

### **The complaint**

Mr P is unhappy with the way a default on a credit agreement with Mitsubishi HC Capital UK PLC trading as Novuna Consumer Finance (Novuna) was dealt with.

When I refer to what Mr P has said and what Novuna have said, it should also be taken to include things said on their behalf.

### **What happened**

In June 2018 Mr P entered into a finance agreement to purchase a number plate at a cost of £2582.49. Mr P was required to make 18 monthly payments of £143.47. Due to personal circumstances Mr P fell into arrears in summer 2019 and was unable to continue payments. He did contact Novuna and they agreed to put his account on hold. Mr P recommenced payments in April 2022 and clear the account by the end of November 2022. Mr P was concerned to find that Novuna had placed a default on his credit file without issuing any default notice to him. Mr P complained to Novuna in January 2025.

On 24<sup>th</sup> February 2025 Novuna issued their final response letter. They were not prepared to remove the default issued on 27 March 2021. As the agreement term had ended with an outstanding balance, this balance becomes payable in full so there is no requirement to issue a notice. Any payment arrangements made at that point are simply applied to reduce an outstanding balance and do not represent a new agreement. They highlighted the number of times Mr P would have been informed of the implications of missed payments and when notices of arrears would have been issued to him.

As Mr P was not happy with this response he complained to us.

On 2 June 2025 our investigator issued their view and did not uphold the complaint. They noted that when the agreement ended in January 2020 there was still an active balance and that balance became payable in full at that point. They felt that the provisions as set out in Section 87 of the Consumer Credit Act 1974 relating to the issuing of default notices did not apply in these circumstances. Novuna had not made an error reporting the default without serving a notice.

Mr P did not accept this. He felt that as he had a forbearance agreement with Novuna, they understood that he would not be able to resume payments until 2022. The fact that they reported his account to be in default whilst he had an acknowledged payment plan was both unfair and inaccurate.

Our investigator raised these points with Novuna and they confirmed that they did not enter into an agreement with Mr P to reschedule payments but placed his account on hold until such point that Mr P could resume payments. They acknowledged that they could have issued the default earlier and agreed to back date it until August 2019, meaning that it would be removed from Mr P's file in September 2025, but Mr P refused this offer.

Our investigator did not change their view because of this new information. As Mr P still did not agree with the decision it has been passed to me to consider.

### **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.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

Mr P entered into a fixed sum loan agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

I have to consider three points. Firstly is the information recorded on Mr P's credit file by Novuna correct. Secondly were they under a legal duty to issue Mr P a default notice. Finally have they otherwise dealt with Mr P fairly.

Mr P has kindly provided a copy of his credit file. This shows for this agreement the correct start date, the fact that a default was registered 27 March 2021 and the date of satisfaction of being 14 November 2022. The amounts outstanding at each stage is recorded correctly. So in terms of the original agreement what has been recorded is factually correct. I will deal with any subsequent payment arrangements later in my judgement.

The second point I need to consider is to whether there was a requirement under the Consumer Credit Act 1974 section 87 to issue a default notice. Section 87 states:

*(1) Service of a notice on the debtor or hirer in accordance with section 88 (a "default notice") is necessary before the creditor or owner can become entitled, by reason of any breach by the debtor or hirer of a regulated agreement,—*

- (a)to terminate the agreement, or*
- (b)to demand earlier payment of any sum, or*
- (c)to recover possession of any goods or land, or*
- (d)to treat any right conferred on the debtor or hirer by the agreement as terminated, restricted or deferred, or*
- (e)to enforce any security.*

The default was issued on 27 March 2021, at that stage the original agreement had ended so Novuna were not required to issue a notice to terminate the agreement. Additionally as Novuna had put the account on hold and allowed Mr P to make payments when his circumstances allowed against the outstanding balance they were not demanding earlier payment of any sum. So I find that there was no requirement under Section 87 to issue a default notice.

The final consideration is have Novuna been fair.

One of the reasons that Mr P feels that registering the default without the issuing of a default notice is unfair is that he entered into an agreement with Novuna to defer the payments. However Novuna state that there was no new agreement but they simply placed his agreement on hold. Looking at the agreement that Mr P initially entered into and in particular clause 10 which states:

*Relaxing the terms of the agreement*

*If we temporarily relax the terms of the agreement, for instance, by giving you more time to pay, we may at any time decide to enforce the terms more strictly again. Our rights under this agreement will not be affected as a result of any such concession.*

By putting Mr P's account on hold they were taking into account his personal circumstances and this meant that Mr P did not accumulate any additional charges. Whilst I can understand why Mr P felt that this subsequent arrangement represented a new agreement it is clear from the terms of the original agreement that no new binding arrangement was created.

Looking at the file record supplied by Novuna there are several records showing that not only Mr P was advised on the impact on his credit file but also to contact the credit reference agencies for further information.

I find that the record placed upon Mr P's credit file is correct, Novuna were under no obligation by virtue of S87 CCA to issue Mr P a default notice and that they have been fair in their dealings with Mr P. For those reasons I do not uphold Mr P's complaint.

**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 P to accept or reject my decision before 28 January 2026.

Leon Livermore  
**Ombudsman**