

The complaint

Mr D complains that MONZO BANK LIMITED provided him with an overdraft which was unaffordable.

What happened

Mr D was granted a £500 overdraft by Monzo in July 2018. The limit increased and decreased multiple times over the years, with it ranging between £50 and £1,500. The last increase took place in January 2024, and the limit has remained at £1,500.

Mr D complained to Monzo in May 2025 that the overdraft was provided irresponsibly. He said Monzo continued to increase his limit despite consistently remaining in an overdrawn position and rarely returning to a positive balance beyond payday. Monzo didn't address Mr D's irresponsible lending complaint but, rather, suggested setting up a repayment plan.

Mr D wasn't happy with Monzo's response, so he referred his complaint to the Financial Ombudsman Service. It's at this point that Monzo reviewed Mr D's irresponsible lending complaint and agreed to refund interest and charges applied between July 2018 and October 2019. Mr D didn't accept the offer so an investigator assessed his complaint but didn't uphold it, saying that the overdraft limit increases were fair and there were no obvious signs of financial difficulty during the period he reviewed.

Mr D didn't agree with the opinion of the investigator. He didn't feel his long-term persistent usage of the overdraft had been fully considered. He said this was a direct consequence of the earlier lending decisions Monzo had agreed were irresponsible.

Because an agreement couldn't be reached, 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.

Having done so, I'm not upholding Mr D's complaint. I know this is likely to be disappointing, so I'd like to explain my reasons why.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

Fundamentally, a firm must carry out checks which are proportionate to the individual circumstances of each case.

Monzo also had an obligation to periodically review Mr D's overdraft usage. This would be to ensure it remained affordable and that Mr D could repay the debt within a reasonable period.

I've kept all of this in mind when thinking about whether Monzo did what was needed before lending to Mr D.

Lending decisions

Did Monzo carry out reasonable and proportionate checks?

Monzo confirmed that when Mr D applied for the overdraft, and when they increased his limit, they:

- Asked Mr D what his income was and verified this using data from the credit reference agencies (CRA)
- Asked Mr D what his housing costs were
- Estimated Mr D's essential living costs using statistical data
- Used this information to calculate his monthly disposable income
- Checked his credit file

I'm satisfied these checks were reasonable and proportionate on each occasion. Mr D's monthly debt commitment remained reasonable in comparison to his income, and he was managing his existing accounts well.

Did Monzo make fair lending decisions?

Just because I think the checks were proportionate based on Mr D's circumstances, it doesn't end there. I need to consider whether Monzo made a fair decision to lend.

Monzo carried out credit checks on each occasion which showed no adverse information. Mr D's level of external debt wasn't concerning and he appeared to be managing his existing accounts well with no missed payments, underpayments or arrears in the months leading up to the applications.

All the increases were for fairly modest amounts and wouldn't have required especially large payments to clear the full amount within a reasonable period. Mr D was earning more than these limits and had enough disposable income, so I'm satisfied there wouldn't have been any affordability concerns. I don't think it would have been reasonable to expect Monzo to review Mr D's account usage at this point, as the income and expenditure details didn't suggest that he might be struggling financially.

So, I'm persuaded Monzo didn't act unfairly when they increased Mr D's overdraft limit.

Account usage

As I mentioned earlier, Monzo had an obligation to periodically review the overdraft usage. The intention of these reviews is to identify as early as possible customers where repeated usage of their overdraft might be an indication of financial difficulty. It's important to clarify that banks don't necessarily review the individual transactions on an account when considering whether to renew an overdraft facility. Rather, they are more likely to look at the high-end management of the account itself, in other words check for missed payments, returned direct debits or failure to bring the account back into credit.

Monzo have confirmed that they review their overdrafts every month to identify customers who meet their repeat use criteria. I've therefore looked at how Mr D was managing his overdraft over the years to see if Monzo should have done more to help him.

Mr D rarely used his overdraft between July 2018 and July 2020. He then didn't use it at all between July 2020 and June 2021. It appears the facility was removed at some point during this period, although it's unclear exactly when. In any event, Mr D wasn't using it at all. Whilst I can see he started to increasingly rely on it from June 2021 onwards, his monthly income was much higher than his overdraft limit which meant he was always able to come back into credit once he got paid. I didn't identify any signs that Mr D might have been struggling financially or that he couldn't afford sustainable repayments towards the overdraft limit.

I also identified that Mr D would transfer large amounts of his income into his Monzo pot and then gradually transfer it back into his main account throughout the month for various expenses. I'm therefore persuaded that the way he was managing his account would have contributed to his overdraft usage.

I appreciate Mr D feels very strongly about this matter and I know this isn't the outcome he hoped for. But having considered Mr D's overall circumstances, I'm not persuaded Monzo acted unfairly when they allowed him to continue using the overdraft during this period.

In reaching my conclusions, I've also considered whether the relationship between Mr D and Monzo might have been unfair under Section 140A of the Consumer Credit Act 1974 ('Section 140A'). However, for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr D or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've outlined above, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 May 2026.

Amelie Makris
Ombudsman