

The complaint

Mr W complains MONZO BANK LIMITED (“Monzo”) acted irresponsibly when providing him with an overdraft facility.

What happened

In August 2025 Mr W opened a Monzo account. When applying for the account, he opted in for an overdraft facility. The overdraft was approved and he was provided with a limit of £500.

Mr W complained to Monzo in the same month regarding the facility being provided. He said the overdraft was added automatically and he has a history of being bad with money, and gambles and so he feels it was irresponsible for them to do so. He says he can’t afford the overdraft and his mental health is declining as a result.

Monzo responded to the complaint – they didn’t uphold it. They said their checks were fine and they’d calculated Mr W had around £270 disposable income per month, which would be enough to afford the overdraft. Mr W didn’t agree, so he referred his complaint to our Service.

An Investigator here looked into things and agreed that Monzo didn’t treat Mr W unfairly. He said the checks carried out were proportionate – Monzo carried out an income and expenditure assessment and did a credit reference agency (CRA) search. He also felt the information Monzo had obtained when completing these checks showed that Mr W would be able to sustainably repay the overdraft.

Mr W responded to the view. He said he doesn’t get paid £25,000 a year he gets £1,700 a month which is minimum wage. He said he wouldn’t be able to repay £500 with £270 spare. He said his monthly outgoings are more than his monthly income and he’s struggling to pay for food. Mr W said he won’t repay his overdraft. 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.

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when considering Mr W’s complaint.

Monzo needed to make sure that they 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 would be able to repay what he was being lent before providing any credit to him.

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.

Monzo say that they obtained some information on Mr W's income and expenditure before deciding to lend to him. Mr W's overdraft was an open-ended (running account) agreement (in other words, while Monzo was required to periodically review the facility, there was no fixed end date) where there was an expectation that he'd repay what he borrowed plus the interest due within a reasonable period of time.

CONC didn't (and still doesn't) set out what a reasonable period of time was. So I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case.

It's fair to say that an overdraft limit of £500 will not have required especially large credits in order to clear the full amount that could have been owed within a reasonable period of time.

Monzo used the information Mr W declared at application and completed a CRA check. Mr W told Monzo he was earning £25,000 per year and his total monthly expenditure including his existing credit commitments and mortgage was around £1,300. Monzo added a £125 buffer and estimated his monthly disposable income was around £270. There was no adverse information or defaults on the CRA information Monzo received.

Based on the above, I'm satisfied that Monzo's checks were proportionate, and a fair decision to lend was made.

I'm not disputing that Mr W's position was worse than it appeared to Monzo, but I have to think carefully about what Monzo ought to have been aware of at the time of lending and there were no indicators of financial difficulty.

I note Mr W has said he didn't earn £25,000 a year but got around £1,700 a month however even if he did declare his actual income I still think Monzo treated him fairly. This is because Monzo were providing him with a modest amount at £500, and there's no expectation on him to repay the full amount in one go. The disposable income he had by Monzo's calculations or if he was earning £1,700 a month is enough to sustainably repay the overdraft based on his existing declared commitments.

I understand Mr W will be disappointed by this decision, but I have to be impartial and consider what Monzo would've been aware of at the time, and as explained above, having done so, I can't see they've treated him unfairly.

In reaching my conclusions, I've also considered whether the lending relationship between Monzo and Mr W might have been unfair to Mr W under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Monzo did not lend irresponsibly when providing Mr W with the overdraft. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

It's my final decision that I do not uphold this complaint against Monzo Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 May 2026.

Meg Raymond
Ombudsman