

The complaint

Miss B complains that Monzo Bank Ltd irresponsibly lent to her.

What happened

Miss B was approved for a Monzo Flex account in April 2022, with a £5,000 credit limit. Miss B says that Monzo irresponsibly lent to her. Miss B made a complaint to Monzo, who did not uphold her complaint. Monzo said that they were confident they followed their own processes, and they acted as a responsible lender. Miss B brought her complaint to our service.

Our investigator did not uphold Miss B's complaint. He said that the checks were proportionate, and Monzo made a fair lending decision. Miss B asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that the monthly payments weren't taken into consideration in deciding whether the checks were proportionate, she said she didn't declare that her housing costs were £500 a month and she can only assume that Monzo took these details from when she first opened her bank account with them.

Miss B said that with the monthly income being verified of £3,640, this equates to £43,000, and not £60,000 which Monzo claimed she earned, and Monzo should have asked her for more documentation of what she earned (she said her income per month ranged from £3,200 - £3,600). Miss B said if she utilised all of her credit she would need to make repayments of £500 a month.

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.

Firstly, I'm aware that I've only summarised Miss B's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'm aware that Miss B has complained about other products she holds/held with Monzo. I must make it clear to her that this decision will solely focus on her Monzo Flex account. Any other product that she's complained about will be communicated to her separately, if she has not received this yet.

Before agreeing to approve the credit available to Miss B, Monzo needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no 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. I've listed below what checks Monzo have done

and whether I'm persuaded these checks were proportionate.

I've looked at what checks Monzo completed prior to opening Miss B's account. Monzo looked at information from a Credit Reference Agency (CRA) and used information from Miss B to determine whether she could afford sustainable repayments for a £5,000 credit limit.

The CRA Monzo used told Monzo that Miss B had no defaulted accounts, and it had been 51 months since an account had been in arrears for two consecutive months. So over four years had passed since this time, therefore I'm not persuaded this would be reflective of how she managed her accounts leading up to this lending decision. The CRA told Monzo that Miss B had no external accounts in arrears at the time of the checks.

I've considered what Miss B has said about the income declared. Although Miss B has mentioned that the £3,640 a month verified income equated to £43,000 (I believe Miss B is rounding this down as £3,640 x 12 is £43,680), this would be the net annual income, as opposed to a gross annual income. The £60,000 gross annual income would be a £5,000 gross monthly income, but as Miss B said her salary ranged from £3,200 - £3,600, then it appears to be a misunderstanding on whether net or gross figures were used here.

As Monzo were able to verify the net income of £3,640 net per month, then it wouldn't be proportionate for Monzo to check Miss B's bank statements even though she banked with them, as they had already completed an additional check through the CRA to verify the income.

Monzo completed an affordability assessment using Miss B's net monthly income, and her expenditure which was based on a mixture of information from modelling (such as estimated costs for certain outgoings), and information from a CRA such as Miss B's monthly credit commitments.

I've considered what Miss B has said about the £500 showing as her housing costs, as she disputes she entered this amount. I asked Monzo if they had the additional questions that they asked as part of the application process. But due to the time that's passed, Monzo don't have these details anymore. So I can't definitively say what Miss B did or didn't declare as part of the additional questions.

But on the balance of probabilities, I'm persuaded that it's likely that Miss B said that her share of the housing expenditure was £500 a month. I say this because on the page where it shows where they got this from it says "*Based on credit application data*". Although Miss B has mentioned this figure could have been when she first opened her bank account with Monzo, the Flex account is a different credit agreement to her bank account, so on the balance of probabilities, I'm not persuaded they used information she declared when she first opened her bank account.

As part of the affordability assessment, Monzo included a buffer of £125 a month, in case Miss B's outgoings unexpectedly increased, which I'm persuaded was a responsible thing to do. The affordability assessment showed that Miss B would have around £1,726.10 of disposable monthly income. So it would appear Miss B would have enough disposable income to be able to meet repayments for a £5,000 credit limit – even if she utilised the full credit limit and she was charged interest. The credit limit would have equated to around 8.3% of Miss B's gross annual income.

I've considered what Miss B has said about Monzo not using her actual income and outgoings, as they would have access to her current account, and the estimated monthly disposable income is not reflective of her actual financial situation at the time. But Monzo are

not required by the regulator to manually check a borrower's bank account, even if they bank with the same provider.

So in the absence of any adverse information on Miss B's credit file being reported by the CRA, and the results of the affordability assessment, I'm not persuaded that it would have been proportionate for Monzo to have manually checked Miss B's current account she held with them.

So I'm persuaded that the checks Monzo completed for this lending decision were proportionate, and they made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Monzo lent irresponsibly to Miss B 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.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 April 2026.

Gregory Sloanes
Ombudsman