

The complaint

Miss M complains Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance irresponsibly lent to her.

What happened

Novuna provided Miss M with two loans to purchase flooring, as well as shutters and blinds, as follows:

Loan Number	Date of Sale	Loan Amount	Annual Percentage Rate	Monthly Repayment	Number of Instalments (months)	Total amount repayable
1	28/02/2022	£4,062.76	0%	£112.85	36	£4,062.76
2	10/03/2022	£2,625 ¹	12.9%	£91.97	36 ²	£3,310.92

In October 2025, Miss M complained to Novuna about its decision to lend.

In November 2025, Novuna issued its final response letter in which it did not uphold the complaint. In doing so, Novuna said the checks it carried out prior to agreeing to lend indicated Miss M could afford the monthly repayments, and it said it took reasonable steps to verify the information she provided on her applications.

Unhappy with this, Miss M referred her complaint to our service.

One of our investigators reviewed Miss M's complaint. And, having done, they recommended that the complaint be upheld in part. With regards to the lending decisions, the investigator said that Novuna conducted reasonable and proportionate checks prior to agreeing to lend and it made fair lending decisions based on the information it gathered as a result of those checks.

The investigator did, however, find that Novuna should have defaulted Loan 2 sooner than it did. Therefore, the investigator recommended Novuna backdate the default for Loan 2 to April 2024. Miss M didn't agree with the investigator's findings. In doing so, Miss M raised a number of points which, whilst I've considered carefully, I will only summarise here:

- Novuna's reliance on statistical averages to estimate her expenditure did not reflect her actual financial situation. The FCA requires lenders to assess the borrower's actual ability to repay, not rely solely on modelled data.
- Miss M entered into eight payment plans with Novuna (across both loans), which is strong indicator that the credit was unsustainable.
- Miss M's behaviour – including repeated payment plans, missed payments – indicated vulnerability and the Novuna had a responsibility to identify and support

customers showing signs of difficulty, which it failed to do.

- Novuna failed to apply their internal write-off policy for vulnerable customers despite meeting the criteria.
- Novuna failed to default Loan 2 sooner which worsened her credit file and prolonged her financial difficulty. Miss M said this supports her wider argument that Novuna failed to treat her fairly throughout the lifetime of the loans.

Novuna also did not agree with the investigator's opinion, but only insofar as it related to the date it ought to have defaulted Loan 2. In doing so, Novuna argued that this complaint point had not been made in either Miss M complaint to it or in her referral to our service. But, putting this to one side, Novuna argued that it acted fairly - and in-line with the Steering Committee on Reciprocity (SCOR) principles – when it defaulted the account. So it did not think this element of Miss M complaint should be upheld.

As an agreement couldn't be reached, the complaint was passed to me to review afresh.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Novuna, need to abide by. I won't set these out in detail here, but the Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.

And, having taken all of this into account along with everything else I need to consider, I do not think this complaint should be upheld. I know this will come as a disappointment to Miss M, but I'll explain why I think it is a fair outcome in the circumstances.

But, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities

Novuna needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss M could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I

think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Novuna carry out reasonable and proportionate checks to satisfy itself that Miss M was likely to have been able to repay the borrowing in a sustainable way?
 - i. If Novuna carried out such checks, did it lend to Miss M responsibly using the information it had?
 - Or
 - ii. If Novuna didn't carry out such checks, would appropriate checks have demonstrated that Miss M was unlikely to have been able to repay the borrowing in a sustainable way?
2. If relevant, did Miss M lose out as a result of Novuna's decision to lend to her?
3. Did Novuna act unfairly or unreasonably in some other way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Miss M was applying for along with the size, length and cost of the borrowing; and
- Miss M's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss M's complaint.

Did Novuna carry out reasonable and proportionate checks?

Prior to agreeing to lend, Miss M was asked to provide details of her employment status and annual income. For both loans, Miss M declared she was employed with an annual income of £42,000 for Loan 1 and £43,000 for Loan 2. However, Novuna didn't rely solely on what it

was told by Miss M in relation to her income.

