

The complaint

Miss A complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance (“Novuna”) recorded a default on her credit file in relation to a finance agreement.

What happened

Miss A held a fixed sum loan agreement in 2020 with monthly repayments due of £74.20. In 2024, she complained to Novuna as she’d noticed they’d recorded a default on her credit file. Miss A said Novuna failed to consider her personal and financial circumstances by doing this.

Novuna didn’t uphold the complaint. They said they’d sent Miss A a default notice on 29 September 2023 and defaulted her agreement on 26 June 2024 as she hadn’t maintained the due payments and hadn’t repaid the arrears that had built up.

Miss A remained unhappy and referred her complaint to our service. Our investigator felt, in summary, that Novuna were entitled to record the default for the reasons they gave but also felt this should have been done on 21 October 2023, as this was when Miss A didn’t comply with the requirements of the default notice. He recommended that Novuna arrange to backdate the default to this date.

Novuna accepted our investigator’s view. Miss A didn’t. She said Novuna treated her unfairly, as they were aware of her difficult personal and financial situation and had previously agreed to freeze payments while she was working through these. Miss A also said Novuna didn’t tell her they’d defaulted her account and told her to ignore the default notice when she received it.

Our investigator said he hadn’t seen evidence that Novuna had told Miss A to ignore the default notice, which Miss A was disappointed by as she specifically recalled being told this.

As the matter remains unresolved, Miss A has asked for an ombudsman to review her complaint.

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.

When considering what is, in my opinion, fair and reasonable, I've taken into account relevant law and regulations; regulator's rules; guidance and standards; codes of practice; and what I believe to have been good industry practice at the relevant time.

Miss A is complaining about the actions of Novuna and the support she received in relation to her regulated fixed sum loan agreement. Our service is able to consider complaints relating to these sorts of agreements,

I first want to say that I'm sorry to hear that Miss A experienced such difficult personal and financial circumstances. This can't have been easy for her, and I thank her for the time and effort to bring her complaint to our service.

I think the main things I need to decide is whether Novuna gave Miss A enough support to her when she asked for help and whether recording a default was fair.

There's guidance that Novuna should follow for treating customers with forbearance. This is set out in the Financial Conduct Authority's Consumer Credit Sourcebook ("CONC"), under CONC 7.3.4 which said, at the time: *'A firm must treat customers in default or in arrears difficulties with forbearance and due consideration'*. CONC 7.3.6 goes on to say: *'Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt'*.

From what I can see, Novuna did try to offer support to Miss A throughout 2022 and 2023, when she started experiencing difficulties in making her contractual payments. Their records show, for example, that they set up repayment plans for Miss A when she called to say she had started a new job, and when she mentioned to them that her wages hadn't yet been paid. I can also see that Novuna waived a number of charges and accepted payments from Miss A when she was able to make them. And Novuna's notes set out that they offered to consider Miss A's income and expenditure details in July 2023 when she called them to say she was off work with sickness. Their notes also set out that Miss A called them in September 2023 to say she couldn't work due to her health condition and was receiving Universal Credit, but declined Novuna's offer of a reduced repayment plan and wanted a hold to be put on her account while she considered her options.

While I can of course appreciate how difficult things were for Miss A, I think Novuna were entitled to send her the default notice on 29 September 2023, as it was reasonable to them to think that Miss A wasn't able to make up the arrears that had built up, which at that time stood at £173.40. And Miss A's account had been in arrears on several occasions during 2022 and 2023.

According to the account statements I've seen, no payments were made by Miss A from the time Novuna sent the default notice in September 2023 until the time Novuna decided to default the account in June 2024. So, in theory at least, I think Novuna were entitled to think that Miss A's financial position hadn't got any better and that she wasn't able to bring the account up to date. And there does come a point where a lender (or a company acting on their behalf) can treat the arrangement between themselves and the customer as having irretrievably broken down.

I do though think that Novuna should at the very least have told Miss A that they would now be defaulting the account rather than just have her find out about it herself. Not doing so was rather un-customer friendly in my view. However, I have to balance this with the fact that in my view, had they told Miss A about this, they would have been justified in their decision because of the position of the account. So, defaulting the account wasn't unfair or disproportionate. And I have seen from Novuna's notes that they continued to offer forbearance in the early part of 2024 by agreeing to put payment holds on the account.

Our investigator felt that Novuna should backdate the default to the date that Miss A failed to comply with the requirements of the default notice, which was 21 October 2023. There are pros and cons to this. On the one hand, doing this will essentially mean that Novuna should have realised at that point that there was no realistic way Miss A was able to remedy the terms of the default notice, which was to repay the arrears in full, rather than holding off on recording the default which would be quite significant for Miss A. On the other hand, it does seem to me that Miss A had struggled to maintain her contractual repayments for quite some time overall and that, by backdating the default to October 2023, this would mean the default would remain on her credit file for less time than it currently will do.

Overall, I think backdating the default is the fairest way to resolve this complaint. I think it should have been reasonably obvious to Novuna that Miss A was unlikely to repay the arrears. I say this having considered their prior interaction with Miss A up to the point that she wasn't able to comply with the requirements of the default notice and the way the account had been managed up to that time.

I realise this will be disappointing to Miss A, particularly as she was able to settle the outstanding balance of the account in full in July 2024 (which was the month after Novuna defaulted the account). However, I do think that Novuna were entitled to default the account for the reasons I've said. And I also think that, overall, Novuna offered Miss A support for the difficulties she experienced which prevented her from making the contractual payments on time throughout 2022 and 2023.

Finally, I've considered Miss A's comments that Novuna told her to ignore the default notice. I'm afraid I don't have sufficient evidence of this. Novuna's notes don't set out they did this or imply that they did. Even if there was some comment from Novuna to Miss A about the nature of the default notice, and her obligations under it, I can't discount that this might have led to a misunderstanding of how the notice should be viewed, rather than a disregard on Novuna's part of the serious nature of that notice.

Putting things right

Novuna should instruct the relevant credit reference agencies to backdate the default on Miss A's account to 21 October 2023.

My final decision

My decision is that I uphold this complaint in part. I direct Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance to take the action I've set out in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 8 August 2025.

Daniel Picken
Ombudsman