

The complaint

Mr M complains that Mitsubishi HC Capital UK Plc, trading as Novuna Personal Finance, irresponsibly lent to him.

What happened

Mr M took out a 36-month fixed sum loan for £4,000 from Novuna in October 2017. The monthly repayments were £184.56 and the total repayable was £6,644.16.

Mr M says he was in financial difficulties at the time and had Novuna done better checks it would have seen this. This loan has caused him distress and anxiety, he has been over-indebted for years. He wants interest and charges refunding and all negative information removing from his credit file, including anything registered by the third party Novuna sold the debt to and the incorrect alias it has entered.

Our investigator did not uphold Mr M's complaint. He said Novuna had carried out proportionate checks and these did not show there was a risk the loan would not be sustainably affordable for Mr M.

Mr M disagreed and asked for an ombudsman's review. He said Novuna should have done more checks. His bank statements would have shown he was reliant on credit and gambling heavily.

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.

Having done so I am not upholding Mr M's complaint. I'll explain why.

Novuna 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 need to decide if Novuna carried out fair and proportionate checks before lending; if not what would better checks most likely have shown; and if it did, was the lending decision it then made fair?

Novuna asked Mr M for his annual income, employment status and residential status when he applied. It says it verified his income via the credit reference agencies, concluding his monthly net income would be £1,994.65. Based on his marital status it assumed he paid half of the monthly rent of £291.88. It carried out a credit check that showed he had £500 of debt and estimated monthly credit commitments of £14.88 that he was up to date with. He had no adverse data such as CCJs or defaults registered against him. Novuna concluded after these commitments and the repayments for this new loan he would be left

with £1,503.33 to cover his other living expenses. It felt this to be reasonable for someone in his circumstances and so gave the loan.

I think these checks were proportionate given the value and term of the loan and the size of the monthly repayments relative to Mr M's income. There was nothing in the information it gathered that I find ought to have triggered further checks. Based on what these checks showed, as summarized above, I think Novuna made a fair lending decision. I haven't found anything in the information it gathered that showed it was likely Mr M would not be able to sustainably repay the loan.

Mr M has told us, and sent supporting evidence, to show he had other loans and was gambling regularly. But I find it would have been disproportionate for Novuna to have carried out the level of financial review needed to discover this. Mr M says his bank statements clearly showed he was having financial difficulties – and I agree they do. But there is no set list of checks the lender is obliged to do, and in the circumstances of this case I don't think Novuna ought to have asked for sight of Mr M's bank statements. And I think it was fair for it to rely on the findings from the credit check it completed – a lender will often not see the same details that a consumer will when they obtain their full credit file – there can be timing differences and not all lenders report to all the agencies.

It follows I don't think Novuna was wrong to lend to Mr M. I am sorry Mr M struggled as he did. I can see Novuna signposted support, and I hope he now finds himself in a more stable position.

Mr M also raised that Novuna has provided an incorrect alias to the credit reference agencies. I can see there is an entry under the Aliases section on the report he sent this service, confirmed by Mitsubishi in August 2018. But I can't see that the lender provided a details of another name Mr M has been known by. Indeed, the name listed is Mr M's 'usual' name in full – as per the rest of the report. So, I cannot see why this entry is in the alias section. Mr M may want to contact the credit reference agency to make further enquiries.

My final decision

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 March 2023.

Rebecca Connelley
Ombudsman