

## **The complaint**

Mr R complained that Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance ("Mitsubishi") irresponsibly granted him four loans, between December 2018 and March 2024, that he couldn't afford to repay.

## **What happened**

Mr R took out four loans with Mitsubishi. The first loan of £899.10 (account number ending 3086) was granted in December 2018, and had a term of 24 months and a monthly payment of £37.46.

The second loan of £918 (number ending 5544) was granted in June 2021, with a term of 12 months, and a monthly payment of £76.50.

The third loan of £17,000 (number ending 7038) was granted in February 2022. The term was 60 months, and the monthly payment was £383.65.

The fourth loan of £15,000 (number ending 1723) was granted in March 2024. Again, the term was 60 months, and the monthly payment was £331.76.

I should say here that the loan amounts stated in our investigator's view – and indeed in some documents from Mitsubishi – were higher for loans one and two. However, the amounts stated were the purchase prices of the relevant goods rather than the amounts actually borrowed, and the correct loan amounts are as noted above.

In summary, Mr R has said that Mitsubishi didn't carry out full affordability assessments and it shouldn't have granted the loans. Mr R complained to Mitsubishi about all this. Mitsubishi said it had carried out the appropriate checks before granting the first three loans, so it wouldn't uphold Mr R's complaint in relation to those loans. But it upheld his complaint about the fourth loan. It went on to say that it would compensate Mr R in relation to the fourth loan in line with this service's usual approach, and in addition it paid him £75 in recognition of the inconvenience caused.

Mr R wasn't happy with this, so he brought his complaint to this service. Our investigator looked into it and noted that the complaint about the fourth loan had already been upheld. Mitsubishi told us it didn't think that this service had the power to look at the complaint about the second loan – and our investigator agreed that this was the case. She also didn't think that Mr R's complaint about the other two loans should be upheld. Mr R didn't agree, and asked for his complaint to be reviewed by an ombudsman.

## **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 approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided not to uphold Mr R's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Mitsubishi completed reasonable and proportionate checks to satisfy itself that Mr R would be able to make the repayments on the loans in a sustainable way.

Mr R sent in copies of his credit history and some bank statements. Mitsubishi sent in copies of the loan agreements, loan statements and details of the checks it carried out before granting the loans.

With regard to the fourth loan, Mitsubishi upheld this element of Mr R's complaint, and I am satisfied that the redress it set out in its final response letter to Mr R is in line with the approach taken by this service. I cannot fairly ask Mitsubishi to do anything more and therefore I have not considered this part of Mr R's complaint further.

I also noted above that Mitsubishi told us it didn't think that this service had the power to look at the complaint about the second loan, and therefore it didn't consent to us doing so. Our investigator agreed that that was the case. I have reviewed the information provided and I also agree that I do not have the power to consider this element of Mr R's complaint.

I say this because the agreement falls within the definition of an 'exempt agreement' under the Financial Services and Markets Act 2000 (FSMA) because it meets the following conditions:

- it was a borrower-lender-supplier agreement for fixed-sum credit - this agreement was between Mr R, Mitsubishi and a retailer and was for a fixed amount;
- the number of payments to be made by the borrower was not more than 12 – this agreement required 12 payments to be made over a 12-month term; and
- it was provided without interest or other charges – this loan was interest-free and I can see no other charges for credit listed on the agreement.

As a result, I have not looked at this loan any further. I should also say here that, even if I *did* have the power to consider this element of Mr R's complaint, I am satisfied that Mr R has not lost out here. This is because he paid no interest or charges on the loan, and no adverse information about the loan was recorded on his credit history

Therefore I have looked at loans one and three in the rest of this decision.

#### Loan one - account number ending 3086 - December 2018

Mr R took out the loan of £899.10 over a term of 24 months, with a monthly payment of £37.46.

Mitsubishi said that, before granting the loan, it verified Mr R's income using an online check through one of the credit reference agencies. Mitsubishi's credit check also identified Mr R's commitments, and after taking these into account, it estimated that his remaining income was sufficient to meet the new loan payment and his other essential living expenses. In estimating the latter it said it used information from the Office of National Statistics (ONS).

The loan was approved without further enquiries, and based on the information above I think Mitsubishi carried out reasonable and proportionate checks before granting the new loan.

