

## **The complaint**

Ms T complains Mitsubishi HC Capital UK Plc trading as Novuna Personal Finance have charged her interest when they shouldn't have.

A representative has supported Ms T in bringing this complaint, but for simplicity I've just referred to her in this decision.

## **What happened**

Ms T took out a personal loan for £8,000 in February 2019 for 44 months. She says this meant the loan should have finished in October 2022. But, during the pandemic Ms T asked to delay three payments. She says Novuna agreed to do this, but then charged her interest which they weren't allowed to do.

Novuna said Ms T had a payment holiday in April, May and June 2020. They said the total interest they charged during this time was £370.46. They said they sent Ms T an email on 2 July 2020 with a modified loan agreement, which essentially said taking a payment holiday will impact her loan, as she may have to pay extra interest. Novuna say Ms T returned the modified loan agreement accepting the terms. Novuna added, at the beginning of the pandemic they weren't charging interest, but then the regulator the Financial Conduct Authority (FCA) said they could do so on interest bearing agreements. So, they didn't think they'd done anything wrong.

Unhappy with this Ms T asked us to look into things. She said in addition to charging interest during the payment holiday which they shouldn't have done, Novuna then applied further interest and charges – meaning the loan wasn't settled until June 2023.

One of our Investigators considered everything but found Ms T had agreed to the new loan, so they didn't think Novuna had done anything wrong. He also explained Ms T's complaint about the further interest and charges isn't something that'd been raised to Novuna, so she would need to do so before we could look into this. Ms T didn't agree saying the FCA's guidance hadn't been taken into account and we'd not dealt with the multiple unfair charges applied by Novuna. As Ms T disagreed, the complaint's been passed to me to decide.

## **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 think as a starting point it'll help to explain I'm required to take into account relevant law and regulations, regulators' rules guidance and standards, codes of practice and what I consider to be good industry practice at the time. But, overall, I'm required to decide things on a fair and reasonable basis.

To help me decide the outcome of Ms T's case, I need to consider the FCA guidance regarding what lenders were allowed to do during the pandemic.

The FCA issued this guidance on 9 April 2020 regarding personal loans. I've read the full guidance, but only quoted sections relevant to Ms T's case:

### **Payment deferrals**

*In this guidance, 'payment deferral' means an arrangement under which a firm permits the customer to make no payments under their regulated credit agreement for a specific period without being considered to be in arrears.*

*Firms are not prevented from continuing to charge interest during a deferral period.*

*A firm should give customers adequate information to enable them to understand the implications of a payment deferral, including the consequences of interest that is accrued during this period and its effect on the balance due under the agreement and on future payments.*

I'm satisfied Ms T received a payment deferral as defined by the FCA. The FCA have also said interest can continue to be charged, but they had to make it clear what the impact was. Because of this, I can't reasonably say Novuna have acted against the FCA's guidance as Ms T has suggested – as their guidance does allow Novuna to charge the interest.

I'm also satisfied Novuna have acted fairly in respect of explaining the implications to Ms T of the payment deferral. The reason I say that, is because Ms T was sent a modified loan agreement. This agreement included the following information (and where Novuna talk about the 'Earlier Agreement' they mean the original agreement Ms T took out in February 2019):

### **Repayments**

- 1. You are not required to make 3 consecutive payments starting from 01 May 2020. This is called the Payment Holiday...*
- 2. During the Payment Holiday interest will be charged at the rate set out in the Earlier Agreement on the total balance outstanding. Interest during the Payment Holiday will be calculated and applied monthly and is called Payment Holiday Interest.*
- 3. The amount of Payment Holiday Interest is £370.46.*
- 7. The overall duration of the agreement is 36 months. This reflects the total number of months remaining under the Earlier Agreement, plus the Payment Holiday period and the number of months required to repay the Payment Holiday Interest. You have a total of 33 months remaining as at the date of this Modifying Agreement.*

I'm satisfied this information is sufficiently clear for Ms T to have been made aware of the implications of the payment holiday, and what it'd mean for future payments.

Overall then, I'm satisfied in line with the FCA's guidance Novuna were allowed to charge interest during the payment holiday, and have explained the implications of doing so to Ms T. Because of that, I won't be requiring Novuna to refund any of the interest charged as I don't think they've acted unfairly or unreasonably.

I've noted Ms T has also said our service hasn't considered the further charges and interest Novuna applied. I've seen the notes Novuna made of the complaint raised, and there is no mention of the further interest or charges as being something Ms T wanted to complain about. Before our service can consider a complaint, Ms T needs to raise that complaint directly with Novuna and give them eight weeks to consider the complaint. So, I've not considered any interest or charges in this complaint – apart from the additional interest charged of £370.46 because of the payment holiday.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 22 February 2024.

Jon Pearce  
**Ombudsman**