

## **Complaint**

Mr T has complained that Monzo Bank Ltd (“Monzo”) irresponsibly provided him with unaffordable credit which he has subsequently been unable to repay. Mr T is also unhappy with the support Monzo provided when he entered into financial difficulty, it declining to write off the outstanding balances on his accounts and its communications with him.

## **Background**

In September 2021, Monzo provided Mr T with an overdraft, which had a limit of £250. Monzo increased the limit to £450 in December 2022; £550 in February 2023; £600 and £650 in April 2023, before the limit was finally increased to £1,000.00 in May 2023.

Monzo provided Mr T with a flex credit card, which had a limit of £450, in December 2022. In February 2023, the limit was increased to £500; before finally being increased to £600 in May 2023.

Mr T was also provided with a loan for £2,100.00 by Monzo in January 2023. We’ve already separately answered Mr T’s complaint about his loan. And it is therefore not included in this assessment.

One of our investigators looked at Mr T’s complaint and she thought that Monzo hadn’t done anything wrong when providing Mr T with his overdraft, Flex credit card and the associated limit increases. She also didn’t think that Monzo had acted unfairly with regard to the outstanding balances on his accounts either. As a result, she didn’t think that Mr T’s complaint should be upheld.

Mr T disagreed with the investigator’s assessment and asked for an ombudsman’s review.

## **My provisional decision of 10 March 2026**

I issued a provisional decision – on 10 March 2026 - setting out why I was intending to partially uphold Mr T’s complaint.

In summary, I was intending to partially uphold Mr T’s complaint because I was satisfied that reasonable and proportionate checks would more likely than not have shown Monzo that it shouldn’t have provided the Flex credit card, or the limit increases on the overdraft to Mr T.

## **Monzo’s response to my provisional decision**

Monzo responded accepting my provisional decision and confirming that it would make the redress adjustments on Mr T’s account, once it received confirmation of his acceptance.

## **Mr T’s response to my provisional decision**

Mr T responded to my provisional decision confirming that he accepted it and also confirmed that he would seek to obtain the further information Monzo had asked for in order to assess whether the balances on his account should be written off on medical grounds.

## My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I thank the parties for their responses to my provisional decision. I'm also pleased to see that both Monzo and Mr T are in agreement with it. In these circumstances, I remain satisfied that Mr T's complaint should be partially upheld. I'll explain why as well as what Monzo now needs to do to put things right.

I've started by considering whether Monzo acted fairly and reasonably when providing Mr T with his overdraft and Flex credit card as well as the limit increases.

### *Monzo's initial decision to provide Mr T with an overdraft with a limit of £250*

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 deciding Mr T's complaint.

Monzo needed to make sure that it didn't lend irresponsibly. In practice, what this means is Monzo needed to carry out proportionate checks to be able to understand whether Mr T 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 has said that it obtained some information on Mr T's income and his expenditure before deciding to lend to him. It says that it also obtained information on Mr T's existing credit commitments which it obtained from credit reference agencies. On the other hand, Mr T says that this overdraft was unaffordable and he shouldn't have been lent to begin with.

I've carefully thought about what both parties have said.

Mr T'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 interest within a reasonable period of time. CONC didn't (at the time of the lending decisions) and still doesn't set out a definition of a reasonable period of time. 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.

I've therefore kept this in mind when evaluating whether it was fair and reasonable for Monzo to provide Mr T with an overdraft in September 2021. It's fair to say that an overdraft limit of £250 required low monthly credits in order to clear the full amount that could be owed within a reasonable period of time.

Furthermore, I've seen that Monzo deemed Mr T to be earning around £18,000.00 each month and that he had expenditure of around £800. This would have left him with in excess

of £500 each month. It also appears as though Monzo arrived at this figure by taking steps to cross-reference the information declared against what credit reference agencies had about Mr T at the time. I'm satisfied that the amount Monzo deemed that Mr T had left over, was sufficient to cover credits akin to a sustainable repayment to an overdraft of £250, as well as meet any other commitments which may not have been included in Monzo's affordability assessment.

As this is the case, I'm satisfied that the checks carried out before Mr T was granted his overdraft were proportionate. And as these checks showed that Mr T would be able to sustainably repay an overdraft of £250 within a reasonable period of time, I'm not upholding Mr T's complaint about Monzo's initial decision to provide him with an overdraft facility.

#### *The lending decisions from December 2022 onwards*

In December 2022, Mr T applied for an overdraft limit increase to £450 and also a Flex credit card, which he was provided with a credit limit of £450 on. As the Flex credit card was also a revolving credit facility, this meant that Monzo was effectively required to understand whether Mr T could repay £900 within a reasonable period of time.