I say this because the information Mitsubishi had, suggested that Mr R would have had enough disposable income, after taking account of his credit commitments and essential outgoings, to meet the monthly payments on the new loan sustainably. And this was a small loan with modest repayments.

I should also say here that this was an interest-free loan for the purchase of goods, and the loan statement shows that Mr R made all the payments on time, with no fees or charges being imposed. No adverse information is shown on Mr R's credit history in relation to this loan. Therefore Mr R has suffered no loss in relation to this loan.

Taking all this into account, I do not uphold this element of Mr R's complaint.

#### Loan three – account number ending 7038 - February 2022

This loan, of £17,000, was granted in February 2022. The term was 60 months, and the monthly payment was £383.65.

Mitsubishi said that it used a credit reference agency validation tool to verify Mr R's stated annual income of £54,500.00, which it then estimated to be a monthly amount after tax of £3,359.43. It also said that its credit search found existing commitments totalling £53,100.00, with monthly payments being estimated at £1,266.31 (most of this being fixed payments on loans and hire-purchase agreements). Mr R also had a joint mortgage, and Mitsubishi took half the total monthly mortgage payment as being attributable to Mr R, this amount being £594.00.

After also accounting for the new loan payment of £383.65, Mitsubishi calculated that Mr R would be left with disposable income of £1,115, which it considered to be enough to cover his essential expenditure based on his circumstances and taking account of ONS figures.

Mitsubishi went on to say that it found no evidence of financial stress from information on Mr R's credit file. There were no searches within the preceding 3 months, and it found good management of other credit accounts. It also noted that Mr R's previous two loans from Mitsubishi had been well conducted.

I noted above that Mr R had sent in a copy of his credit report, and I've reviewed this against the information Mitsubishi sent in.

The report shows that Mr R's credit commitments were two vehicle-related hire-purchase agreements, two unsecured loans, a buy-now-pay-later agreement, two current accounts and his joint mortgage. Communication and utilities were also shown. The monthly credit-related outgoings that Mitsubishi included in its calculations are consistent with what's on the report.

One of the two unsecured loans was the previous Mitsubishi loan from June 2021, which was for a small amount and was due to end a few months later. The buy-now-pay-later agreement was also over a short term and due to end quite soon. The majority of Mr R's outstanding credit was on the two vehicle-related hire purchase agreements, so he did not have a large amount of unsecured debt relative to his income. I can also see from the credit report that Mr R's current accounts both had overdrafts, but the amounts fluctuated over the preceding months and Mr R doesn't seem to have been utilising the full limits. I can see no evidence from the credit report of missed payments on any of Mr R's accounts, including those previously closed.

This loan also was approved without further enquiries, and again, based on the information above, I think Mitsubishi carried out reasonable and proportionate checks before granting the new loan.

I say this because the information available to Mitsubishi indicated that Mr R would have had enough disposable income, after taking account of his credit commitments and other essential living expenses, to meet the monthly payments on the new loan sustainably.

Mr R didn't agree with our investigator's view, and he sent in copies of bank statements on one of his current accounts - a joint account - from around the time this loan was granted. He said these showed that he was constantly overdrawn.

I've thought about what Mr R has said, and I accept that the bank statements do show that the account was usually overdrawn. However, the amount fluctuated, as was indicated on Mr R's credit report, and this information was available to Mitsubishi in making its lending decision.

Overall, this doesn't change my view that it was reasonable for Mitsubishi to rely on the information it had obtained through its credit reference agency enquiries, as, based on Mr R's overall financial position indicated by those enquiries, I don't consider it had reason to think that the loan repayments may not be affordable. So taking all this into account, I don't think Mitsubishi acted unfairly in granting the loan in February 2022, and therefore I don't uphold this element of Mr R's complaint.

In summary, I have considered Mr R's complaints about loans one and three, but for the reasons given above I have decided not to uphold his complaints about those loans. I do not have the power to consider Mr R's complaint about loan two, for the reasons I explained above. Mitsubishi had already agreed to uphold Mr R's complaint about loan four, and the redress it set out was in line with this service's approach, so I did not need to consider it further.

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 Mitsubishi lent irresponsibly to Mr R or otherwise treated him unfairly in relation to these matters. 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**

For the reasons set out above, I've decided not to uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 August 2025.

Jan Ferrari  
**Ombudsman**