

Complaint

Mr D has complained about loans which Mitsubishi HC Capital UK PLC (trading as “Novuna” Personal Finance) provided to him. He’s said that these loans were unaffordable and sufficient checks would have shown that he shouldn’t have been lent to.

Background

Mr D was provided with three loans by Novuna. His loan history is as follows:

Loan	Taken	Purpose	Amount	APR	Total repayable	Term*	Repayment
1	August 2022	Cash loan	£9,000.00	23.9%	£14,799.00	60	£246.65
2	November 2022	Goods	£2,248.58 ¹	0%	£2,248.58	48	£42.16
3	August 2020	Goods	£1,061.10 ²	19.9%	£1,893.90	48	£37

One of our investigators reviewed what Mr D and Novuna had told us. He eventually reached the conclusion that proportionate checks would have shown the loans were affordable for Mr D. So the investigator didn’t recommend that Mr D’s complaint be upheld.

Mr D disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr D complaint. I’ll now proceed to explain why in a little more detail.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

¹ The total price of the goods Mr D purchased was £2,249.00 and Mr D paid a deposit of £224.90 to the retailer.

² The total price of the goods Mr D purchased was £1,179.00 and Mr D paid a deposit of £117.90 to the retailer.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr D's complaint.

In the first instance, I don't think that this is a case of a lender failing to obtain any information at all from a borrower before deciding to lend. I say this as for all of his loans Mr D looks to have declared that he was earning over £3,000.00 a month. This appears to have been cross checked against information from credit reference agencies on the amount of funds going into Mr D's bank account each month.

I understand that Novuna also carried out credit checks. The credit checks carried out showed that Mr D didn't have any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) - recorded against him. Equally, while I appreciate that Mr D may not agree with this, I don't think that the amount that he owed already was excessive when compared to the income he declared, or in itself means that he shouldn't have been lent to.

Furthermore, in my view, there wasn't anything in the information that had been gathered which indicated that Mr D fell outside the profile of the average borrower. As this is the case, I don't think that it was unreasonable for Novuna to have used statistical data on Mr D's living expenses in the course of his applications as the regulator rules permits a lender to use such data in these circumstances.

I accept that Mr D's actual circumstances may not have been reflected either in the information he provided, or the other information Novuna obtained. I've also noted what Mr D has said about having a medical condition. However, whilst I sympathise with what Mr D has said and I'm not seeking to dismiss or trivialise what he's told us, as Novuna didn't know about this at the time of Mr D's applications, it couldn't have factored this into its lending decisions. So as Novuna didn't know about Mr D's condition and the information it gathered suggested that the loans were affordable, I don't think that it was unfair for it to have lent.

I've also kept in mind that Novuna provided second and third loans to Mr D and that repeat borrowing in itself can sometimes be an indication of difficulty. However, loans 2 and 3 were to facilitate retail purchases, rather than cash amounts. This means that Mr D didn't receive

cash funds as a result of his applications for loans 2 and 3. As this is the case, Novuna had no reason to suspect that he may have been taking these loans in order to cover any hole that the repayments to loan 1 may have created in his finances.

Overall and having carefully considered everything and while I appreciate that this will disappoint Mr D, I've not been persuaded that proportionate checks would have shown Novuna that it shouldn't have provided Mr D's with his loans. Furthermore, I don't think that Mr D's pattern of borrowing meant that Novuna offered loans 2 and 3 in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

In reaching my conclusions, I've also considered whether the lending relationships between Novuna and Mr D might have been unfair to Mr D under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Novuna irresponsibly lent to Mr D or otherwise treated him unfairly in relation to these loans. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Therefore, while I can understand Mr D's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr D's complaint, I would remind Novuna of its obligation to exercise forbearance and due consideration, given what Mr D has now said about his position, should he experience difficulty making his payments going forward, when collecting these payments from him.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 April 2026.

Jeshen Narayanan
Ombudsman