

The complaint

Mr J is unhappy Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance ('Novuna') provided him with two loans that were unaffordable.

What happened

Novuna provided Mr J with two loans:

- Loan one in October 2024 for £7,500. This was due to be repaid in 60 monthly instalments of around £190.
- Loan two in February 2025 for £7,000. This was due to be repaid in 60 monthly instalments of around £185.

Mr J made an irresponsible lending complaint in May 2025. He said Novuna should have checked his credit file, which would have revealed numerous existing creditors. He also said Novuna should have verified his income because he was self-employed. And, he said, if they had, they'd have seen he was gambling compulsively at the time.

Novuna didn't uphold Mr J's complaint, explaining they had checked his credit file and there were no indications he couldn't afford the loan repayments. They also confirmed his income had been validated by one of the Credit Reference Agencies ('CRA'). So, Mr J brought his complaint to the Financial Ombudsman.

One of our investigators looked at Mr J's complaint but didn't find that Novuna had lent irresponsibly or that the loans were unaffordable.

Mr J disagreed with our investigator, maintaining that Novuna had relied on inaccurate income and expenditure information.

Because an agreement couldn't 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'm not upholding Mr J's complaint. I know this is likely to come as a disappointment to Mr J, so I'll explain the reasons for my decision.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as (CONC) what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

I've kept all of this in mind when thinking about whether Novuna did what was needed before lending to Mr J.

Did Novuna carry out reasonable and proportionate checks?

Before approving the loan applications, Novuna:

- Obtained Mr J's income from his application and verified this using data from a CRA
- Estimated Mr J's disposable income using data from the CRA
- Checked his credit file

I appreciate Mr J has said that CRA data alone isn't a reliable measure of actual income, particularly in his circumstances as he was self-employed. But the regulations specifically allow a business to use credit reference agency data to verify an applicant's income, and I've not seen anything to suggest this wasn't appropriate here. I also understand Mr J has told us his declared self-employed income was £28,510 per year, and that the £65,000 figure cited by Novuna is a modelled CRA estimate. However, Novuna have shown me an income figure was obtained during both application processes, and I'm satisfied they were entitled to rely on this figure, having verified it with a third party.

I'm satisfied it was reasonable for Novuna to not go through a detailed expenditure assessment considering the information they gathered from the CRA.

I'm satisfied to say these checks were reasonable and proportionate in the circumstances. Overall, I'm not persuaded it was necessary for Novuna to go further than they did on either occasion.

Did Novuna make a fair lending decision?

Just because I think the checks were proportionate based on Mr J's circumstances, it doesn't end there. I need to consider whether Novuna made fair decisions to lend.

Loan one

Novuna carried out a credit check which showed no recent adverse information. A default had been recorded 66 months prior, but there had been no further issues with Mr J's accounts since. Mr J had around £5,600 revolving debt, an active mortgage and no fixed term loans. He appeared to be managing these accounts well, with no missed payments, underpayments or arrears in the months leading up to the loan application.

Novuna verified Mr J's monthly income of around £3,991 using CRA data, more specifically Current Account Turnover (CATO) income verification. This appears to match the income information they obtained from Mr J's application. They then relied on the CRA data to establish Mr J's monthly debt commitments. They halved the £2,118 monthly mortgage commitment as Mr J had mentioned in his application he was married. They also estimated a sustainable repayment towards the revolving debt to be around £168.

Based on these figures, and after factoring in the new loan repayment, Mr J was left with around £2,574 to cover all non-discretionary expenses which is significantly higher than the Office for National Statistics ('ONS') data suggests is necessary.

I appreciate Mr J doesn't think that Novuna should have assumed his spouse covered half of the mortgage repayment without evidence to support this. Whilst I don't think this is an unreasonable assumption for Novuna to make, I'm not persuaded it has made a difference. I say this because even if Novuna had deducted the full amount as well as his other credit

commitments from his monthly income, they would have estimated he'd have around £1,515. So this would have appeared enough to cover essential living costs.

I also appreciate Mr J's comments about being overindebted and I can see the credit report he's provided supports this. However, not all CRAs report the same information. Novuna confirmed which CRA they used and I can see it matches the information that CRA reports on Mr J's credit report. And this would explain why the existing debt figure Novuna relied on was lower than what Mr J actually owed. So, whilst I sympathise with Mr J on this point, Novuna weren't to know this and were entitled to rely to the information they obtained from the CRA.

Loan two

Novuna's credit check again showed no recent adverse information. It suggested Mr J had around £2,500 unsecured debt, an active mortgage and no fixed term loans other than the existing one with Novuna. He still appeared to be managing these accounts well, with no missed payments, underpayments or arrears in the months leading up to the loan application.

Novuna carried out the same checks to verify Mr J's income and establish his expenditure. They once again halved the £2,092 monthly mortgage commitment, estimated a sustainable repayment towards the revolving debt to be around £73 and included the first loan repayment of around £190. Based on this, and after factoring in the new loan repayment, Mr J was left with around £2,497 to cover all non-discretionary living expenses which is significantly higher than the ONS data suggests is necessary.

I appreciate Mr J's point about this being the second loan he was applying for in the space of four months. And I accept this can sometimes be a sign that a consumer is struggling financially and reliant on lending. However, the checks carried out by Novuna didn't suggest this was the case. The credit file information Novuna obtained from the CRA suggested he hadn't opened any new accounts in the last three months and his external debt had reduced since applying for loan one. Once again, I appreciate the information Novuna obtained wasn't completely accurate, but they weren't to know this was the case.

Mr J has shared with us his vulnerabilities and the fact he was dealing with gambling-related issues. He feels that, had Novuna carried out sufficient checks, they would have seen from his bank statements he was struggling. I thank Mr J for sharing this information and I appreciate he's been going through a difficult time. But I hope my decision has gone some way to explain why I don't think Novuna's checks needed to go further than they did and, why I don't think they would have been aware of his wider financial difficulties.

Overall, I'm inclined to say Novuna didn't act unfairly when they granted the loans to Mr J. I'm satisfied they carried out reasonable and proportionate checks and the information they obtained suggested the loans would be sustainably affordable.

In reaching my conclusions, I've also considered whether the lending relationship between Novuna and Mr J might have been unfair to Mr J under Section 140A of the Consumer Credit Act 1974 ("Section 140A"). However, for the reasons I've already given, I don't think Novuna lent irresponsibly to Mr J or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

So having considered everything, I'm persuaded Novuna acted fairly and reasonably when agreeing to provide these loans to Mr J.

My final decision

For the reasons I've outlined above, I'm not upholding Mr J'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 J to accept or reject my decision before 3 March 2026.

Amelie Makris
Ombudsman