Miss C has also complained about a number of other issues which I’ll comment on, as appropriate below.

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.

Having done so, I can confirm that I’ve reached the same conclusion as our investigator, for broadly the same reasons and don’t think that Monzo needs to do anything else.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

Did Monzo conduct proportionate checks prior to making its lending decisions?

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

So before agreeing to approve or increase the credit available to Miss C, Monzo needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn’t a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but are not limited to the type and amount of credit, the

borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect Monzo to think about Miss C's ability to repay the whole borrowing in a reasonable period.

As part of the application prior to Monzo granting the initial £50 overdraft limit, Miss C declared she wasn't working but had an income of £10,000 per year, which Monzo calculated to be around £833 a month and confirmed this with a credit reference agency. Miss C declared she lived with her parents and didn't pay any rent. Monzo then completed a credit check which is says showed that her existing credit commitments were around £116 a month and that she had no defaults or missed payments. Lastly it said it estimated her monthly essential living costs to be around £379. It said based on these figures it was satisfied that Miss C had a sufficient disposable income of approximately £212 a month (this included an additional buffer added by Monzo of £125) to be able to afford an initial relatively small overdraft of £50. And on balance, I agree.

Miss C's overdraft increased incrementally until on 31 May 2025 the limit was £1,000. And from the evidence I've seen, the account was managed well and the facility was used as it was intended, for short term borrowing. She wasn't constantly overdrawn with large periods in credit and she didn't exceed her authorised limits. And although I can see Miss C did start using the facility more before the last increase, the limit wasn't exceeded and the facility appeared affordable considering her income and expenditure. So on balance, I think Monzo conducted proportionate checks and made fair lending decisions up to and including the last increase.

We asked Miss C for a copy of her credit file so I could get an overall picture of Miss C's finances which I'm grateful for her providing. I've not found any evidence of any adverse information during the lending period which would have indicated to Monzo that Miss C may have been in financial difficulty or that the facility wasn't affordable or sustainable.

Monzo's responsibility to monitor and review Miss C's overdraft usage

The regulations put the onus on lenders that an overdraft isn't generally suitable for long term use. So as well as needing to act responsibly when it took the decision to grant the overdraft – ensuring that the overdraft was sustainably affordable without the need for Miss C to borrow more – Monzo also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, it needed to take steps to try and reduce it. But from the evidence I've seen, it doesn't appear that Miss C was over reliant on her overdraft and nor were there any signs of financial difficulty.

And although it was clear that Miss C was using her overdraft, she wasn't constantly overdrawn and her income returned her to a credit balance for most months. And I can't say, from the evidence I've seen, that there were signs of financial difficulty. There was no adverse information showing on Miss C's credit file at the time of the increases and annual reviews that would have alerted Monzo that Miss C may be struggling financially and she appeared to be managing her other credit commitments well.

The regulations that cover overdrafts also make a distinct difference to the options a business has to consider between consumers that are repeat users of the overdraft AND show signs of financial difficulty, and those that don't. And although it's clear that Miss C was using her overdraft, I can't say that there was any obvious evidence of an over reliance on the facility or of any financial difficulty.

I appreciate that Miss C will be disappointed but having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that Monzo did anything wrong and I won't be upholding this case.

Did Monzo act unfairly in any other way

Miss C was also unhappy about the delay in Monzo issuing its final response letter. However complaint handling isn't a regulated activity and Monzo have already provided Miss C with £25 in compensation for the delay so I won't be commenting on this aspect any further.

Miss C was also unhappy with how Monzo handled her requests to freeze interest while we investigated her complaint. However from the evidence I've seen, Monzo did offer forbearance and froze interest on her Flex account but didn't do it for her other accounts. Monzo apologised for this, froze interest on her other accounts and paid Miss C £25 for the distress and inconvenience. As I think this is commensurate with how I'd expect Monzo to have acted, I won't be asking it to do anything else.

Miss C told our investigator she's unhappy with the communication she received from Monzo whilst her complaint was with us and gave testimony to how it had impacted her. As a result our investigator requested that all non-essential communications with her be frozen. But Monzo has a statutory obligation to send some communications such as default notices so I can't see that it has done anything wrong here.

I've also considered whether Monzo acted unfairly or unreasonably in any other way, including whether the relationship between Miss C and Monzo 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 Miss C or otherwise treated her 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.

Whilst I'm not upholding Miss C's complaint, I'd like to remind Monzo of its ongoing responsibility to treat her with forbearance and due consideration going forward. Miss C would like an affordable repayment plan so I would urge Miss C to contact Monzo to discuss this option as the onus is on her to do so.

My final decision

My final decision is that I don't uphold Miss C's complaint against Monzo Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 6 May 2026.

Paul Hamber
Ombudsman