

The complaint

Mr D complains Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance (formerly Hitachi Capital (UK) PLC) was irresponsible in its lending to him. He wants all interest and charges paid on his loan refunded along with statutory interest and any negative information removed from his credit file.

What happened

Mr D was provided with a £23,000 loan in July 2019. The loan term was 72 months, and Mr D was required to make monthly repayments of £430.66.

Mr D said that he was under a great deal of financial pressure when he applied for the loan and had a poor credit score. He said Novuna should have verified his income and expenses before agreeing to the loan.

Novuna issued a final response to Mr D's complaint dated 25 April 2025. It said that it carried out credit and affordability checks and validated Mr D's income. It said that based on its checks the loan was affordable for Mr D.

Mr D referred his complaint to this service.

Our investigator thought the checks carried out by Novuna before issuing the loan were reasonable. Based on these they thought the loan appeared affordable and so didn't uphold this complaint.

Mr D didn't accept our investigator's view. He said that this was the third loan he had taken out within 12 months and that he was constantly in his overdraft. Mr D said that while he was recorded as being a homeowner this wasn't correct and he had needed to sell his house just before taking out this loan.

Our investigator responded to Mr D's comments explaining that he had considered Mr D's other credit commitments and overdraft utilisation but as his credit history didn't raise concerns, he didn't think that Novuna should have identified Mr D to have been in financial distress at the time. He noted the comment made about Mr D selling his home but also that Mr D had declared in his application that he was a homeowner and no mortgage was shown on his credit file.

Mr D responded to our investigator's comments reiterating that he had other debts and saying his credit card was at its limit and he had been in his overdraft for several years.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision upholding this complaint. The details of my provisional decision are set out below.

This was a substantial loan with monthly repayments of over £430 and so I think that Novuna was required to get a clear understanding of Mr D's financial circumstances before lending. Before the loan was agreed, Novuna gathered information about Mr D's income and residential status and carried out a credit check. Mr D declared an annual income of £28,500 and his income was verified through a credit reference agency tool and a net monthly income figure of around £1,909 identified. No amounts were recorded for Mr D's mortgage or rental costs. The credit check showed that Mr D had existing credit commitments. A total balance of around £24,900 was recorded and these related to fixed term debts with no amount recorded for any revolving credit. The monthly payments for Mr D's existing credit commitments were shown as £439. Mr D's credit report showed no county court judgments, defaulted or delinquent accounts and his active accounts were up to date.

While I do not find that Mr D's credit file showed signs that he was struggling at that time with his existing commitments, it did show that he had opened another account within the previous 3 months which appeared to have a value of £24,800. The Novuna loan was a large loan and as Mr D had taken out a similar amount only a few months earlier, I think this should have raised questions about Mr D's increasing level of debt. Including the Novuna loan repayments with Mr D's existing credit commitments would result in his credit repayments being around 45% of his monthly income. While this may have been affordable, and I can see the disposable income calculation didn't raise concerns, given the size and term of the loan and the repayment amounts compared to Mr D's income, and noting his increased debt amount, I think further questions should have been asked to get a clear understanding of Mr D's financial circumstances, by verifying his income and expenses, to ensure the loan would be affordable for him over the loan term.

While I do not think that Novuna was necessarily required to request copies of Mr D's bank statements, I think this would have been a reasonable way to have verified his income and expenses. So, I have used the information contained in Mr D's bank statements to understand what would likely have been identified had further questions been asked.

Mr D has provided copies of the statements he has been able to access, and I find these are enough to give me an understanding of his situation at the time. Mr D's income in the months leading up to the loan application was slightly lower than was recorded by Novuna, being around £1,725 in April and May 2019 and then increasing to around £1,815 in June 2019.

Mr D's statements show he received a £20,000 loan from another provider on 25 April 2019 (which is supported by Novuna's credit check results) and this was used to repay an existing loan and make a large payment towards his credit card. Combining the April loan with the Novuna loan meant Mr D had taken out £43,000 of new debt within a three month period. I think this should have raised concerns.

The repayments on the April 2019 loan were around £420 and adding this to Mr D's Novuna repayments of around £431 would give total loan repayments of around £851, which was around 47% of Mr D's income (based on the £1,815 figure). While the credit checks didn't show a balance on Mr D's credit card, he was making payments towards this in the months leading up to the loan application.

Mr D was also making payments of £1,000 to his housing account and additional payments of around £36 a month for insurance and a communications account. While I note Mr D has said that he needed to sell his house around the time of this loan, I think further questions would have either shown the £1,000 housing payments or another similar amount for rent and associated housing costs. So, I have included the £1,000 housing cost in my assessment.

Deducting Mr D's housing and other costs of £1,036 and the £851 for his loan repayments from his £1,815 income would leave him with negative disposable income, and this is before factoring in his payments to his credit card, overdraft fees and other spending. Given this, I think further checks would have shown the loan to not have been sustainably affordable for Mr D.

While I haven't said that Novuna was required to request copies of Mr D's bank statements, I think this would have been a reasonable way of verifying Mr D's income and expenses before lending. Had this happened, Novuna would have seen that Mr D was spending large amounts on gambling and given the scale of this, I think that sight of his bank statements would have shown that lending to him wasn't responsible.

So, for the reasons set out above, I intend to uphold this complaint.

I've also considered whether Novuna acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether its relationship with Mr D might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr D in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Novuna requested to see copies of the bank statements that had been relied on and based on these they accepted my provisional decision. They did however note that they had requested Mr D to provide copies of his bank statements as part of its investigation into his complaint, but these weren't provided. It further noted that it had offered to re-open his complaint if these were sent after the complaint had been closed.

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.

For the reasons I set out in my provisional decision, I think that further checks were needed before the loan was issued and that had these happened, Novuna would have realised it wasn't responsible to provide this loan. As both parties have accepted my provisional decision my position hasn't changed and I am upholding this complaint.

I understand why Novuna has noted that it had requested copies of Mr D's bank statements and that these hadn't been submitted. I understand that had these been provided as part of its investigation then it may have been able to resolve this complaint sooner. However, as the outcome has now been agreed, I find that this is a fair resolution to this complaint.

Putting things right

It is reasonable that Mr D repays the capital he borrowed as he has had the use of that money. But he has paid interest and charges on a loan that should not have been given.

So, Novuna should:

- Refund/remove all interest and charges and treat all repayments Mr D made as repayments of the capital. Based on the loan statement I have seen, this will result in overpayments. Any overpayments should be refunded to Mr D along with 8% simple interest (calculated from the date the overpayments were made to the date of the settlement.)*
- Remove any adverse information from Mr D's credit file as I understand the outstanding capital balance has been repaid.

*HM Revenue & Customs requires Novuna to take off tax from this interest. Novuna must give Mr D a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint. Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 February 2026.

Jane Archer
Ombudsman