Monzo appears to have carried out the same checks for these lending decisions, which appear to have taken place on the same day, as it did when assessing whether to provide Mr T with an overdraft in the first place. I don't think that this is in itself unreasonable. However, I've noted that Mr T's application seems to have been based on him having declared a higher income of £20,000.00 that he did when he was provided with the overdraft.

I've also noted that the basis of Mr T's self-employment is entered as n/a despite it having been recorded as education at the time of the original overdraft application. What I'm most concerned about is the fact that Mr T's declaration appears to have resulted in him having a validated monthly income of less than £900. It's not clear how Monzo arrived at this validated monthly income amount for Mr T. But given the discrepancy and just how low Mr T's income was now, I think that this warranted further investigation.

In reaching my conclusions, I'm also mindful of the fact that Monzo already appears to have accepted that Mr T had housing costs alone of just under £700 around this time and that his total non-committed expenditure was around £1,300.00. I've also noted that it said it intended to provide further information on what else it knew about Mr T's circumstances but still hasn't provided it.

This is despite the fact that I, via the investigator, asked it to confirm why it believed this complaint shouldn't be upheld, even though it had accepted that Mr T's committed non-discretionary expenditure was around £1,300.00 and its own records appear to show that it validated Mr T's income as being under £900 in December 2022. Bearing this in mind, it's simply unreasonable for me to conclude that Monzo shouldn't have provided this additional credit in December 2022.

Furthermore, the later limit increases on the overdraft and the Flex credit card were provided after Monzo had provided Mr T with a loan in January 2023. Leaving aside my concerns that the erratic nature of Mr T's applications across multiple products ought to have been concerning, the monthly payments for the loan alone were just under £200.

In these circumstances, bearing in mind what Monzo knew and it has since accepted, it's difficult for me to reach the conclusion that it was fair and reasonable for Monzo to have provided the limit increases on the overdraft and the flex credit card from February 2023 onwards either.

Monzo increased Mr T's overdraft limit and provided a Flex credit card at a time when it ought to have realised that this extra credit was unaffordable for him. And Mr T ended up paying interest, fees and charges as a result. So I'm satisfied that Mr T lost out because of what Monzo did wrong and that Monzo now needs to put things right.

I'll now consider the other matters Mr T is unhappy about before I return to considering what fair compensation should be in this case.

*Mr T's payment difficulties and his request for the balance on his accounts to be written off*

There is no dispute that Mr T has reached out to Monzo to explain that he is struggling to make repay what he owes on his overdraft and Flex credit card. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations.

Monzo initially placed holds on Mr T's accounts in order to provide him with the breathing space to find a more sustainable method of bring his accounts up to date. Furthermore, since Mr T initially got in touch with Monzo, it has set up repayment plans in order to clear the balances on his accounts. I'm satisfied that these were reasonable first steps in response to what Mr T had told Monzo about his circumstances. Although it has been some time since this arrangement was initially set up, it may be time for it to be reviewed.

I know that Mr T believes that his medical circumstances warrant the balances on his accounts being written off. I've considered what he has said and in the first instance, I've noted that Monzo hasn't ruled out the possibility of writing off the balances on these accounts. However, Monzo has asked Mr T to arrange for a medically qualified healthcare professional to complete a Debt and Mental Health Evidence Form ("DMHEF"). It has said that the receipt of this information will allow it to properly assess whether it would be fair and reasonable to write off what Mr T owes.

I appreciate Mr T believes he's already provided sufficient information. But the information Mr T has provided isn't a report from a medical professional which directly addresses his ability to repay the balances on his accounts. On the other hand, the DMHEF directly asks the medical professional completing it to confirm the individual borrower's ability to manage and repay any creditors.

As the DMHEF is an independent document, which is recognised by health professionals, debt charities and the regulator, I don't think that it is unreasonable for Monzo to have asked for one to be completed in order to properly consider whether to write off Mr T's balances. And in the absence of this information, I don't think that Monzo has unfairly refused to consider whether Mr T's account balances should be written off.

I note that in his response to my provisional decision, Mr T has agreed to provide Monzo with a DMHEF. Furthermore, Monzo has also offered to complete a further income and expenditure assessment with Mr T to assess what, if anything, he's able to repay going forward. I'm satisfied that Monzo considering any completed DMHEF and income and expenditure assessment represents a fair and reasonable method of assessing what if anything Mr T can and should pay towards any balance that remains.

In reaching my conclusions, I've noted Mr T's referral to the regulator's Consumer Duty principles. But I haven't seen anything to indicate that any substantive breaches of these rules and guidance took place.

