

Complaint

Mr M has complained about a loan Mitsubishi HC Capital UK PLC (trading as “Novuna” Personal Finance) provided to him. He says that the loan was unaffordable.

Background

In June 2023, Mr M decided to purchase a watch. The purchase price of the watch was £8,595.00. Mr M paid a deposit of £1,719.00 and Novuna provided Mr M with a fixed-sum loan for the remaining £6,876.00 in order to complete his purchase.

Mr M’s loan had an APR of 9.9% and a term of 48 months. This meant that the total amount to be repaid of £8,289.12 (not including Mr M’s deposit), which included interest, fees and charges of £1,413.12, was due to be repaid in 48 monthly instalments of £172.69.

One of our investigators reviewed what Mr M and Novuna had told us. And she thought that Novuna hadn’t done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint be upheld.

Mr M disagreed with our investigator’s assessment and asked for an ombudsman to look at his 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 Mr M’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr M’s complaint. I’ll explain why in a little more detail.

Novuna needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Novuna needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay 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 lend to a customer irresponsibly.

Novuna says it agreed to Mr M's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr M could afford to make the repayments he was committing to.

On the other hand, Mr M has said he should not have been provided with this loan.

I've carefully thought about what Mr M and Novuna have said.

The first thing for me to say is that the information provided does suggest Mr M was asked to provide some details regarding his income and expenditure and Novuna didn't just rely on what it was told as it carried out a credit search too. And although Mr M did have some existing debts, I don't think that this was excessive in comparison to his income, or that Mr M's existing commitments meant that he shouldn't have been lent to.

Furthermore, notwithstanding what Mr M has said about his existing position, it's difficult for me to overlook the fact that he considered it an appropriate time to purchase the watch that he did and determined the monthly payments to be affordable.

I accept that Mr M's says his actual circumstances may not have been fully reflected either in the information he provided or the information Novuna obtained. For example, he has confirmed that the mortgage for his residence was only in his partner's name and so wasn't taken into account. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

And what Mr M has told us simply wasn't reflected in the information Novuna obtained. Neither did he choose to volunteer this information either. So Novuna didn't know about this. Of course, Novuna could have done more before deciding to lend to Mr M and it's possible that it might have reached a different decision if it had done so. But the question for me to consider here isn't whether Novuna could have done more. It is whether it should have done more because there were inconsistencies or further questions which needed answering.

In this case, the amount being lent, the relatively low amount of the monthly payments together with the lack of obvious indicators of difficulty in the information Novuna did obtain, lead me to think that reasonable and proportionate checks wouldn't have extended any further. I say this particularly as Mr M's deposit, which he had to pay upfront, was equivalent to around ten monthly repayments. This is likely to have suggested that Mr M had the necessary funds to make payments going forwards too.

As this is the case and bearing in mind everything, I don't think that Novuna did anything wrong when deciding to lend to Mr M – it carried out reasonable and proportionate checks at the time and these suggested the repayments were affordable for Mr M.

So overall I don't think that Novuna treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm 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 27 May 2024.

Jeshen Narayanan
Ombudsman