Indeed, CONC 5.2a.15(2) says: “*The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer’s current income.*”

And CONC 5.2A.16(3) says: “*...it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency [my emphasis added] or documentation of a third party supplied by the third party or by the customer).*”

In this case, for both loans, Novuna used a service provided by a credit reference agency which uses current account data to indicate whether Miss M’s declared income was likely to be an accurate reflection of what she was receiving. The results from this suggested the figure Miss M had declared was likely to be accurate. It is important to be clear at this juncture that a check of this kind does not mean that Novuna had access to Miss M’s bank statements prior to agreeing to lend. It is simply a service which provides a confidence rating for a declared income based on current account activity.

Miss M says that her income was considerably lower than this at the time. But using some form of current account turnover check is an acceptable industry-standard way of assessing income. And in the circumstances of this case, given what Novuna found matched what Miss M had declared, I think Novuna had cause to think this was an accurate representation of her income. In other words, I think it was reasonable for Novuna to rely on this information in its affordability assessment.

Having carried out this additional check, Novuna calculated Miss M’s monthly income to be around £2,685 for both loans.

Novuna also asked Miss M about her residential status and how much she was paying towards her accommodation. For both loans, Miss M declared she was a tenant and declared no expense in this regard. Novuna says it used a ‘Rental Model’ to estimate Miss M’s monthly rental payments as follows: £1,710.45 for Loan 1 and £1,750.18 for Loan 2³.

Novuna also completed a credit search prior to granting each loan – and it has provided a copy of the results. From these searches, it calculated Miss M’s monthly repayments towards her existing credit commitments.

To this figure, Novuna used Office of National Statistics (ONS) data to estimate the rest of Miss M’s expenditure.

CONC 5.2A.19(G)(1) says: “*For the purpose of considering the customer’s non-discretionary expenditure...the firm may take into account statistical data unless it knows or has reasonable cause to suspect that the customer’s non-discretionary expenditure is significantly higher than that described in the data or that the data are unlikely to be reasonably representative of the customer’s situation*”.

I haven’t seen anything in the information Novuna had available to it which suggested that ONS data was unlikely to be broadly representative of Miss M’s non-discretionary expenditure. So, I’m satisfied Novuna acted fairly when it relied on this during its affordability assessment.

So, having deducted all of this expenditure from what Novuna understood to be Miss M’s income, it looked like Miss M had around £431.46 each month after repayments towards the Loan 1 were taken into consideration. And, for Loan 2, Novuna calculated Miss M had

£313.70 in disposable income each month after repayments towards the lending in question were taken into consideration. Therefore, the loans appeared to be affordable for her.

Looking at things in the round, I think Novuna proceeded with a proportionate amount of information. However, as I've said before, once Novuna had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Miss M could afford to meet the loan repayments in a sustainable way over the term of the loan.

Did Novuna lend to Miss M responsibly using the information it had?

As I've said, the information Novuna gathered at the time it agreed to lend suggested Miss M had sufficient disposable income per month to repay the loans. In other words, the lending appeared to be affordable for Miss M on a simple pounds and pence basis.

Of course, the loan payments being affordable on a pounds and pence basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

So I've turned to look at the rest of the information Novuna gathered prior to agreeing to lend.

As I've said, prior to granting each loan, Novuna also carried out a credit check. The results Novuna has sent to us indicates it had no reasons to be concerned. For Loan 1, It appeared Miss M had existing credit commitments totalling £3,900 spread across nine active accounts for which she was committed to paying around £152 each month. So, on the face of it, Miss M did not appear to be overindebted. And there was no evidence of payment problems in relation to her existing commitments.

And with regards to Loan 2, the results suggested that Miss M's overall indebtedness had increased but this is perhaps unsurprising noting she had taken out Loan 1 just two weeks prior. But putting this to one side, there was no indication (such as arrears or missed payment markers) that Miss M was experiencing difficulties maintaining her existing commitments. So even though Miss M indebtedness had increased, I don't think this was, in and of itself, cause for Novuna to make more searching enquiries or otherwise refuse to lend.

Further, the results also suggested there was no indication of any insolvencies or any other public records – such as County Court Judgments – about which Novuna had been informed.

So, looking at things in the round, I don't think the results of the credit check Novuna carried out should have prompted further checks or prevented it from lending to Miss M.

In reaching this conclusion, I accept that Miss M's financial situation may have been worse than the information Novuna gathered at the time suggested – including a lower level of income. And this will no doubt have contributed to the difficulties Miss M later experienced repaying the credit.

