

Complaint

Miss M has complained about a loan which she says Mitsubishi HC Capital UK PLC (trading as “Novuna” Personal Finance) unfairly lent to her. She says that if her records had been checked correctly she wouldn’t have been lent to.

Background

Novuna provided Miss M with a loan for £8,500.00 in October 2022. This loan had an APR of 10.6% and the total amount to be repaid of £11,896.08, which included interest fees and charges of £3,396.08, was due to be repaid in 84 monthly instalments of around £141.62.

One of our investigators reviewed what Miss M and Novuna had told us. He thought that Novuna hadn’t acted unfairly by providing this loan to Miss M and so didn’t think that the complaint should be upheld.

Miss M disagreed with our investigator’s assessment and asked for an ombudsman to review her complaint.

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 unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss M’s complaint.

Having considered everything, I’ve not been persuaded to uphold Miss M’s complaint. I’ll explain why in a little more detail.

Novuna needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Novuna needed to carry out proportionate checks to be able to understand whether Miss M could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Novuna says Miss M’s loan application was approved after she provided details of her monthly income and some information on her expenditure. It says it cross-checked Miss M’s

declarations against information on a credit search it carried out. This included cross-referencing Miss M's declaration of income against the funds she received into her bank account each month.

In Novuna's view all of the information it gathered showed that Miss M could afford to make the repayments she was committing to. On the other hand, Miss M has said she had taken out a lot of credit in the lead up to this loan and this in itself ought to have led to further checks. And had these further checks been carried out it would have been apparent that she shouldn't have been lent to.

I've carefully thought about what Miss M and Novuna have said.

It's clear that Novuna did obtain some information about Miss M before it decided to proceed with her application. So it wasn't simply a case of Novuna accepting at face value that Miss M could repay this loan. And the information gathered does appear to suggest that, at the time at least, it was reasonable for Novuna to conclude the monthly loan repayments were affordable for Miss M.

I accept that Miss M's actual circumstances may not have been fully reflected either in the information she provided, or the information Novuna obtained. I also accept that the real reason for any difficulty Miss M may be having making the payments to this loan is readily apparent when her bank statements are considered. I also accept that it's possible – but not certain – Novuna may have reached a different conclusion had Novuna seen her statements.

But what I need to think about here is whether Novuna's checks were proportionate – not just what Miss M's bank statements show. And given the information Novuna obtained, this being a first loan and the low monthly repayments required, I don't think that proportionate checks would have extended into obtaining bank statements from Miss M in this instance. I appreciate that Miss M says that her indebtedness was increasing rapidly. But her other borrowing didn't show up on the credit check – most likely because the borrowing in question was taken so soon before this loan.

I think it's also worth me explaining that Novuna could only make a reasonable decision based on the information it had available at the time. And I'm satisfied that information gathered did appear to suggest that at the time at least, the monthly payments to this loan were affordable.

So overall and having considered everything, I don't think that Novuna acted unfairly or unreasonably when lending to Miss M. It carried out reasonable and proportionate checks and the information gathered suggested that the monthly payments were affordable.

As this is the case, I cannot reasonably and do not uphold this complaint. I appreciate this is likely to be very disappointing for Miss M as it's clear she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss M's complaint, I would remind Novuna of its continuing obligation to exercise forbearance and due consideration should it be the case that Miss M is experiencing difficulty making payments and it chooses to collect payments from her.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 1 December 2023.

Jeshen Narayanan
Ombudsman