

Complaint

Mr M has complained about a loan Mitsubishi HC Capital UK Plc (trading as “Novuna” Personal Finance) provided to him. He says he believes proper affordability checks weren’t carried out when he applied for his loan as his credit file would have shown that he already had significant credit.

Background

In February 2024, Novuna provided Mr M with a loan for £7,000.00. The total amount to be repaid of £8,527.20, which included interest, fees and charges of £1,527.20, was due to be repaid in 24 monthly instalments of £355.30.

One of our investigators reviewed what Mr M and Novuna had told us. And he thought that Novuna hadn’t done anything wrong or treated Mr M unfairly. So he didn’t recommend that Mr M’s complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr M’s complaint. I’ll explain why in a bit more detail.

Novuna needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Novuna needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s 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 it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the 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 customer irresponsibly.

Novuna provided Mr M with a loan for £7,000.00 in February 2024. This loan was due to be repaid in 24 instalments of £355.30. Novuna says it agreed to Mr M’s application after he provided details of his monthly income and it combined this with some statistical data on his expenditure.

It says it cross-checked this against information on a credit search it carried out and information on how much Mr M received into his bank account each month. And all of this information showed Mr M could comfortably make the repayments he was committing to. On the other hand, Mr M has said the loan was unaffordable.

I've carefully thought about what Mr M and Novuna have said.

The first thing for me to say is that the information provided does suggest Mr M was asked to provide some details regarding his income and Novuna didn't just rely on what it was told as it carried out a credit search too. And although Mr M did have some existing debts, I don't think that this was excessive in comparison to his declared income.

Furthermore, the credit checks didn't show that Mr M had any recent significant adverse information such as defaulted accounts or county court judgments ("CCJ") recorded against him either. Mr M did have a previous default, but given this took place almost three years prior to this application, I'm satisfied that Novuna was entitled to place less weight on this.

The information from the time shows that Mr M declared that he was employed and earning £40,000.00 a year. I can see that Mr M's declaration was cross checked against information on the funds going into his main bank account each month. Bearing in mind everything and what Novuna's cross checking showed, I don't think that it was unreasonable for Novuna to rely on Mr M's declaration in these circumstances.

I accept that Mr M says the payments were unaffordable for him and I'm sorry to hear that he's had difficulty making his payments. I note that he has referred to his existing credit. However, Novuna's checks indicate that Mr M's level of unsecured debt was low. So I don't think that Novuna had reason to conclude that Mr M's existing debt meant that this loan was unaffordable.

Furthermore, while there is an argument for saying that the amount of the monthly payment meant that Novuna ought to have found out more about Mr M's non-mortgage living expenses, I don't think that Novuna doing more to find out about Mr M's expenditure at the time, rather than relying on statistical data like it did, would have made a difference here.

I say this because Mr M hasn't been able to provide anything which clearly shows that his committed monthly expenditure was significantly higher than the estimates, which were based on statistical data, that Novuna used. In these circumstances, I'm not in a position to say that Novuna carrying out further checks would have resulted in it making a different decision on lending to Mr M.

In reaching my conclusions, I've also considered whether the lending relationship between Novuna and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Novuna irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I've not been persuaded that Novuna did anything wrong when deciding to lend to Mr M. It arguably carried out proportionate checks which showed the monthly payments were likely affordable. In any event, I've not been provided with anything which shows that Novuna doing more would have resulted in it declining Mr M's loan application. So I'm not upholding the complaint. I appreciate this will be very

disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 February 2026.

Jeshen Narayanan
Ombudsman