I appreciate that what Monzo did might not have gone as far as Mr T had hoped. However, I don't interpret this guidance in a way that leads me to think Monzo unfairly refused to help

Mr T or that it left him in a position where he didn't, or even couldn't, know what he needed to do, or provide in order for matters to be considered further. So I don't think that Monzo's communications were unfair or unreasonable or that I should award compensation for this.

In these circumstances and considering everything in the round, I do think that Monzo's response to Mr T's payment difficulties was appropriate. Equally, I'm not persuaded that there is anything in the regulator's rules and guidance which means that Monzo unfairly declined to write off Mr T's account balances either.

#### *Monzo's actions during the course of Mr T's complaint*

Finally, I've seen that Mr T is unhappy at the way that Monzo has handled his complaint. For example, I've seen that Mr T is unhappy that Monzo didn't issue a response to his complaint within the eight-week time limit for doing so. In the first instance, Mr T was able to refer his complaint to our service for an independent consideration of matters irrespective of whether Monzo responded to his complaint within eight weeks.

In any event and more importantly, while can appreciate why Mr T may find Monzo's actions frustrating, complaint handling isn't an activity which falls within my jurisdiction. Indeed, our ability to look at complaints that solely regard the handling of a complaint about a regulated or covered activity, was considered by the High Court in *R (Mazarona Properties Ltd) v Financial Ombudsman Service*<sup>1</sup>.

The court held that in order to be covered by our Compulsory Jurisdiction, a complaint must be about "*the provision of or failure to provide a financial service or a redress determination*". The court went further and confirmed that a complaint about the handling of a complaint isn't a complaint about the provision or failure to provide a financial service.

Ultimately, it is the regulator which monitors firms' actions in relation to the complaint handling rules and which deals with any non-compliance in this area. So while I appreciate that Mr T is unhappy at the way Monzo handled his complaint, I'm afraid that this isn't a matter I can consider or award him compensation for.

Bearing in mind all of the above, I'll now turn to what I think Monzo should do to put things right for Mr T.

#### **Fair compensation – what Monzo needs to do to put things right for Mr T**

Having carefully thought about everything, including the responses to my provisional decision, I'm satisfied that it would be fair and reasonable in all the circumstances of Mr T's complaint for Monzo to put things right by:

##### *Overdraft*

- Reworking Mr T's current overdraft balance so that all interest, fees and charges applied to balances over £250 are removed. This is to reflect the fact that I'm currently of the view that Mr T's overdraft limit should not have been increased from December 2022 onwards.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Monzo should contact Mr T to arrange a suitable repayment plan.

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<sup>1</sup> *R (Mazarona Properties Ltd) v Financial Ombudsman Service*<sup>1</sup> [2017] EWHC 1135 (Admin)

Mr T is encouraged to get in contact with and cooperate with Monzo to reach a suitable agreement for this. For the sake of completeness, I would also add that this includes completing a DMHEF, or some other reasonable equivalent (as Mr T has now agreed to do), should he consider he's not in a position to repay any remaining balance.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr T along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Monzo should remove any adverse information from Mr T's credit file. Monzo can also reduce Mr T's overdraft limit by the amount of refund if it considers it appropriate to do so.

#### *Flex credit card*

- Reworking Mr T's account to ensure that all interest, fees and charges are removed. This is to reflect the fact that Mr T shouldn't have been provided with the Flex credit card in the first place. All late payment and over limit fees should also be removed;
- If an outstanding balance remains on Mr T's Flex credit card account once all adjustments have been made Monzo should contact Mr T to arrange a suitable repayment plan. Mr T is encouraged to get in contact with and cooperate with Monzo to reach a suitable agreement for this. For the sake of completeness, I would also add that this includes completing a DMHEF, or some other reasonable equivalent (as Mr T has now agreed to do), should he consider he's not in a position to repay any remaining balance.
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- If the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr T along with 8% simple interest† on the overpayments from the date they were made until the date of settlement. If no outstanding balance remains on Mr T account after all adjustments have been made, then Monzo should remove any adverse information it may have recorded from Mr T's credit file.

† HM Revenue & Customs requires Monzo to take off tax from this interest. Monzo must give Mr T a certificate showing how much tax it has taken off if he asks for one.

In reaching my conclusions, I've also considered whether the lending relationships between Monzo and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I've directed Monzo to do (as set out above) will result in fair compensation for Mr T given the overall circumstances of his complaint. Bearing in mind my findings on matters other than the decisions to provide Mr T with the credit, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 10 March 2026, I'm partially upholding Mr T's complaint. Monzo Bank Ltd should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 April 2026.

Jeshen Narayanan  
**Ombudsman**