

The complaint

Mr S complains that Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance, irresponsibly lent to him.

What happened

The background to this complaint is well-known to all parties. So, I won't cover each and every point here. Instead, I'll set out a brief summary of events:

- In April 2021, Mr S applied for a loan with Novuna (then known as Hitachi) for £23,000. His application was approved, and the funds were drawn down.
- Mr S later complained to Novuna. He said he'd been the victim of an investment scam.
- Mr S raised several complaint points, covering the scam itself and the service received from Novuna. These complaints have been addressed separately.
- Mr S then raised this complaint about irresponsible lending, and said he thought Novuna hadn't carried out suitable or proportionate checks before agreeing to lend to him.
- An Investigator here reviewed what had happened, and they didn't think Novuna had lent irresponsibly. They agreed with Mr S that Novuna hadn't conducted proportionate checks in the circumstances; that said, they also found that if further checks had been carried out, the loan still appeared affordable. So, it couldn't be fairly determined that Novuna had acted irresponsibly here – it still would've reasonably decided to provide the credit even if its checks had gone further.
- Mr S disagreed, and he asked for an Ombudsman's decision.

The complaint was passed to me. I contacted Mr S informally, and I set out my provisional view of the matter. I said:

"...as I understand it, Mr S considers the loan provided by Novuna to have been irresponsibly lent. I know too that Mr S was the unfortunate victim of a scam, and this loan was approved at that time. So, it's important I make clear that I'm unable to comment on the wider context involving the scam itself; a fellow Ombudsman colleague has already issued a final decision on that point. All I'm focussed on here, is whether Novuna acted fairly and responsibly when it provided the credit to Mr S; and while this will be very disappointing for him, I think it did.

Our Investigator has already set out the level of checks Novuna completed before agreeing to lend, so I won't repeat the same ground in the same detail. In summary though, I've seen it took some declarations from Mr S – about his income and employment, for example – and that it looked at Credit Reference Agency ("CRA") data to build a view of his existing credit commitments and how he was managing them. Novuna also carried out an affordability assessment using statistical data, which suggested Mr S would have enough disposable income left over after all

expenses (including the repayment for this loan) to meet any unforeseen costs. Now, to highlight an important point upfront, there are no fixed checks a business must complete when reviewing an application for credit. There isn't a requirement, of any kind, on a lender to review specific things such as payslips, or bank statements, for example. Rather, it was up to Novuna to determine what it would like to see; its obligation was to perform proportionate checks to be able to understand whether Mr S could make his payments in a sustainable manner before agreeing to lend. How it did so, was ultimately up to Novuna.

I don't think Novuna's checks did go far enough here. The loan involved a sizeable monthly repayment, particularly considering Mr S' retired status and monthly income. Alongside that, the verification tool Novuna used to gain confidence that Mr S' monthly income was indeed what he'd declared returned a score of low confidence; that means, in short, there was little assurance for Novuna that Mr S' declaration was accurate. So, on that basis, I think it ought to have gone further in its checks. When thinking about further checks and what they would have revealed, I'll reiterate that there's no set list of actions Novuna had to take or specific items it had to review; Novuna could've obtained further information in a variety of ways. Again, to stress this point, proportionate checks wouldn't categorically mean forensically reviewing Mr S' bank statements. In fact, I think that would likely have been too much scrutiny given the other data returned in Novuna's checks didn't suggest any significant financial struggles.

For me, though, the easiest way to understand what more detailed checks likely would've uncovered is to review Mr S' bank statements from the time. Having done that, I agree with the conclusions reached by our Investigator: Mr S' income from the time appears to be very close to the figure he provided Novuna in his declaration; his committed essential expenses too are largely in-line with the estimates Novuna used from statistical data. So, if Novuna had asked further questions (as I think it should) then it's most likely that the loan provided here would still have been determined to be affordable for Mr S. I know Mr S has raised the point that other loans had been taken out at the same time, and that such information ought to have been visible in the data returned to Novuna from CRAs, but while I accept such borrowing had been approved, I can't hold Novuna responsible for the data provided. CRAs update credit information regularly, but if other loans were taken out on the same day it's very likely – almost certain – that no information would've been presented to Novuna. So, it wouldn't have been able to take such detail into account when assessing Mr S' application here. Moreover, if Novuna wasn't obligated to request Mr S' bank statements, it wouldn't have seen other indications that something wasn't right – like the other loans or payments to cryptocurrency exchanges, for example.