And I accept that a more forensic analysis of Miss M's financial situation – such as a

granular review of her bank statements from the time or similar – may have revealed this to be the case. However, for the reasons I've explained, I think Novuna carried out proportionate checks even though it looks like some of the information it was provided with didn't tell the whole story. It relied, reasonably in my view, on the information it did have. And given the size of Miss M's monthly repayments, I don't think it was unreasonable of Novuna to grant the loan in question with all of that being the case.

With that being the case, I don't think Novuna acted unfairly when it approved these loans.

Did Novuna act unfairly or unreasonably in some other way?

During the course of the investigation, Miss M has explained that, at the time of borrowing, she was experiencing serious mental health difficulties (including PTSD and ADHD) which "*affected her ability to make sound financial decisions*". Miss M went on to say that she was also a carer for her nephew, which "*increased her essential expenditure and emotional strain*". Miss M says that "*these factors were not considered in Novuna's lending decision, despite being highly relevant to my ability to afford repayments.*"

I've thought carefully about this and - whilst I have enormous empathy for the circumstances Miss M has described - it doesn't lead me to a different conclusion. I say this because I've not seen anything in the contemporaneous evidence which indicates Novuna knew – or ought reasonably to have known – about Miss M's mental health difficulties prior to the point of sale.

What's more, for the reasons I've already explained, I think Novuna's checks were reasonable and proportionate in the circumstances and these checks did not reveal the increased costs as a result of her caring responsibilities. And, as this information was not disclosed to Novuna at the point sale, I don't think it was wrong to lend based on the information it did have.

During the course of their review of this complaint, as well as reaching an opinion with regards to the initial lending decision, the investigator also said that whilst Novuna had acted with forbearance in its handling of Miss M's account, it had acted unfairly by failing to default Loan 2 sooner than it did.

Novuna argued that this complaint had not been made by Miss M – either directly to it or to our service – and, therefore, it falls outside the scope of this complaint. I understand the point Novuna makes here. However, I need not consider this matter further. I say this because Miss M has since confirmed to our service that her complaint is "*focused on Novuna's decision to approve two loan applications*" and she is "*not raising the default date as a separate complaint*".

With that being the case, I make no further comment on this matter in this decision. Miss M would need to raise this matter as a separate complaint with Novuna, should she wish to do so (and if she hasn't already done so). And, if she remains unhappy with the response, she can refer the matter back to our service for consideration.

Furthermore, during her initial call with our service, Miss M also expressed dissatisfaction with Novuna's failure to inform her about its own discretionary debt write-off policy when she informed it of her mental health difficulties 'two or three years ago'. Miss M queries whether she needs to raise this as a separate complaint which implies – at least at that stage – that it had not yet been raised with Novuna.

This service does have an inquisitorial remit, but, in the absence of evidence of these issues being raised with Novuna in the first instance before Novuna issued its final response and

before Miss M referred her complaint to this service, I am not persuaded that our inquisitorial remit stretches so far as to enable our service to consider this matter here. It is – in my view - too far removed from concerns about the initial lending decision which, on my reading of the complaint, is the primary issue here.

In considering this matter I have to be fair to both sides, and in the circumstances of this case, I don't think it would be fair to consider these issues in this decision without Novuna first having the chance to do so. Therefore, I make no further comment in relation to Novuna's alleged failure to advise Miss M about its discretionary debt write-off policy when she first raised her mental health difficulties several years ago, or its decision to refuse such a request more recently.

I think that Miss M would need to raise this matter as a separate complaint with Novuna, should she wish to do so (and if she hasn't already done so). And, if she remains unhappy with the response, she can refer the matter back to our service for consideration.

In reaching this decision, I've also considered whether Novuna acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Novuna lent irresponsibly to Miss M or otherwise treated her unfairly. 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.

Whilst I recognise this will be disappointing for Miss M, I do not think Novuna has acted unfairly here and, therefore, I do not uphold this complaint.

It is my understanding that there remains an outstanding balance in relation to these loans (or at least one of the loans). If that is the case, I would remind Novuna of its regulatory obligation to treat Miss M fairly and with forbearance moving forwards.

My final decision

For the reasons I've explained, my final decision is I do not uphold Miss M's complaint about Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 29 May 2026.

Ross Phillips
Ombudsman