

## **Complaint**

Mr B has complained about a loan Mitsubishi HC Capital UK Plc (trading as “Novuna” Personal Finance) provided to him. He says he believes proper affordability checks weren’t carried out when he applied for his loan.

## **Background**

Novuna provided Mr B with a loan for £5,000.00 in June 2022. The total amount to be repaid of £6,539.52, which included interest, fees and charges of £1,539.52, was due to be repaid in 24 monthly instalments of around £270.

One of our investigators reviewed what Mr B and Novuna had told us. And she thought that Novuna hadn’t done anything wrong or treated Mr B unfairly. So she didn’t recommend that Mr B’s complaint be upheld. Mr B disagreed and asked for an ombudsman to look at his 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 Mr B’s complaint.

Novuna needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Novuna needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay before providing this loan.

Having carefully considered everything, I’ve decided not to uphold Mr B’s complaint. I’ll explain why in a bit more detail.

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 lend to a customer irresponsibly.

Novuna provided Mr B with a loan for £5,000.00 in June 2022. This loan was due to be repaid in 24 instalments of around £270. Novuna says it agreed to Mr B’s application after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on a credit search it carried out and information on how much Mr B received into his bank account each month. And all of this

information showed Mr B could comfortably make the repayments he was committing to. On the other hand, Mr B has said the loan was unaffordable.

The first thing for me to say is that Novuna did carry out credit searches. And Novuna's searches appear to show that Mr B did have some previous difficulties with credit. But Mr B's I understand that Mr B's existing commitments at the time were relatively well maintained. Mr B's debt total at the time of the application also appears to have been reasonable in comparison to his income.

Equally, as this was Mr B's first loan with Novuna, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr B's existing indebtedness in a way that was unsustainable or otherwise harmful.

I accept that Mr B might have had difficulty making the payments. And I'm sorry to hear that. Having looked at Mr B bank statements, I have an idea what was going on at the time. But given obtaining bank statements wasn't the only way further checks into Mr B's circumstances further enquiries into Mr B's circumstances could have been carried out, I'm not persuaded that further checks would necessarily have highlighted the reasons why Mr B might not have been able to make the repayments on this loan.

In fact when Mr B's actual living costs are added to what Novuna saw about the credit commitments in his name, he does appear to have had the funds required to make the monthly payments required. As this is the case, I don't think that Novuna did anything wrong when deciding to lend to Mr B. And I'm not upholding Mr B's complaint.

I appreciate this will be very disappointing for Mr B. 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 this complaint, I'd like to remind Novuna of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mr B's loan and it be the case that he is experiencing financial difficulty.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 November 2023.

Jeshen Narayanan  
**Ombudsman**