

## **The complaint**

Mr S is unhappy that Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance, won't stop sending him account arrears letters on accounts that Novuna have accepted were provided to Mr S irresponsibly.

## **What happened**

Mr S obtained several loans from Novuna which Novuna later accepted had been provided to Mr S irresponsibly. Because of this, Novuna removed all the interest from the loans so that Mr S was only required to repay the capital balances that he'd borrowed. And Novuna also agreed to affordable payment plans with Mr S, so that Mr S was able to repay the capital balances over a longer period that the loans had been initially agreed over.

However, despite the agreements that Novuna had made with Mr S about the irresponsible loans that they'd provided to him, Novuna kept sending Mr S letters which said that he'd missed payments on the loans and fallen into arrears in consideration of the original (irresponsible) loan schedules. Mr S, who suffers with his mental health, found these letters to be extremely distressing, so he raised a complaint.

Novuna responded to Mr S and explained that they couldn't stop sending the letters about which he was unhappy, but confirmed to Mr S that he could ignore them. Mr S wasn't satisfied with Novuna's response, given the exacerbating effect his receipt of these letters was having on his mental health. So, he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel it was fair that Novuna kept sending the account arrears letters to Mr S given that they weren't an accurate reflection of what had been agreed on the accounts and given the significant impact that they were having on Mr S.

Because of this, our investigator said that if Novuna were unable to prevent the letters from being sent, that Novuna should write of the remaining loan balances and close the accounts, so that no more letters would need to be sent. And our investigator also said that Novuna should pay £500 to Mr S as compensation for the trouble and upset this matter had caused him. Novuna didn't accept the recommendation put forward by our investigator, so the matter was escalated to an ombudsman for a final 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.

In their correspondence with this service about Mr S's complaint, Novuna made the following statement:

*"Despite us agreeing that the loans were unaffordable it doesn't alter Mr S's contractual obligations [regarding those loans]."*

I find this statement by Novuna to be greatly concerning, given that it's clearly incorrect.

Novuna have agreed that all of Mr S's loans were provided to Mr S irresponsibly by themselves. Accordingly, all of the contractual obligations as per those loan agreements are de-facto invalid, because all of the agreements refer to capital balances that should never have been loaned to Mr S and include obligations on Mr S to pay interest that it's agreed by all parties is unfair.

I find the fact that Novuna consider Mr S to be still bound by the contractual obligations of the irresponsible loan agreements, such that Novuna feel that they are still required to send arrears letters to Mr S based on the original repayment obligations of those irresponsible agreements, to be highly concerning. Especially as the impact of Novuna's ongoing failure here has an exacerbated effect on Mr S because of his documented mental health issues.

Where a person has had the benefit of borrowed funds, as Mr S has in this instance, I would usually feel that it's fair that the person repay the capital balance that they have borrowed – as Mr S had agreed to do. But in this specific instance, I feel that the impact on Mr S of the letters that Novuna continue to send to him outweighs the moral obligation on Mr S to repay the capital balances that he owes, especially given that Novuna appear unwilling or incapable of arriving at a solution whereby the letters about which Mr S is distressed are no longer sent.

Accordingly, I reached out to Novuna and explained that unless they could propose a solution whereby Mr S no longer received the letters in question that I intended to uphold this complaint in Mr S's favour on the same basis as recommended by our investigator.

Novuna haven't responded to the opportunity I provided them to avoid my instructing them to write off Mr S's loans and pay £500 compensation to Mr S. And as a direct consequence of this, my final decision here is that I do uphold this complaint in Mr S's favour and do instruct Novuna to write off Mr S's loan balances and close his loan accounts, and also to pay £500 compensation to Mr S.

### **Putting things right**

Novuna must write off Mr S's loan balances and close Mr S's loan accounts, thus ensuring that no further letters (after the account closure letters have been sent) are sent to Mr S.

Novuna must also pay £500 compensation to Mr S.

### **My final decision**

My final decision is that I uphold this complaint against Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 April 2025.

Paul Cooper  
**Ombudsman**