

Complaint

Miss Y has complained about a personal loan Monzo Bank Limited (“Monzo”) which she says was irresponsibly provided to her. She says that the loan wasn’t affordable for her bearing in mind her existing circumstances.

Background

Monzo provided Miss Y with a loan for £15,000.00 in May 2025. This loan had interest, fees and charges of £3,291.98 and a 46-month term. So the total amount payable of £18,291.98 was due to be repaid in 45 monthly instalments of £400 followed by a final payment of £291.98.

One of our investigators reviewed what Miss Y and Monzo had told us. She thought that Monzo hadn’t done anything wrong or treated Miss Y unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Miss Y disagreed and asked for an ombudsman to review the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss Y’s complaint.

Having carefully considered everything, I’m not upholding Miss Y’s complaint. I’ll explain why in a little more detail.

Monzo needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Monzo needed to carry out proportionate checks to be able to understand whether Miss Y could afford to make her repayments before providing this loan.

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 provide loans to a customer irresponsibly.

Monzo says it approved Miss Y’s application after she provided details of her monthly income. Miss Y’s declaration of income was cross-checked against information provided by

credit reference agencies on the funds going into her main bank account each month. Monzo also says it estimated Miss Y's expenditure using statistical data. Furthermore, the credit search it carried out showed Miss Y's existing commitments were relatively well maintained at the time.

In Monzo's view all of the information it gathered showed that Miss Y could afford to make the repayments she was committing to.

On the other hand, Miss Y has said she already had a lot of debt and so she couldn't afford this loan.

I've carefully thought about what Miss Y and Monzo have said.

In the first instance I think that it is worth me saying that as Monzo asked Miss Y about her income and also carried out a credit check and other electronic checks on her income, it's clear that this wasn't a case of Monzo failing to carry out any checks at all before lending. Indeed, it seems to me that Monzo did obtain a reasonable amount of information before it decided to proceed with Miss Y's application.

Having looked at the credit check, I can see that Miss Y didn't have any significant adverse information – such as defaulted accounts or county court judgments – recorded against her. It's fair to say that Miss Y had some existing unsecured debt. However, I also need to consider Miss Y's existing debt in the context that she did have the option of repaying some of the debts she is referring to with the proceeds of this loan. And as some of the debt she's referring to would have had significantly higher interest rates than the interest rate on this loan, it would have been in her interests to do so.

For the sake of completeness, I would also add that even if I were to agree that Monzo ought to have done more here, the absolute most I would have expected it to do was find out more about Miss Y actual regular living costs, rather than rely on statistical estimates. And I've not seen any persuasive evidence that Monzo doing this for Miss Y's application would have shown it that this loan was unaffordable.

The information I've been provided with does not show me that Miss Y's actual living costs made this loan unaffordable. Indeed, while Miss Y has referred to the balances on her current accounts at the end of each month, this includes all of her spending rather than what she was committed to spending which is what Monzo was entitled to rely on. Equally, as Miss Y said that she was living at home with parents at the time of her application, there was no reason for Monzo to believe that her living expenses were significantly higher.

In my view, Monzo finding out about Miss Y's actual living costs would simply reinforced the notion that if she did repay some (or all) of her existing revolving credit debt with the proceeds from this loan, she would have been in a better financial position.

In reaching my conclusions, I've also considered whether the lending relationship between Monzo and Miss Y might have been unfair to Miss Y under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Monzo irresponsibly lent to Miss Y or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Miss Y's complaint.

As this is the case, while I sympathise with Miss Y's situation and I'm sorry to hear that she's found making her repayments difficult, I don't think that Monzo did anything wrong when

providing this loan to her. It is arguable that it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. But even if Monzo had asked Miss Y for more information about her regular living costs and contractually committed expenditure here this wouldn't have made a difference to its decision to lend.

So overall and having considered everything, I'm satisfied that Monzo didn't treat Miss Y unfairly or unreasonably when lending to her. And I'm not upholding Miss Y's complaint. I appreciate this is likely to be very disappointing for Miss Y – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss Y's complaint, I would remind Monzo of its obligation to exercise forbearance and due consideration, given what Miss Y has now said about her position, should she experience financial difficulty making her payments going forward, when collecting these payments from her.

My final decision

For the reasons I've explained, I'm not upholding Miss Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 11 May 2026.

Jeshen Narayanan
Ombudsman