

## The complaint

Mrs O says Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance, irresponsibly lent to her.

## What happened

Mrs O took out two loans from Novuna. The first, in February 2024, was for £10,000 over 72 months with monthly repayments of £219.68. The second, in September 2024, was for £5,000 over 48 months with monthly repayments of £151.40.

Mrs O says the checks were not appropriate given the size of the loans, her finances were chaotic at the time and better checks would have shown this.

Novuna says it carried out adequate checks that showed Mrs O could afford to sustainably repay both loans.

Our investigator did not uphold Mrs O's complaint. She found Novuna's checks were not proportionate but that it could fairly have made the same lending decisions had it carried out better checks.

Mrs O disagreed with this assessment and asked for an ombudsman's review.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to provide any further comments or evidence for me to consider by 17 March 2026.

### *Extract from my provisional decision*

*For each loan Novuna completed the same checks. It asked Mrs O for her employment status and annual income. It used an external income verification tool to check what she declared. It carried out a credit check to understand Mrs O's credit history and credit commitments. It also checked her residential status and mortgage payment. It took into account 50% of that cost based on her marital status. It asked about the purpose of the loans.*

*From these checks combined Novuna concluded Mrs O would be able to afford each loan. It calculated she would have £760.14 income remaining each month after paying her mortgage and existing credit commitments, plus the new loan, at the time of loan 1 and £635.84 at the time of loan 2. It checked these figures against national averages for living costs to ensure they were reasonable.*

### *Loan 1*

*I am satisfied these checks were proportionate given the stage in the lending relationship and the results of the credit check. This showed Mrs O had a low level of debt (£5,500) and taking on this loan would mean she needed to spend around a quarter of her verified income on her credit commitments. Given this, and the results of its affordability assessment, I think*

*it was reasonable for Novuna to conclude Mrs O would be able to sustainably repay loan 1.*

*It follows I don't think Novuna was wrong to give loan 1 to Mrs O.*

## *Loan 2*

*I am not satisfied the same checks were proportionate at the time of loan 2. Mrs O had returned to borrow again from Novuna just nine months later and in this short period of time her debt had increased to £33,800. However, I won't comment further on the adequacy of the checks, as even based on the information it had gathered I think Novuna ought to have concluded there was a risk Mrs O would not be able to repay her loan sustainably. I say this as giving loan 2 meant Mrs O would need to spend almost half of her monthly income on repaying her unsecured credit commitments – rising to 65% if her share of the mortgage is included. This level introduced a real risk that she would need to borrow to repay, or suffer some other adverse financial consequence.*

*I have thought carefully about the fact loan 2 was for debt consolidation, but it would allow Mrs O to repay less than 15% of her debt so I cannot see it would have had enough of an impact to change my finding.*

*So I find it was wrong for Novuna to give loan 2 to Mrs O. And had it carried out further checks as the investigator suggested, I think it would have reached this same conclusion as Mrs O's bank statements show indicators of financial instability with multiple high-value gambling transactions and a reliance on transfers in from her partner that seem to support gambling losses, and not just shared household costs.*

I then set out what Novuna would need to do to put things right with regards to loan 2.

Mrs O accepted my provisional decision.

Novuna didn't. It said loan 2 could have cleared nearly all Mrs O's revolving credit outstanding on her credit card. It assumed she was making a 3% balance repayment of £171.63. Using its loan would've meant she was paying £151.40 to repay most of her revolving credit and most likely on a lower APR. So it would've bettered her financial position.

It sent evidence to show Mrs O's existing debt decreased from £33,800 to £21,900 in the month following loan 2 and said it would be reasonable to suggest its loan contributed to this, placing Mrs O in a better financial position than she was before its loan.

## **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mrs O's complaint.

I have thought carefully about Novuna's response but it does not change my conclusion. I'll explain why.

We make our assessments of lending decisions based on the information a lender had available to it, or ought to have had available to it at the point of application. What the borrower goes on to do is not data it has access to when it decides to lend, accepting that it is reasonable to take into account the stated purpose of the loan.

Here, that was debt consolidation and Novuna argues that loan 2 could allow Mrs O to make a monthly repayment saving of £20.23, as well as likely longer-term interest savings. But that is not significant enough as she would still need to spend almost 40% of her income (55% including her secured debt) on her credit commitments each month. And at that level I think there was still a risk she would need to borrow to repay or suffer other adverse financial consequences.

I note Novuna has shared data to show Mrs O's debt fell in the month after this loan, but that is a snapshot and cannot be used in isolation to retrospectively defend the lending decision. This was a loan with a 4-year term and Novuna needed to make sure Mrs O would be able to make her contractual repayments sustainably over that time period.

Novuna has not commented on my secondary point ... *And had it carried out further checks as the investigator suggested, I think it would have reached this same conclusion as Mrs O's bank statements show indicators of financial instability with multiple high-value gambling transactions and a reliance on transfers in from her partner that seem to support gambling losses, and not just shared household costs ...* though I note it requested the relevant bank statements. From this I am inferring that it did not disagree with this finding.

It follows I remain of the view that it was wrong for Novuna to give loan 2 to Mrs O.

### **Putting things right for loan 2**

As I've found Mrs O should not have been given loan 2 it's not fair she pays interest and charges on it. It is reasonable she repays the capital.

So Novuna must:

Add up the total repayments Mrs O has made and deduct these from the total amount of money Mrs O received.

a) If this results in Mrs O having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)\*. Novuna should also remove all adverse information regarding this account from Mrs O's credit file.

b) If any capital balance remains outstanding, then Novuna should arrange an affordable and suitable payment plan with Mrs O. Once Mrs O has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

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

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs O in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

I am upholding Mrs O's complaint in part with regards to loan 2. Mitsubishi HC Capital UK PLC, trading as Novuna Personal Finance, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 14 April 2026.

Rebecca Connelley  
**Ombudsman**