

The complaint

Mr B complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance irresponsibly lent to him.

What happened

Mr B was approved for two personal loans with Novuna (one for £10,000 in October 2022, and one for £5,000 in April 2023). He says these loans were irresponsibly lent to him as he had a high number of gambling transactions leave his bank account. He says that two weeks prior to him being approved for the £5,000 loan, he had just taken out another personal loan, so Novuna should have questioned why he needed another loan so soon. Mr B made a complaint to Novuna.

Novuna did not uphold Mr B's complaint. They said they used his credit record along with other information provided on his application to calculate an overall score, and his application score exceeded their minimum lending criteria. Novuna said they also utilise a third party affordability product from a Credit Reference Agency (CRA), which provides them with trends over time in relation to his income and general indebtedness, and there were no indications that he would struggle to service the personal loan repayments. Mr B brought his complaint to our service.

Our investigator did not uphold Mr B's complaint. She said that as Mr B was apparently managing his external credit very well according to the information available, and he had no obvious signs of financial stress, Novuna's checks were proportionate.

Mr B asked for an ombudsman to review his complaint. He said that he believes the high level of existing debt that he had prior to the first loan being approved should have been a flag for Novuna to ask more questions about the loan and its impact, especially considering his £55,000 salary in comparison to his £52,400 loan commitments.

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.

Before agreeing to approve or increase the credit available to Mr B, Novuna needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Novuna have done and whether I'm persuaded these checks were proportionate.

Acceptance for the October 2022 personal loan (£10,000)

I've looked at what checks Novuna said they did when initially approving Mr B's application

for the loan. Novuna said they looked at information from the CRA's, and information Mr B included on his application before approving his application.

I'm satisfied the checks Novuna carried out here were proportionate. I say this as the information showed that Mr B's gross income was £55,000. Although the checks showed Mr B had a relatively high level of unsecured borrowings £52,400, which was almost at the level of his gross income for the year, Novuna had been able to see Mr B's debt repayments, so they included these figures in their calculations. They also included Mr B's monthly mortgage repayment, and they factored in the cost of the new loan into their calculations. This meant that based on Novuna's calculations, there would be a remaining level of income of £897.16 a month for him to meet his living expenses.

But that's not all Novuna's checks showed. They showed Mr B had no active adverse information on his credit file at the point he applied for the £10,000 loan. It also showed the number of credit searches that had been conducted on his credit file recently. So as Mr B wasn't constantly applying for credit in the months prior to his Novuna application, and he didn't have any arrears on any of his accounts at the time he applied for the Novuna loan, then there were no reasonable indicators that Mr B wouldn't be able to sustain the repayments on the loan Novuna approved.

There were no defaults showing on his credit file from the checks Novuna completed and there were no County Court Judgements (CCJ's). So despite the level of debt Mr B already had, I'm not persuaded that Novuna made an unfair lending decision to approve the loan for Mr B and based on the information the checks they completed showed, I'm persuaded that the checks they completed here were proportionate.

Acceptance for the April 2023 personal loan (£5,000)

I've looked at what checks Novuna said they did when initially approving Mr B's application for the second loan. Novuna said they looked at information from the CRA's, and information Mr B included on his application before approving his application.

I'm satisfied the checks Novuna carried out here were proportionate. I say this as the information showed that Mr B's gross income was £70,000. The checks showed Mr B's unsecured borrowings were £10,900 which were significantly lower than the £52,400 of unsecured borrowings being reported by the CRA when he was approved for his original Novuna loan, only six months earlier. And Mr B had repaid the original Novuna £10,000 personal loan prior to applying for the second loan.

Novuna had been able to see Mr B's debt repayments, so they included these figures in their calculations, which was a lower amount than his previous debt repayments when his previous loan was approved. They also included Mr B's monthly mortgage repayment, and they factored in the cost of the new loan into their calculations. This meant that based on Novuna's calculations, there was a lot more disposable income for Mr B to meet his living expenses compared to just six months earlier when they approved his first loan.

But that's not all Novuna's checks showed. They showed Mr B had no active adverse information on his credit file at the point he applied for the £5,000 loan. There were no defaults showing on his credit file from the checks Novuna completed and there were no CCJ's. So I'm satisfied Novuna's checks prior to approving the £5,000 loan were proportionate, and they made a fair lending decision in approving Mr B for the £5,000 loan.

Although Mr B has mentioned he took out a personal loan just two weeks prior to applying for the £5,000 loan, I must make him aware that a credit file tends to take between 4-6 weeks to update. So I can't say that Novuna would have been aware of Mr B taking out a

new personal loan just prior to him applying for the £5,000 loan.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Novuna 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. So it follows I don't require Novuna to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 September 2024.

Gregory Sloanes
Ombudsman