

The complaint

Mr L complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance was irresponsible in its lending to him. He wants all interest and charges he has paid on his loan refunded along with statutory interest and any adverse information removed from his credit file.

Mr L is represented by a third party but for ease of reference I have referred to Mr L throughout this decision.

What happened

Mr L was provided with two loans the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayment
1	August 2021	£7,000	36 months	£205.54
2	October 2022	£7,091.72	36 months	£226.79

Mr L said that adequate checks weren't carried out before the loans were provided. He said that he had other debts outstanding at the time.

Novuna Personal Finance issued a final response to Mr L's complaint dated 31 October 2024. It said that it carried out creditworthiness and affordability checks and that these didn't suggest that Mr L would struggle to repay the loans.

Mr L referred his complaint to this service.

Our investigator thought the checks carried out before the loans were provided were reasonable. As these suggested the loans would be affordable for Mr L they didn't uphold this complaint.

Mr L didn't agree with our investigator's view. He said there were other debts recorded in his credit file which should have raised concerns. Our investigator considered Mr L's comments and addressed the points raised. However as these didn't change his view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr L was provided with two loans by Novuna Personal Finance, and I have considered each of these lending decisions separately.

Loan one: August 2021

Mr L was provided with a £7,000 loan in August 2021. The loan term was 36 months and Mr L was required to make monthly repayments of around £206. Before the loan was provided, Novuna Personal Finance gathered information about Mr L's income and expenses and carried out a credit check.

Mr L declared an annual income of £22,000 and this was validated using a credit reference agency tool. Based on this annual income, Mr L's net monthly income was estimated as £1,582.93. Mr L's credit file reported him having revolving credit balances of £4,314 and fixed term balances of around £3,886. Mr L's monthly credit commitments (excluding his mortgage) were calculated as around £304. Mr L had a mortgage recorded and an amount was included in Novuna Personal Finance's calculation to reflect this based on Mr L paying half (due to his co-habiting status). Mr L had no defaulted or delinquent accounts or missed payments reported and his monthly disposable income was calculated as around £720.

As Mr L's credit report didn't suggest he was over indebted or raise concerns about how he was managing his existing commitments, and noting the size of the loan and the repayments compared to Mr L's income, I think the checks carried out were proportionate. As these didn't suggest the loan would be unaffordable for Mr L, I do not find I can say that Novuna Personal Finance was wrong to provide the loan.

Loan two: October 2022

Mr L maintained his repayments towards loan one without any issues and loan one was settled with loan two. Therefore, I cannot say that Mr L's account history should have raised any concerns with Novuna Personal Finance.

Loan two was for a slightly higher amount than loan one and the monthly repayments were around £227. Before the loan was provided Novuna Personal Finance gathered information about Mr L's income and expenses and carried out a credit check. Mr L said he was self-employed with an annual income of £25,000 to £30,000. Novuna Personal Finance validated this through a credit reference agency tool and calculated his net monthly income to be around £1,930.83. Mr L's credit report didn't show signs that he was struggling to manage his existing credit commitments. Mr L's total credit balances excluding his mortgage were around £9,700 and his mortgage balance was £171,000. Amounts were deducted from Mr L's income to reflect these costs.

As Mr L had managed to maintain his repayments on his previous loan without issue and his credit check didn't raise any concerns, I think the checks carried out before loan two was provided were proportionate.

Based on Novuna Personal Finance's checks it calculated Mr L as having over £1,000 of monthly disposable income after meeting his credit commitments, including his mortgage contribution and the loan two repayments. I think this is a reasonable amount to meet Mr L's

general living costs and so I think it reasonable that Novuna Personal Finance considered this loan to be affordable for Mr L.

Based on the evidence provided, I do not find I can say that Novuna Personal Finance was wrong to provide Mr L with the loans, and I note both of these have been settled.

I've also considered whether Novuna Personal Finance acted unfairly or unreasonably in some other way given what Mr L has complained about, including whether its relationship with Mr L might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Novuna Personal Finance lent irresponsibly to Mr L or otherwise treated him unfairly in relation to this matter. 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

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 L to accept or reject my decision before 28 August 2025.

Jane Archer
Ombudsman