

## **The complaint**

Mr G has complained that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance (Novuna) unfairly provided him with two loans.

## **What happened**

In April 2023, Mr G took out a £10,000 loan with Novuna over a term of 48 months. The loan was for home improvements, and the repayments were around £295 a month. Mr G settled the agreement early in October 2024, but then shortly after this, in November 2024, he applied for a further loan of £25,000 for debt consolidation. This was to be repaid over 72 months with a monthly repayment of around £519.

In February 2025, Mr G complained to Novuna. Mr G said he didn't think Novuna had lent to him responsibly. He felt it had failed to undertake a reasonable assessment of his creditworthiness at the time of the lending. He's said had Novuna completed the appropriate checks it would have found the lending was unaffordable for him.

Novuna looked into Mr G's complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed both loans were affordable by verifying Mr G's income through the credit reference agencies, checking his credit history and commitments to other creditors through the credit reference agencies and used data from the Office for National Statistics (ONS) to assess other essential expenditure. Novuna has said based on the information it found, it believes its decisions to lend in relation to both loans were fair.

Mr G didn't accept Novuna's response, so he referred his complaint to our service. One of our investigators looked into it, and based on the evidence available, our investigator said she didn't think Novuna's decision to lend was unfair for either loan.

Mr G accepted the investigators view in relation to the first loan but thought that had Novuna looked into things more closely for the second loan it would have seen it was unaffordable. So, he didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me to decide.

## **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.

Having done so, I've reached the same outcome as the investigator for broadly the same reasons. As Mr G has accepted what the investigator said in relation to the first loan he took with Novuna, I don't intend to go in to detail about this other than to say I agree with the investigator's conclusions on this.

However, as Mr G still disputes that Novuna lent to him fairly in relation to the second loan my decision will focus on this. To reach a fair outcome I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Novuna carry out reasonable and proportionate checks to satisfy itself that Mr G was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Novuna make a fair lending decision?
- Did Novuna act unfairly or unreasonably towards Mr G in some other way?

Novuna had to carry out reasonable and proportionate checks to satisfy itself that Mr G would be able to repay the credit sustainably. It needed to assess the likelihood of Mr G being able to repay the credit, as well as considering the impact of the repayments on them.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments, the cost of the credit and the customers circumstances.

Novuna carried out a credit search to get an understanding of Mr G's situation before it decided to lend. It's provided a copy of this, and I can see that there was no adverse information recorded about Mr G for at least six months prior to the first loan or between taking out the first loan and the second. It appears his overall borrowing had decreased between the first loan and the second loan and the amount outstanding to other creditors was compatible with the amount Mr G was borrowing to consolidate debt.

Novuna has explained that when Mr G applied for the second loan, he declared an income of £175,000 a year which it successfully verified using the credit reference agencies. It calculated that Mr G would have an income of around £8,600 a month. Which it said was sufficient for him to be able to repay the loan, his other credit commitments as well as other essential living costs and still be left with a reasonable sum of money each month. However, it applied estimates for Mr G's regular living expenses using ONS data. This is an approach it's allowed to take under the relevant lending rules. And usually, I would be satisfied that this was a proportionate check. But in this case given the closeness of the early repayment of the first loan and the second loan being taken out for debt consolidation, I think it would have been reasonable to get a more detailed picture of his expenditure rather than rely on ONS data.

There are a number of ways it could have done this, but for the avoidance of doubt, I'm not making a finding here that Novuna needed to see Mr G's statements in order to complete its own income and expenditure assessment. Rather I think it needed to accurately establish Mr G's regular essential expenditure. That said in the absence of any other evidence, I think it's reasonable to rely on bank statements Mr G has provided to establish what Novuna would likely have found had it asked Mr G more questions about his finances.

Mr G was able to provide us with statements for his main account for the two months before the lending. Having considered these it's clear that Mr G was using his overdraft, but he was also receiving what appears to be a salary of slightly more than £8,600 a month. He's said that some of this was for business expenses, but this isn't clear from the statements.

Mr G has argued that he was using his overdraft prior to the lending and had recently released equity from his home. He's also pointed out that he paid for the whole mortgage, and his statements show large transfers to his wife for payments to her credit cards and house running costs. Mr G has also pointed out payment plans from debt management plans he entered in 2017 and repayments to HMRC. He's said that this indicates he was struggling financially and that Novuna should have known it wasn't fair to lend to him.

I've considered these points, but except for the mortgage information, none of this would have been apparent from the credit checks. And as I've already said I don't think Novuna needed to see Mr G's statements but rather it needed to understand his expenditure. However, I can see from the statements, that even after taking into account Mr G's expenditure on other debt (including the cost of the overdraft), and essential living costs including a regular transfer to his wife, Mr G would have been left with over £1,000 a month in disposable income. So, I think had Novuna got a more detailed picture of Mr G's circumstances it would still have lent to him.

Overall, I think Novuna's checks should have gone further for the second loan. But based on the information now available, I'm not satisfied the decision to approve the lending was unreasonable.

I can see that due to a drop in the household income Mr G fell into arrears with the second loan and contacted Novuna for help in March 2025. It agreed a token repayment plan to be reviewed at a later date. This is in line with what I would expect to see where a customer is suffering from financial difficulties, so I haven't seen anything that persuades me Novuna have acted unfairly in some other way either.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But overall, it's not clear enough to me that Novuna created unfairness in its relationship with Mr G by lending to him irresponsibly, or in the way it handled the accounts under the credit agreements. And I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm very sorry to disappoint Mr G, but for the reasons set out, I don't find that Mr G's relationship with Novuna was unfair, and I can't conclude Novuna treated him unfairly in any other way based on what I've seen.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 January 2026.

Charlotte Roberts  
**Ombudsman**