

The complaint

Mr W complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance (Novuna) was irresponsible in its lending to him. He wants all interest and charges he has paid refunded along with statutory interest and any adverse information regarding the agreement removed from his credit file.

Mr W is represented by a third party but for ease of reference I have referred to Mr W throughout this decision.

What happened

Mr W was provided with a £6,000 loan by a predecessor company of Novuna in September 2021. The loan was repayable over 80 months with monthly repayments of around £110. Mr W said that adequate checks weren't carried out before the loan was provided and that he had other credit commitments outstanding at the time.

Novuna issued a final response to Mr W's complaint dated 8 August 2024. It said that it used information from the credit reference agencies alongside information Mr W had provided to calculate a credit score. It explained that Mr W's credit score exceeded its minimum lending criteria. Novuna said it used a third-party affordability product which gave no indication that Mr W would struggle to meet the loan repayments. It said the lending was responsible and didn't uphold Mr W's complaint.

Mr W referred his complaint to this service.

Our investigator thought the checks carried out before the lending was provided were reasonable and proportionate and these suggested the loan to be affordable. However, he also considered what further checks would likely have identified and said that even if these had happened the loan repayments would still have been seen as affordable.

Mr W said that if a reasonable amount was included for his cost of commitments, including paying 5% towards his credit card balances this would only leave him with around £90 disposable income to cover any unexpected costs. He said this wasn't enough to say the loan repayments would be sustainably affordable over the loan term.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to

carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Novuna gathered information about Mr W's income and validated this using a credit reference agency tool. A credit check was undertaken which showed Mr W had outstanding credit commitments (excluding his mortgage) of £36,700 and £64,000 outstanding on his mortgage. Mr W's credit check didn't identify any defaults or other adverse data. Novuna carried out an affordability check based on Mr W's validated monthly income less his payments to his credit commitments including his mortgage and found he had disposable income of around £936 a month, after the Novuna loan repayments, which it said was sufficient to cover his other monthly expenses.

While Mr W's credit check didn't suggest that he was struggling to manage his commitments, given the level of his existing debts and noting that based on Novuna's calculations, Mr W was already paying around a third of his net income towards his non-mortgage credit commitments before the loan was provided, I think that further checks should have been carried out to fully understand Mr W's financial circumstances.

While I do not find that Novuna was required to obtain copies of Mr W's bank statements, I have looked through these as well as Mr W's credit report for the months leading up to the lending to understand what further checks would likely have identified.

Novuna validated Mr W's income and found this supported a net monthly income of around £2,214. Having looked through Mr W's bank statements these show a net monthly income that was slightly higher, just over £2,400. Mr W's credit report doesn't raise concerns about how he was managing his commitments. He was making repayments towards his mortgage of around £422 and towards his other fixed credit commitments of around £385. His outstanding balances on his revolving credit totalled around £10,500 and while his bank statements do not show him making payments of 5% towards these balances, I find it reasonable to include this amount. This would be around £530 a month.

Additional to his credit commitments, Mr W was paying for cost including utilities, council tax, insurances, car costs, phone and media contracts as well as general living costs such as food and fuel. These averaged around £830 a month. Deducting Mr W's mortgage and other credit commitments as well as his other regular and living costs from his monthly income would leave around £120 after the Novuna loan repayments. While this isn't a large buffer for any unforeseen costs, as my calculation has included all of his day to day living costs as well as an amount for repaying his revolving credit commitments (above the amount Mr W was paying), I do not find that this amount is such that I can say the lending should have been considered unaffordable.

I've also considered whether Novuna acted unfairly or unreasonably in some other way given what Mr W complained about, including whether its relationship with him might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Novuna lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

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

Jane Archer
Ombudsman