

The complaint

Mr B complains that Monzo Bank Ltd (“Monzo”) acted irresponsibly by providing him with an overdraft and granting him a credit card account.

What happened

Mr B was given an overdraft with his current account in April 2022 with an initial overdraft limit of £500. This was increased to £1,000 in February 2023.

In March 2023 Monzo gave Mr B a credit card with an opening credit limit of £500.

Mr B complained to Monzo, saying it should have known he had a serious gambling issue. He is also unhappy that Monzo allowed him to make some gambling transactions despite having a gambling block in place.

Our investigator set out his initial findings in March 2024 and then updated them after Mr B and Monzo provided some further evidence and information. He didn’t recommend that the complaint be upheld.

Monzo agreed that it was wrong to have given Mr B the overdraft given his issues with gambling. It therefore offered to refund him overdraft interest and additional interest in the total sum of £481.74. It also made an award of £50 for inconvenience for the delay in looking into Mr B’s complaint. Mr B says the compensation isn’t enough.

The complaint has therefore been passed to me for a decision.

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.

Monzo will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I will look first at the offer made by Monzo for the overdraft. Then I will look into its decision to grant him the credit card and finally I will consider the issue relating to the gambling block on Mr B’s accounts.

The overdraft facility

Monzo has made an offer of compensation covering the period from when it first agreed to give Mr B his overdraft. The offer of £481.74 consists of refunding interest, fees and charges.

I know that even after the offer was paid Mr H would be left with an outstanding balance. So he has been left owing balances he is still unhappy with. But Monzo has done what I'd normally expect it to do here.

I'm therefore satisfied that what Monzo has already agreed to do to put things right for Mr B is fair and reasonable in all the circumstances of his case and I'm not requiring it to do anything more. It is up to Mr B to decide whether he wishes to accept Monzo's offer. If he does, he will have the option of being able to reduce any remaining debt on the account.

Flex Account (Credit Card)

I've thought about two questions when looking into whether Monzo made a fair lending decision in granting Mr B his Flex credit card account.

Did Monzo complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit in a sustainable way?

Mr B's complaint is that Monzo provided him with credit that wasn't affordable given his financial circumstances. Monzo has explained it carried out a credit check using the information Mr B provided on his application as well as information obtained from a credit reference agency. It was then able to work out what credit it could offer. Mr B said he earned a net monthly income of around £1,800 and lived with his parents, paying them a contribution towards household costs. Monzo also relied on statistical data to help work out approximately what Mr B was paying towards his other credit commitments and what his other monthly spending might be. Based on all this, it estimated that Mr B would have disposable income of around £630.

Monzo also looked into Mr B's credit history which didn't show up any significant problems, such as recent arrears or account defaults. They did note one account default but this was from too long ago to be directly relevant to the application.

Having thought about all this, I agree with our investigator that Monzo's checks were reasonable and proportionate. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

What would proportionate checks have shown?

Having looked at Mr B's card and current account usage, I'm satisfied that the checks that were completed showed that the card limit was likely to be affordable. I've factored in what sustainable monthly repayments on the new card would be, allowing for having to pay 5% of the full outstanding balance each month. This works out at £25 per month. So it looks to me that Mr B would be able to meet his existing credit costs plus other essential spending whilst still being left with sufficient disposable income. I've noted that Mr B was using his overdraft consistently. Overdraft use is always a potential issue of concern, but it needs to be reviewed in the context of a borrower's specific financial circumstances.

Monzo has accepted that it ought not to have granted Mr B the overdraft. Having taken that into account, I don't think I've seen enough to show or suggest that Mr B's card agreement with Monzo was unaffordable. I'm therefore not persuaded that Monzo acted unfairly in approving him for the card with the relatively modest limit it gave him. It follows that I don't think it needs to do anything more to put things right.

Gambling block issue

Monzo activated a gambling block on Mr B's current account in August 2022. It has explained that whilst it would block most gambling sites, it won't be able to block those which don't have the relevant code that designates them as being a gambling business. They also said that some other businesses, such as gaming and discount sites, aren't categorised as gambling sites. This seems to be a particular issue for online sites that are situated outside the UK.

From what I've seen, I think the gambling block was in place and operating in line with its functionality. And so it's not something I could expect Monzo to have done more about. I realise that Mr B has encountered problems with transactions carried out on one particular site where he'd been told that the site was unable to process a cash withdrawal of sums he was owed from gambling transactions. Whilst I'm very sorry for the worry and frustration this has caused him, I've not seen evidence that shows or suggests that Monzo was likely to be wholly or partly responsible for these problems.

To summarise, and whilst I realise Mr B is likely to be disappointed with my decision, I won't be requiring Monzo to do any more. If he hasn't done so already and wishes to accept the offer, Mr B needs to let Monzo know how he would like to receive the compensation award they are making for his overdraft and also in relation to delays in looking into his complaint. I would urge Monzo to look into ways to support Mr B with his continuing overdraft balance and apply appropriate forbearance as far as it is able to.

Finally, I've considered whether the relationship between Mr B and Monzo might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr B 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 given above, I don't uphold Mr B's complaint about his credit card. And I don't think Monzo Bank Ltd needs to do anything more in relation to the gambling block he had in place.

Monzo Bank Ltd has already made an offer to compensate Mr B for its decision to grant him an overdraft, making an offer of £481.74. It has also offered a further £50 for the delay in responding to Mr B's complaint. Given that I think that offer is fair in all the circumstances, my decision is that it should pay this to Mr B, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 August 2024.

Michael Goldberg
Ombudsman