

The complaint

Mr E complains that Mitsubishi HC Capital UK PLC trading as Novuna was irresponsible in its lending to him. He wants a refund of all interest and charges on his loan and the removal of any adverse information from his credit file.

What happened

Mr E was provided with a £4,000 loan by Novuna in February 2024. The loan term was 24 months, and Mr E was required to make monthly repayments of £201.89.

Mr E said that before this loan application he had been approved for a £10,000 loan by another provider and that his unsecured borrowing elsewhere was growing rapidly. He didn't accept that Novuna carried out proportionate checks before the loan was issued and said that his current account showed he was making large payments for loans and credit cards as well as sports gambling. Mr E didn't think it right that only 50% of his mortgage cost was included in the assessment and felt that given the size of his existing debts and the repayments required for these, the loan should have been identified as unaffordable.

Novuna issued a final response to Mr E's complaint dated 18 March 2025. It said that before Mr E was approved for the loan it validated his declared income and carried out a credit check. It used the credit data along with other third-party data to assess the affordability of the loan for Mr E. It said Mr E's credit file didn't show any indicators of financial stress and as the loan appeared affordable the loan was issued.

Mr E referred his complaint to this service.

Our investigator initially upheld this complaint. But after further consideration, she changed her view. Our investigator explained that given the size of the loan being provided and considering Mr E's income, she thought the checks carried out before the loan was issued were proportionate. As these suggested the loan to be affordable for Mr E, she didn't uphold this complaint.

Mr E didn't accept our investigator's revised view. He said that his £4,170 net monthly income was being used to support significant levels of unsecured debt as well as a large mortgage. He said at the time of the loan application he had three credit cards very close to their limits and was frequently only making the minimum repayments, so the debt wasn't reducing. He also had three active loans, including one that was only taken out a few weeks before this application. He said that the Novuna loan exposed him to an even higher level of indebtedness and that it was unsustainable.

As 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 E was provided with a £4,000 loan which required monthly repayments of around £202. As part of the application process, Mr E was asked about his employment, income, residential status and dependents. Mr E said that he was employed with an annual income of £76,800. Novuna used a credit reference agency tool to validate the income figure and identified a minimum figure of £60,000 a year, giving a monthly net income of around £3,655. Mr E said he was a house owner with a mortgage and that he was married with one dependent. Based on its calculations, Novuna found Mr E had disposable income after his Novuna loan repayments of around £1,253 to cover his other essential spending.

A credit check was undertaken, and a mortgage was identified as well as around £46,500 of other credit commitments. Mr E's credit file didn't raise concerns about how Mr E was managing his commitments with no defaults or county court judgments recorded and his accounts were up to date. There were some recent cash advances noted but I do not think this was enough to say that Mr E's credit check raised concerns that meant further verification was needed.

Considering the size of the loan and the required repayments compared to Mr E's validated income, noting that his credit file didn't raise any issues, and as he appeared to have a reasonable amount of disposable income after his existing credit commitments, I think the checks carried out were proportionate. However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the outcome of Novuna's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Mr E declared an annual income of £76,800 and I can see his account statements for the months leading up to the loan application show a regular net monthly income of around £4,170. Novuna used an industry tool to validate Mr E's income and used a lower minimum net income figure in its calculations of £3,655.

Mr E's credit check showed he had existing loans and revolving credit. Novuna calculated that Mr E's monthly credit payments were around £1,452 and based on the credit check results I find this reasonable. This was around 40% of the income figure Novuna used, and around 35% using Mr E's income of £4,170. While this is a significant portion, and I note the increase arising from the inclusion of the Novuna loan repayments (to around 45% on a £3,655 income and around 40% based on a £4,170 income), noting Mr E's level of income, I do not find this was such that it meant the loan shouldn't have been given. But, given the high spend on credit, it was important to ensure the data received supported the loan repayments being affordable for Mr E.

Mr E's mortgage payments were identified as around £1,500 a month and Novuna included half of this as Mr E's share of the cost. Mr E had said he was married and Novuna is allowed to take this into consideration and use a share of costs when appropriate, and I do not find I can say that Novuna was wrong to take this approach. Based on this Mr E was left with around £1,250 of disposable income after the Novuna loan repayments to meet his other

essential costs and everyday expenses.

While I do not think it unreasonable that Novuna included a share of the mortgage, I have considered what would have happened had further questions been asked and I accept that Mr E would likely have said he paid the mortgage, but I think that had this been identified it would also have been likely that Mr E's higher income would have been confirmed. Deducting the full mortgage, and credit commitments from Mr E's income of £4,170 would still leave Mr E with around £1,000 for his other costs.

So, having considered the information received through the checks, I do not find that I can say that Novuna should have considered this loan to be unaffordable for Mr E. As I haven't found other reasons why, based on its checks, Novuna shouldn't have given the loan, I do not find I can say that Novuna made an unfair lending decision.

I've also considered whether Novuna acted unfairly or unreasonably in some other way given what Mr E has complained about, including whether its relationship with Mr E 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 lent irresponsibly to Mr E 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 E to accept or reject my decision before 16 December 2025.

Jane Archer
Ombudsman