

The complaint

Mr S has complained about a credit card and limit increases Monzo Bank Ltd (“Monzo”) provided to him as part of its Monzo Flex product. Mr S says the card wasn’t affordable for him when considering he was a part time worker and had other credit from Monzo at the same time.

What happened

Mr S has also raised complaints about an overdraft and personal loans that Monzo provided him but those have been dealt with under separate complaint reference numbers. This complaint will only be looking at Mr S’s card. A summary of Mr S’s credit limits can be found below.

Date	Event	Credit limit	Increased to
9 December 2021	Card approval	£1,000	-
30 August 2022	Credit Limit increase 1	£1,000	£1,500
4 April 2023	Credit Limit increase 2	£1,500	£2,300

Monzo did not uphold Mr S’s complaint as it didn’t consider it had lent irresponsibly. Unhappy with this outcome Mr S referred the complaint to the Financial Ombudsman.

An Investigator reviewed the complaint and concluded the card and the limit increases had been provided fairly because proportionate checks had been carried out. Mr S disagreed and I’ve summarised his responses below.

- Mr S’s main current account with Monzo showed no regular salary, gambling and there were payments to other creditors. He also says he was also using credit to repay other credit.
- Mr S’s Monzo overdraft complaint was upheld from January 2021 due to a lack of regular income. The flex account as approved after this date and with no improvement in his circumstances.
- Monzo’s checks contradicted the data it had available from Mr S’s current account.

These comments didn’t change the Investigator’s mind and so the complaint has been passed to me to decide.

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 S’s complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then

determine whether this was enough for the lender to have made a reasonable decision whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, there is no list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

If we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld. We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I think it would be helpful for me to set out how the Flex product provided to Mr S worked. Mr S could either use the virtual card to pay retailers directly – this is like a typical credit card. However, Monzo also allowed Mr S to move transactions that had already been made in his Monzo current account (or other Monzo accounts) to his flex balance.

Monzo says this credit was approved, after asking for details of Mr S's income, asking information about his living arrangements, working out Mr S's likely monthly living costs as well as carrying out a credit search. Whereas, Mr S says that credit card and limit increases were unaffordable, and Monzo failed to take into account the transactions in his Monzo current account.

I've considered what the parties have said.

Monzo's decision to offer Mr S a credit limit of £1,000

What's important to note is that Mr S was provided with a revolving credit facility rather than a loan. And this means that to start with Monzo was required to understand whether £1,000 could be repaid within a reasonable period of time, rather than in one go. It's fair to say that a credit limit of £1,000 didn't require especially high monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Mr S declared he was a part-time worker earning £16,500 per year but Monzo didn't just rely on what Mr S had told it. Instead, it used a tool provided by a credit reference agency to cross check what he had told it – having done so it worked out his monthly income was around £1,240.

Furthermore, the credit search showed that the amount of existing credit Mr S had was low – with monthly debt payments of around £65 and he only had four active accounts. What's also important to note is that Mr S didn't have any significant adverse information – such as defaulted accounts or recent missed payments.

Based on what Mr S had told Monzo about his living arrangements and his credit file it went about working out his likely monthly living costs – Monzo calculated these to be £447.90 per month. It also added what it calls an affordability buffer of £125.

Bearing all of this in mind, there doesn't seem to be anything obvious in Mr S's circumstances that suggested he wouldn't have been able to repay £1,000 within a reasonable period of time.

In these circumstances, of the checks carried out by Monzo I'm satisfied that the checks Monzo carried out in this instance were reasonable and proportionate. As the information that Monzo had suggested that when Mr S's existing committed expenditure was deducted from his declared income, he'd have ample funds available to repay this credit card, I'm satisfied that it was not unfair for Monzo to have accepted Mr S's application for this credit card.

Mr S has said a complaint he raised about his overdraft on his Monzo account was upheld by an Investigator and Monzo accepted the outcome – without the need for a final decision. So, I think the inference Mr S is drawing is that because the complaint about the overdraft has been upheld for unaffordable lending that it therefore follows this complaint should also be upheld.

But my role is to consider the individual circumstances of the complaint taking account of any relevant law and regulation. What that does mean is that there are times when what appear to be similar circumstances can lead to different outcomes depending on the type and nature of the borrowing and the types of check(s) any lender may have carried out and what those checks show.

In short, the outcome reached by an Investigator, that is accepted by both parties means there was no need for a final decision or for the complaint to have been reviewed by an Ombudsman – and whether if that was the case whether the same outcome would've been reached. This also means, the views of an Investigator don't set a precedent that I'm bound to follow.

I'm sorry to hear about Mr S's gambling I do hope that things have improved for him – and he says that many of the credits into his Monzo current account came from gambling – rather than his income. He also says he was using a payment processing company to gamble.

I've thought about that but even if I thought Monzo needed to review the current account he had with it at the time, I'm not persuaded that Monzo could've reasonably concluded the credit into his account were from gambling rather than transfers from another account Mr S had. I also don't think Monzo needed to have asked Mr S any further questions about these transfers either.

I say this notwithstanding the overdraft use there were transfers in from other accounts and sources – which would've led Monzo to conclude that Mr S's income was being paid into another account. As such I am not upholding Monzo's decision to provide this credit card.

The limit increases

As I've explained in the background section of this decision, Monzo went on increase that credit limit on Mr S's credit card on two occasions. The first increase saw Mr S's limit being increased to £1,500 in August 2022 and then to £2,300 in March 2023.

The checks that Monzo did for both limit increases were the same. It asked Mr S about his income, carried out a credit search and then went about working out his estimated living costs based on averages and the credit expenditure taken from Mr S's credit file. The Investigator set out these figures in the assessment, so I won't repeat them all here.

But the results showed an increase in declared and cross checked income, no adverse payment information was being reported to the credit reference agencies and while Mr S's credit commitment had increased between the inception of the card and the final increase it was still at a level that was affordable based on the information Mr S declared and which Monzo was, in my view entitled to have relied on.

Given the modest credit limit increases and what the minimum monthly repayment would be needed to repay a maximum credit limit of £2,300 I'm satisfied the checks Monzo carried out were proportionate. The information also suggested that the payments were affordable and there wasn't anything in what Monzo was told to have suggested that Mr S was having or likely having financial difficulties.

I've also considered the repayment history of the credit card up to the point Monzo increased Mr S's limits. Monzo was entitled to review how Mr S had used and repaid his card to date and there wasn't anything as far as I can see to suggest he was having or likely having financial difficulties by the time of the second credit limit increase.

Bearing in mind that Mr S had reduced the balance to zero in March 2022, significantly reduced the balance by December 2022. There was anything from the repayment history that would've prompted further checks.

It therefore follows that I also don't uphold Mr S's complaint about the credit limit increases. Based on the most up to date information I have an outstanding balance remains due and if Mr S needs help and support to repay that he should contact Monzo to discuss a way forward. But I would remind Monzo of its obligation to treat him fairly and with forbearance.

I've also 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 Monzo lent irresponsibly to Mr S 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.

Overall and having considered everything, while I can understand Mr S's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr S's complaint.

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

Robert Walker
Ombudsman