

The complaint

Mr P complains that Mitsubishi HC Capital UK Plc trading as Novuna Personal Finance declined his application for finance.

What happened

Mr P accepted a quotation for the installation of a new boiler at a price of £3437.29. The merchant offered the option to apply for an interest free loan repayable over 4 years.

Mr P applied for the finance offer but Novuna declined his application. Mr P was left with no option but to pay for the boiler in full using funds that he had available in his savings account.

Mr P complained to Novuna. He was unhappy that his application had been declined despite him having a clear credit file.

In its final response, Novuna said it had reviewed Mr P's application and could see that the reason for it declining the application was due to Mr P not meeting the lending criteria. It said its application process had been followed correctly and it was unable to uphold the complaint.

Mr P remained unhappy and brought his complaint to this service. He says he's unhappy about the reasoning provided by Novuna for declining his application. He seeks compensation for the loss of interest on the sum he's paid out from his savings.

Our investigator didn't uphold the complaint. She said that although she understood that Mr P was unhappy that Novuna hadn't provided a specific explanation for declining his application, this service wasn't able to tell Novuna to disclose its lending criteria.

Mr P didn't agree. He said he didn't think it was reasonable for Novuna to advise a third party that they were refusing to provide credit based on his credit rating when his credit rating was clear.

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 reviewed the letter which Mr P received from Novuna dated 21 April 2023. This states that his application was assessed using our credit scoring system which uses the information used by you, together with information provided by a credit rating agency.

Mr P says that there was a minor error in the income inputted in his application which Novuna was made aware of and deemed irrelevant. Mr P has obtained a copy of his credit report, which shows that he has an excellent credit rating.

I've also reviewed the letter which Mr P received from Novuna dated 25 April 2023 which

states that his application was declined due to its policy and that due to this it did not contact a credit rating agency when processing his application.

I understand why Mr P feels that Novuna declined his application on the basis of his credit rating and then appeared to change its reasoning. But on a careful analysis of the letters sent by Novuna, I don't think this is the case. The first letter (21 April) says that Novuna has assessed the application using information provided by Mr P together with information used by a credit rating agency (my emphasis added). This means that the decision to decline may have been taken on the basis of information provided by Mr P. Mr P assumed that this related to the error with his income but that's not necessarily the case. There is other information provided by Mr P that Novuna is likely to have taken into account. The fact that Novuna later advised Mr P that it didn't contact a credit rating agency is - I acknowledge – inconsistent with the first letter - but suggests to me that Mr P's application was declined because of information provided by him, and not because of information provided by a credit reference agency.

Novuna is allowed to set its own lending criteria based on risk factors and commercial considerations. I can't provide Mr P with the specific reason why his application was declined because this service isn't able to require Novuna to disclose it.

What I can do is consider whether Novuna acted fairly and reasonably when it declined Mr P's application. Based on the information I've seen, I'm unable to find anything to suggest that Mr P's application was declined unfairly.

I appreciate that this isn't the outcome that Mr P was hoping for. But for the reasons I've explained above, I'm unable to uphold the complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 January 2024.

Emma Davy
Ombudsman