

The complaint

Mr S complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance recorded adverse information on his credit file in relation to his personal loan and registered a default.

Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance was previously known as Hitachi Capital (UK) PLC. For ease, I've referred to it as Novuna in this decision.

What happened

In November 2019, Mr S successfully applied for a personal loan with Novuna. The loan was for £7,500 to be repaid over a period of 60 months, with monthly payments of £223.03.

In March 2022, the scheduled payment was missed. Mr S contacted Novuna and explained that he was going through difficult personal circumstances so was unable to pay. Amongst other things, he said he was recovering from an operation and was unable to work. Novuna agreed to accept token payments of £1 per month until July 2022. When this came to an end, Mr S said he was awaiting a further operation and was still unable to work so the arrangement was extended for another three months to October 2022.

Novuna issued a default notice in November 2022 requiring Mr S to pay the accrued arrears of £2,014.45 before 13 December 2022. Mr S responded saying he still couldn't work and that he was unsure when his circumstances would improve. Novuna asked Mr S to provide further details of his financial circumstances – but due to Mr S' ongoing medical circumstances he couldn't respond at the time. As it hadn't heard from Mr S, Novuna issued a final demand in March 2023.

In June 2023, Mr S got back in touch with further details of his circumstances, and Novuna agreed to accept token payments for a further six months. This arrangement came to an end in December 2023. In February 2024, a charity contacted Novuna on Mr S' behalf asking it to accept a partial settlement to settle the account. Novuna replied asking for further details, including evidence of Mr S' financial and medical circumstances, and it placed a 10-day hold on the account. It didn't hear back from the charity or Mr S, and a default was registered in April 2024. In June 2024 Mr S offered to pay 50% of the remaining balance (£2,016.63) to settle the account, which Novuna accepted.

Mr S made a complaint. He said he'd been living with extremely difficult personal, financial and medical circumstances and that Novuna had made things worse by registering a default and damaging his credit file. Novuna didn't agree it had made an error or that it had treated Mr S unfairly, as it had allowed him to make reduced payments for a significant period. The complaint was referred to this service. One of our Investigators considered the complaint but didn't uphold it. They were satisfied Novuna had made reasonable attempts to support Mr S, and that it had acted fairly by registering a default when it did. Mr S didn't accept the Investigator's conclusions and asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

Since referring his complaint to this service, Mr S raised a separate concern that he'd

received an arrears notice from Novuna despite the loan being settled. I haven't considered this issue here and won't be commenting on it. In this decision, I've considered Mr S' complaint about the adverse information Novuna recorded on his credit file while the loan was active. If Mr S remains unhappy about the arrears notice he received – or any other actions taken by Novuna since the settlement of the loan was agreed – he can raise those issues separately.

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.

I'd like to assure both parties that I've read and considered all of the information they've provided in reaching my decision. I recognise that I've summarised Mr S' concerns in less detail than he has. This isn't intended as a discourtesy but simply reflects my informal role in deciding what a reasonable outcome is. If I've not reflected or specifically addressed something that's been said it's not because I didn't see it – but because I didn't deem it relevant to the crux of the complaint.

I'd like to thank Mr S for sharing details of his circumstances with us – which I won't repeat here. It's clear he's been through a significantly difficult time, and he has my sympathy for this.

I can appreciate it would have come as a disappointment to Mr S to discover that a default had been recorded, especially as he'd reached an agreement to repay half of the remaining balance of his loan. Novuna, like all lenders, is required to report true and accurate information to credit reference agencies about how its customers manage their accounts. This includes details of any missed payments or reduced payment arrangements.

The Information Commissioner's Office (ICO) sets guidance which says that in most circumstances, a lender should register a default when an account is between three and six months in arrears. But there are exceptions to this – for instance, if a payment arrangement is agreed. In Mr S' case, his loan was in arrears of significantly more than six months when the default was registered. Mr S hasn't suggested that any information recorded by Novuna was inaccurate, but says it failed to take his circumstances into consideration. I've considered whether Novuna made an error or otherwise treated Mr S unfairly.

When a lender is aware that a customer is in financial difficulties – or otherwise unable to pay due to a change in circumstances – it ought to take positive steps to treat them fairly by providing appropriate support, forbearance and due consideration. This can involve considering a range of possible options – and lenders should pay due regard to the best interests of their customer when doing so. There aren't any specific steps a lender is required to take, as what is most appropriate will depend on the individual circumstances of the customer.

In this case, Mr S made Novuna aware that he was unable to work due to his medical circumstances. He also provided details of other difficult personal circumstances which had affected him over the years. Novuna agreed an arrangement to accept token payments on three separate occasions, as Mr S said he needed time to recover from medical procedures before he could return to work. It also placed several short-term holds on the account when he said he needed time to reply to its requests for information. When it became clear that Mr S' circumstances weren't likely to recover it agreed to accept a reduced settlement and wrote off half of the remaining balance. I think these were fair steps for Novuna to take – and I'm satisfied it showed appropriate forbearance and due consideration to Mr S taking his circumstances into account.

Lenders should normally register a default by the time an account is six months in arrears. The arrears on Mr S' account had accrued to more than six months as early as September 2022. Novuna didn't register a default at the time, as Mr S was maintaining an arrangement to make token payments – which I find fair. But no arrangement was in place between November 2022 and June 2023 – and Novuna issued a default notice and a final demand during that period. But I can understand why it didn't register a default at that point – as Mr S asked for more time to provide details of his financial circumstances due to the specific nature of his medical circumstances and how they impacted him.

By the end of 2023, the third token payment arrangement had come to an end. Although Novuna had asked Mr S to get in touch to discuss the next steps, it hadn't heard back from him. While a charity contacted Novuna in February 2024 to enquire about a partial settlement, I don't find it unreasonable that it needed evidence to support the request before agreeing to partially write off the balance. It placed a 10-day hold on the account to allow time for the charity and Mr S to respond, and waited a further two months after this before terminating the agreement and registering a default. Considering the level of arrears that had accrued, and the fact that it hadn't heard back from Mr S or the charity for several months I don't find it unreasonable that Novuna decided to register a default at that point. Nor do I find that it treated Mr S unfairly by doing so.

Mr S says Novuna failed to take his circumstances into account, and that it unfairly damaged his credit file. As I've outlined, lenders are required to record true and accurate information about their customers' accounts – and Mr S hasn't suggested that any information recorded by Novuna was inaccurate. I'm satisfied Novuna took steps to treat Mr S fairly considering what it knew of his circumstances. It allowed him to make significantly reduced payments for several extended periods, and agreed additional time for him to respond to its requests for information. While I think it was fair for Novuna to provide this support, I wouldn't expect it to do so indefinitely – especially as Mr S had stopped responding to its correspondence. So, while I've considered what Mr S has said about his circumstances, I don't think this means Novuna couldn't record a default or any other adverse information.

It's clear Mr S has been through a very difficult time, and he has my sincere sympathy for this. But taking all of the circumstances into account, I don't find that Novuna made an error here. I appreciate this will come as a significant disappointment to Mr S, but I won't be requiring Novuna to remove the default or take any further action in relation to this complaint.

My final decision

My final decision is that I don't uphold Mr S' complaint about Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 November 2025.

Stephen Billings
Ombudsman