

The complaint

Mr D is unhappy with the interest rate provided to him by Mitsubishi HC Capital UK, trading as Novuna Personal Finance.

What happened

In July 2023, Mr D applied for a personal loan with Novuna. His application was successful and Mr D received the loan which included an interest rate of 16.1%.

In October 2024, Mr D raised a complaint with Novuna because he was unhappy with the interest rate on his loan, which he felt was too high and not in alignment with general market rates. Novuna responded to Mr D but didn't feel that they'd done anything wrong by providing the interest rate to Mr D that they had. Mr D wasn't satisfied with Novuna's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Novuna had acted unfairly as Mr D contended and noted that the 16.1% interest rate that applied to the loan had been clearly stated in the loan agreement, which Mr D had accepted and consented to. Mr D didn't agree that Novuna hadn't acted unfairly by providing the loan to him with a 16.1% interest rate, and 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 his submissions to this service, Mr D has explained that he took this loan from Novuna, at a time when he was being scammed by a third-party. Mr D has previously complained to Novuna that he shouldn't be held accountable for this loan for that reason, and that complaint was later referred by Mr D to this service when Novuna didn't agree with his position. This service then investigated Mr D's complaint, but didn't uphold it in his favour. As such, I won't be considering whether Mr D should be held accountable for the loan, but only whether the interest provided on the loan is fair or unfair.

Mr D has asked how a loan provider can advertise loans with a specific interest rate but then offer loans to successful applicants with a higher interest rate than the rate initially advertised. This is because loan providers, as part of the application process, assess the financial position and history of an applicant and make an internal decision as to whether there is any risk involved in lending money to that applicant. An example of a risk is that the applicant might not repay the money that they're asking the loan provider to lend to them.

Loan providers then consider the level of risk that they ascribe to the applicant and decide whether they are willing to lend money to the applicant and at what rate of interest. For instance, if a loan provider assesses an applicant as being very high risk then they may choose to decline the application and not lend money to that applicant. Conversely, if a loan provider assesses an applicant as being very low risk, they may approve the application and offer a low rate of interest on the loan - because they have confidence that the applicant will

repay that loan in accordance with the agreed terms.

There is also a third possibility - that the loan provider might assess the applicant as presenting a moderately high risk. In this instance, the loan provider may still be willing to lend money to the applicant, but they will offer to do so with a higher rate of interest than they would provide to applicants they consider as being low risk. This is because the lender has concerns that the applicant might not repay the money they've borrowed in accordance with the terms of the loan, and because they're only willing to accept that higher level of risk if the loan is more profitable for them, as is the case with a higher rate of interest. And it seems that it may be the case that this is what happened regarding Mr D's loan.

That loan providers offer higher rates of interest to applicants that they feel may present a higher risk is a standard practice of money lending and isn't something that I consider unfair. Indeed, it's for this reason that loan providers advertise their rates of interest as being 'representative' - which in short means that the advertised rate is the lowest rate offered by that loan provider and that the actual rate of interest offered to the applicant will only be decided by the loan provider after they have conducted their checks into the financial position and history of the applicant.

In Mr D's case, when Novuna assessed his application, they decided that they were willing to lend the money that Mr D was applying for to him over the requested term with an interest rate of 16.1%. As explained, this is a commercial decision that Novuna were entitled to make, and it was then for Mr D to decide whether he wanted to accept the loan with that interest rate or not.

I've reviewed the documents that pertain to this loan, including the pre-credit agreement and the subsequent credit agreement, and I'm satisfied that both of these documents clearly stated the loan interest rate as being 16.1%. Mr D consented to both documents before he received the loan funds, and in doing so I'm satisfied that he accepted the interest rate of 16.1% that Novuna offered to him. If Mr D was unhappy with that interest rate, then he could have declined the loan offer. Similarly, Mr D could have withdrawn from the loan within the first 14-days if he was unhappy with the terms of the loan, including the interest rate.

Ultimately, I'm satisfied that it wasn't unfair for Novuna to offer a loan to Mr D with an interest rate of 16.1%, and I'm also satisfied that Novuna made Mr D aware of the interest rate being offered to him before Mr D formally accepted the loan offer and took the loan. For these reasons, I don't feel the rate of interest on Mr D's loan is unfair, and it follows from this that I won't be upholding this complaint.

I realise this won't be the final decision that Mr D was wanting, but I hope he will understand, given what I've explained, why I've made the final decision that I have.

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 D to accept or reject my decision before 4 August 2025.

Paul Cooper
Ombudsman