Overall then, at present, I don't consider there to be grounds for me to conclude that Novuna provided this loan irresponsibly. It ought to have gone further in its checks, I entirely accept that, but even if it had, for the reasons I've explained above, I don't think Novuna would've reached the decision that the loan was unaffordable. So, for the reasons I've already given, I can't fairly say – at present, based on the information I have – that Novuna acted irresponsibly or otherwise treated Mr S unfairly in relation to this matter; it follows that I don't intend to uphold the complaint

as things stand. 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.

...As a final point, I'd like to address how Novuna has indicated to this Service – and to Mr S – that it is willing to consider a debt write-off on medical grounds. That will, understandably, require some further information from Mr S and engagement from him with the appropriate department at Novuna; I know Mr S has been reluctant to pursue that route up to now, but I'd certainly encourage him to discuss it with Novuna and, if he's able, to provide the information it requires.”

Mr S replied to say that he disagreed with what I'd set out, and he requested a final decision. His response, in short, was:

- Novuna hadn't carried out due diligence before approving the loan.
- The fact that some information – regarding other loans taken out at the same time – didn't show on Novuna's credit check doesn't absolve it of its responsibilities.
- The lending industry is always one step behind scammers.
- The regulator lacks the will to enforce sanctions against lenders in these circumstances.

As no agreement has been reached, I'll now proceed to issue my final 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.

In response to my provisional comments, Mr S has made several points. His rebuttal focusses largely on the credit industry as a whole and how it – as well as the regulator, the Financial Conduct Authority (“FCA”) – doesn't do enough to combat the threat of fraud and scams.

Mr S is, of course, entitled to his view, and – while both industry and the FCA take several measures to combat it – the unfortunate fact is that the sort of illicit activity of which he's said he was a victim is indeed ever-present. Scammers look to stay one step ahead of prevention measures, no matter how robust those measures are; they manipulate people, taking on all kinds of personas deliberately designed to lull victims into a false sense of security. What happened to Mr S is no different – indeed, anyone can fall victim to a scam – and I entirely accept how hurt he is over what happened.

That said, my role here is to step back from the emotion and look at things objectively. I must keep the scope of my review to whether Novuna irresponsibly provided the loan or not – regardless of whether Mr S' application for the loan was driven by a scammer. And looking through that lens, my position remains that Novuna didn't act irresponsibly in providing the loan here. It didn't carry out proportionate checks, that's true, but I don't think that makes a difference to the outcome. Rather, for the reasons I explained in my provisional assessment of the matter, if Novuna had carried out further checks I think it still would've approved Mr S' application. I haven't been provided with anything in response to my initial findings which

persuades me otherwise.

Mr S strongly believes the CRA data Novuna gathered ought to have included details of the other loans he'd taken out at the same time; but even if I thought the same, I can't hold Novuna responsible for what information was returned to it. Novuna can legitimately rely upon the results of its checks. It should decide to take further steps, or not, dependant on what can be learnt from the data returned to it, but it isn't in control of the CRA data itself. That comes down to individual CRAs, and how often information is updated by relevant lenders.

I noted that Mr S has said he will explore the possibility of a debt write-off on medical grounds. Novuna has said it is willing to review such a course of action, and I'd surely encourage Mr S to engage with it on this point. It isn't inherently unreasonable of Novuna to require further information when reviewing such a request – but it should, of course, ensure it's doing everything necessary to support Mr S as a vulnerable customer. That's irrespective of whether it agrees to write off his debt or not. Additionally, to reassure Mr S, this decision in no way affects his ability to pursue a write-off on medical grounds; it's an entirely separate matter to what I've considered here.

In closing, I'll say that I know this isn't the answer Mr S will want to receive. I am sorry to disappoint him, and I know Mr S is going through an extremely difficult period in his life; I'm truly sorry to read of the circumstances and, above all else, I send him my best wishes moving forward. In terms of this complaint about irresponsible lending though, I don't find that Novuna did provide this loan irresponsibly – and it follows that I don't uphold this complaint.

My final decision

My final decision is that I don't uphold Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 May 2026.

Simon Louth
Ombudsman