

The complaint

Mr S complains that Monzo Bank Ltd was irresponsible in its lending to him. He wants all interest and charges on his loans refunded along with statutory interest and any negative information removed from his credit file.

What happened

Mr S was provided with two loans by Monzo. The first was for £5,500 and provided in March 2022. The second was for £6,956.59 and repaid the first loan as well as providing £2,800 of additional credit. The second loan was provided in March 2023.

Mr S said that adequate checks weren't undertaken before the loans were given. He explained that his main account was with Monzo and this was in its overdraft and he noted that he had other credit with Monzo at the time. Mr S said he was working part time and his income fluctuated and he was unable to make his repayments. He said he entered a cycle of debt having to borrow more to meet his commitments.

Monzo issued a final response dated 14 February 2025. It said that it conducted a thorough assessment before lending, and this showed that Mr S had sufficient surplus income to afford the borrowing.

Mr S referred his complaint to this service.

Our investigator thought the checks carried out by Monzo before the loans were issued were proportionate. As these suggested the loans to be affordable for Mr S they didn't uphold this complaint.

Mr S didn't accept our investigator's view. He provided copies of his bank statements for the months leading up to the loans being provided and said these showed there were no consistent or identifiable income receipts and that he was constantly in his overdraft and gambling. He said that either Monzo didn't conduct proportionate checks or ignored signs of financial distress.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

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.

Mr S was provided with two loans, and I have considered each lending decision separately.

Loan one: March 2022

Loan one was for £5,500 and required monthly repayments of around £230. As part of the loan application process, Monzo gathered information about Mr S's employment, income, residential status and dependents. It also carried out a credit search. Mr S declared that he was working part time with an annual income of £18,000. He said he had no mortgage or housing costs and no dependents. The credit check showed that he had five active accounts with no defaults or county court judgements and no recent missed payments recorded. The credit check showed Mr S's total debt as £3,112. I do not find that Mr S's credit check showed he was overindebted, or struggling with managing his existing commitments.

Monzo said it verified Mr S's income through his accounts. It has provided details of the verification results, and these supported the annual income figure Mr S had provided. Therefore, while I note the comment that Mr S has made about further checks of his account not showing a regular income, in this case I find the verification was reasonable and as this supported Mr S's declared income, I do not find I can say that Monzo was wrong to rely on this. Based on the income identified, a net monthly income of £1,325 was used in the calculation. Deducting amounts for Mr S's existing credit commitments and estimates for his living costs along with an affordability buffer of £125, left Mr S with around £460 of disposable income. Based on this, I do not find I can say that Monzo was wrong to provide this loan.

Loan two: March 2023

Loan two was for £6,956.59 and was used in part to repay loan one and also to provide an additional £2,800 of credit. The loan term was 36 months, and Mr S was required to make monthly repayments of around £276. Having looked through Mr S's account statements, it appears that he maintained his repayments towards loan one before taking out loan two.

As loan two provided additional credit to Mr S, and noting the monthly repayments were higher than the loan one repayments, Monzo was required to undertake reasonable checks to ensure the additional lending would be affordable for Mr S.

Before loan two was provided, Mr S was asked about his income, and he declared an annual income of £20,000. He said he had no mortgage. Mr S's income was verified, and a credit check was undertaken. The income verification supported Mr S's declared annual income figure. So, while I note that Mr S has explained he didn't have a regular income, as the checks supported the amount he declared, and noting the size of the loan increase and repayment increase, on balance, I think it was reasonable that Monzo relied on this outcome.

Mr S's credit check showed that he was managing his accounts with no defaults, county court judgements or recent missed payment recorded. Mr S's number of accounts had increased to 11 (active accounts was recorded as 10), from five a year earlier, and he had opened four new credit accounts within the previous six months. I think this could have raised concerns. However, as Mr S's total debt was around £6,286, I do not think this suggested that he was overindebted at this point. It appears Mr S had opened new bank and revolving credit accounts but the credit check results didn't suggest that he was operating at the limits of his revolving credit or raise concerns about his utilisation. Mr S's total recorded revolving credit was £1,694. Taking all of this into account, I do not think that Mr S's credit check raised concerns that meant further checks were required.

Looking through the affordability data, Mr S's payments to his credit commitments were recorded as around £300 which based on his credit file results appears reasonable. Deducting this and an estimate for his living costs didn't raise concerns about the affordability of the additional borrowing. Therefore, in this case I do not find I can say that Monzo was wrong to provide the loan.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S 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.

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 S to accept or reject my decision before 4 February 2026.

Jane Archer
Ombudsman