

The complaint

Mr W says Monzo Bank Ltd (Monzo), irresponsibly lent to him. He says that the limit of his overdraft was increased when there were clear signs that he was struggling financially. He says this was evidenced by persistent use of his overdraft without regular income credits being paid to the account.

What happened

This complaint is about an overdraft that was granted in November 2023. The initial limit was £500. This was increased to £1,000 in May 2024 and to £1,500 in January 2025. Mr W has not complained that it was wrong for Monzo to start the overdraft, but he has complained that it shouldn't have increased it.

Mr W has also complained about a buy now pay it later account with the same business. This has been considered separately. I'm only looking at the complaint about the overdraft here.

Mr W complained to Monzo saying that the overdraft had been increased irresponsibly. Monzo considered this complaint and it didn't uphold it. It said it'd made proportionate checks, which showed that Mr W could afford the overdraft. Mr W didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr W's complaint. He thought Monzo had made proportionate checks when it increased the overdraft and these showed the lending was affordable, and so he thought the lending decisions were fair.

Mr W didn't agree with the Investigator. He said that he was using the full amount of his overdraft over a long period of time, and it was never cleared in full. Monzo didn't recognise he was in financial distress, and was gambling, from his credit file. And he was using other borrowing to fund the overdraft. He says all of this was evidence his finances were unsustainable and he was at risk from harm.

There was some further correspondence, but no new issues were raised. Because Mr W didn't agree, this matter has been passed to me to make a final 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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr W's complaint.

Monzo needed to make sure it didn't lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Mr W could afford to repay any credit it provided.

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.

It's important to note that Mr W was provided with a form of revolving credit facility rather than a loan. And this means that Monzo was required to understand whether the credit limit increases of £1,000 and £1,500 could be repaid within a reasonable period, rather than all in one go. It's fair to say that these overdraft limits would have required Mr W to have a reasonable income to clear the full amount owed within a reasonable time.

Monzo has provided the details of the checks that it carried out. Monzo has explained that for both credit limit increases it asked Mr W what his income was, and he said that it was just over £63,000 a year or £3,804 a month after tax. Monzo said it checked Mr W's credit file and used a credit reference agency tool to check his income amount was accurate. There is no dispute that it checked and verified Mr W's income.

For the first overdraft increase Monzo found out that he had housing costs of £900, existing credit repayments of £1,225 and it estimated his other costs using statistical information and these came to about £975. It added a buffer of £125. This left over about £600 to repay the overdraft.

Monzo also looked at Mr W credit reference agency data to look for signs of financial difficulties with his existing credit and obligations. It says there were no signs of missed payments or more serious signs of difficulty such as defaults.

For the second increase the details were very similar. Mr W's debt payments had increased slightly but his situation was largely the same. He had about £500 left over and there were still no signs of financial difficulties in his credit report information

Overall, I agree that the checks Monzo made were proportionate and showed that he would likely be able to afford to repay the overdraft.

I think it's relevant that Mr W wasn't using the account that he is complaining about as his main account. So, he wasn't reliant on this to meet his day to day living expenses and so on. He's said he was using this account for cryptocurrency transactions and non-essential expenditure. And it does mean that him not having a regular income payment to this account is not entirely relevant, particularly as he had a reasonable income in any event.

Whilst he did use the overdraft on this account I can see occasions where it was also paid off fully. Much of the time Mr W seems to transfer money in to cover the transactions he was making. So, I don't think his use of this overdraft at times, even when he didn't already repay straight away, was indicative of financial problems.

It's also fair to say that Mr W did have some existing debts, but whilst I appreciate that Mr W won't agree with this, I think that Monzo factored this in when it found out how much he was paying to these each month. And I don't think what Monzo found out meant that Monzo shouldn't have provided him with the limit increases, especially bearing in mind his declared income.

I fully accept it's possible that Mr W's position might have been worse than what it looks like, or that it worsened after the limit increase took place. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Monzo should have known that Mr W would struggle with his overdraft at the time it was making the decisions to increase the overdraft limit. This is especially as the available information indicates that Mr W could repay what he could owe at the time the lending decisions were made.

Overall and having carefully considered everything, I don't think that Monzo treated Mr W unfairly or unreasonably when it increased the overdraft limit. And I'm not upholding Mr W's complaint. I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Did Monzo act unfairly or unreasonably in some other way?

I have considered whether the relationship 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 it lent irresponsibly to Mr W 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.

I haven't seen anything to make me think Monzo acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 March 2026.

Andy Burlinson
Ombudsman