

## **The complaint**

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

## **What happened**

In November 2019 Mr M entered into a loan agreement with Novuna. The total amount repayable including interest was £13,764.24 with repayments of £191.17 over a term of 72 months.

In May 2024 Mr M complained to Novuna. He said the loan was unaffordable and that his application shouldn't have been approved.

Novuna didn't uphold the complaint. It said it had carried out proportionate checks and that a fair lending decision had been made.

Mr M remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said Novuna had completed reasonable and proportionate checks during the application process and that the decision to lend was fair.

Mr M didn't agree so I've been asked to review the 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.

Our approach to complaints about unaffordable and irresponsible lending including the relevant rules, guidance and good industry practice are set out on our website. I've used this approach to help determine Mr M's complaint.

Having carefully considered everything I've decided not to uphold Mr M's complaint. I'll explain why.

Did Novuna carry out reasonable and proportionate checks to make sure that Mr M could repay the loan in a sustainable way?

Novuna needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure Mr M could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount and the customers income and expenditure.

Our website sets out what we typically think about when deciding whether a lenders checks were proportionate. Generally, we think it's reasonable for a lenders checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think a lender needed to more if, for example, a borrower's income was low, or the amount lent was high. And the longer a lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a borrower irresponsibly.

When Mr M applied for the loan, Novuna carried out an income and expenditure assessment. Mr M told Novuna that he was employed full time as a team manager. The checks showed that Mr M had a monthly income of £2844.63. Novuna used statistical information from the ONS to estimate Mr M's outgoings and expenses. It calculated that Mr M had a disposable monthly income of £1,189.46, after taking into account housing and credit commitments including the Novuna loan repayment.

Novuna also carried out a credit check. This showed that Mr M had nine active credit accounts, all of which were up to date with no arrears or defaults. Mr M had no CCJ's and there was nothing on the credit check to suggest that he was overly reliant on credit, or that he was unlikely to be able to sustainably repay the loan.

I've considered all of this information. Having done so, I think the checks carried out by Novuna were proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr M.

If the checks were reasonable and proportionate, was the lending decision fair?

I've thought about whether Novuna made a fair lending decision based on the information it had gathered and what it knew about Mr M's circumstances.

The income and expenditure assessment showed that Mr M's monthly income of £2844.63 covered his housing costs, household expenses and existing credit commitments. There was a significant amount of disposable income left each month – around £1189.46 – which left enough to manage the loan repayments without causing financial difficulties.

The credit check showed that Mr M had several well managed credit accounts. There were no missed payments, no defaults, no CCJ's and no adverse information recorded or anything to suggest that Mr M wasn't managing his finances properly.

Based on everything I've seen, I think the checks carried out by Novuna were reasonable and proportionate and that the lending decision was fair.

I've considered whether Novuna acted unfairly or unreasonably in any other way, including whether its relationship with Mr M might have been unfair under section 140 of the Consumer Credit Act 1974.

However, for the reasons I've set out above, I haven't seen anything to suggest that this was the case.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 July 2025.

Emma Davy  
**Ombudsman**