

The complaint

Mr H complains that Monzo Bank Ltd (“Monzo”) acted irresponsibly by providing him with an overdraft facility he says he couldn’t afford.

What happened

Mr H was given an overdraft with his Monzo account in April 2022. The overdraft limit was £150.

Mr H complained to Monzo in January 2024, saying it should have known he was already in financial difficulty, largely due to spending on gambling transactions, and should have taken action to support him and to prevent him from using his account and overdraft to gamble further.

Monzo upheld the complaint in part and paid compensation by way of a refund of interest plus refunding the cost of one particular gambling transaction that took place after Mr H complained. Mr H says the compensation is insufficient as he should be compensated for gambling transactions from before he started his complaint.

One of our investigators looked into the complaint and didn’t recommend that Monzo needed to do anything more.

As Mr H is unhappy with our investigator’s finding, the complaint has 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.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

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.

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 H could afford to repay before agreeing to any overdraft credit. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.

Monzo agreed to Mr H's overdraft application after carrying out credit checks and searches to ensure the overdraft limit was likely to be affordable. Monzo used a credit reference agency to help with this. The credit check and searches suggested that the overdraft amount of £150 was affordable. The checks were used to assess affordability by looking at what Mr H had told Monzo in his application about his monthly income and housing costs, alongside the data it had obtained about how much he already owed on credit. This also showed details about Mr H's income, which Monzo worked out to be equivalent to a net monthly income of around £1,700. The checks also showed that Mr H had missed credit payments around seven months previously. Using statistical data for its affordability assessment, Monzo found that Mr H had other monthly debt obligations of around £770 and would be spending around £600 for other monthly living costs. With his housing costs of £310 added in, this all meant that Mr H had limited disposable income. Given that Mr H had applied for a relatively modest overdraft limit of £150, Monzo thought that this level of overdraft looked to be affordable and that Mr H would be able to use it in a sustainable way over time.

Given the limited level of overdraft he'd been granted and the information Monzo had gathered when he applied for it, I don't think it needed to carry out further checks. I also can't say that from the checks there was enough to suggest there might be a risk that Mr H might be unable to sustainably repay an overdraft of this size. I don't think his earlier problems with managing his credit were enough on their own to indicate that the overdraft ought not to be granted. And in terms of the way Mr H operated his account alongside the overdraft facility, transferring in funds from another account which were then used, I can't say that Mr H was reliant on the overdraft to such an extent that it contributed materially to any deterioration in Mr H's overall financial circumstances.

I've also seen that Mr H says Monzo didn't do enough to support him or take action about the gambling transactions that were being put through his account before he complained. Monzo's records show that it sent Mr H regular reminders via text about his ongoing overdraft usage. And in November 2023 Monzo sent a further text inviting Mr H to make contact to discuss his circumstances to see if it could provide support in relation to his overdraft. I've seen that Mr H has been advised of Monzo's gambling block facility, which he is able to use as and when he wishes to.

I am sorry to learn of the financial difficulties Mr H has been experiencing. From all the evidence and information I've seen, however, I can't say that there are additional factors that mean Monzo ought to have done more than it has so far offered to do.

It follows that I consider Monzo's upholding of part of this complaint and its offer of compensation to be fair.

Finally, I've considered whether the relationship between Mr Hand 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 H 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.

Monzo's offer of compensation

Monzo has already upheld the part of Mr H's complaint about being granted the overdraft, agreeing that it shouldn't have granted him the overdraft in April 2022. It has therefore refunded him the interest charges relating to the overdraft. I understand these were credited to Mr H's account in February 2024. In addition Monzo made a small goodwill credit that related to a gambling transaction that took place in late January 2024.

My final decision

Monzo Bank Ltd has already made an offer to settle part of Mr H's complaint on the above basis, with the compensation having been paid to Mr H. I think that offer is fair in all the circumstances. I don't think Monzo Bank Ltd needs to do anything more in relation to the remainder of Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 October 2024.

Michael Goldberg

Ombudsman