

## **The complaint**

Mrs C is unhappy that Mitsubishi HC Capital UK Plc, trading as Novuna Personal Finance, have reported adverse information to her credit file.

## **What happened**

Mrs C has a personal loan with Novuna. In April 2022, Mrs C contacted Novuna because she was experiencing financial difficulty and was struggling to meet her payments. Following a discussion with Novuna, Mrs C agreed to a temporary reduced payment plan.

However, Mrs C later discovered that Novuna had reported adverse information to her credit file because of the reduced payment plan. Mrs C wasn't happy about this as she felt the adverse consequences of her accepting the plan hadn't been clearly explained to her by Novuna. So, she raised a complaint.

Novuna responded to Mrs C but felt that they had advised Mrs C that her credit file might be adversely affected if she made reduced payments to the loan. Mrs C wasn't happy with Novuna's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Novuna had acted unfairly towards Mrs C in how they'd managed the situation. Mrs C remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

## **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.

When an individual takes out a personal loan, they agree to the terms of that loan which include that the individual must make the monthly payments as contractually required by those terms. And if the consumer doesn't make those contractually required payments, for whatever reason, the loan provider has an obligation to report this to the Credit Reference Agencies ("CRAs").

The only slight caveat to this is that when reduced payments are made with the agreement of the loan provider – such as with the agreement of a temporary reduced payment plan – this arrangement is also reported to the CRAs by the loan provider, so that the arrangement is noted on the individual's credit file. But regardless of whether a reduced payment plan has been agreed to by the loan provider or not, the fact that the individual hasn't made the full payments that are contractually required as per the loan agreement is recorded.

In this instance, the terms of Mrs C's loan included that she was required to pay £536.01 a month for the term of the loan. This meant that when Mrs C encountered financial difficulty such that she couldn't make those payments but could only afford to pay less, it was always going to be the case that this would be reported to the CRAs. And because Mrs C contacted Novuna and arranged a reduced payment plan with them, Novuna reported this agreement to the CRAs. And Novuna also agreed to not pursue Mrs C for the arrears that then accrued

on the loan during the payment plan for the duration of that plan.

Mrs C feels that Novuna didn't inform her that accepting the temporary payment plan would result in adverse information being reported to the CRAs. But Novuna have demonstrated to my satisfaction that they did inform Mrs C about the potential adverse consequences of her accepting a reduced payment plan.

Notably, Novuna sent an email to Mrs C in April 2022 which explained:

*"Please note that once there is a monthly instalment / part of a monthly instalment missing, this will be added into arrears on your agreement and any unpaid amount each month (£536.01 minus the amount you pay) will accrue in arrears which will reflect as a missing payment on your credit file which will have a negative impact on your credit file."*

And Novuna also sent a second email to Mrs C later that same month with advised:

*"Reducing your payments. A reduced payment plan means we'll cancel any additional charges on your account. Paying a reduced amount each month can affect your credit score and make it hard for you to borrow money in the future."*

I feel the two statements quoted above provide a clear explanation to Mrs C that making reduced loan payments less than the contractually required payment amount of £536.01 would result in the account falling into arrears and being reported as such to the CRAs.

Novuna have also provided a recording of a telephone call between Mrs C and themselves that took place on 5 May 2022. In this call, Novuna's agent explains to Mrs C that if she does make a payment that is lower than £536.01, the remaining contractually required amount that she doesn't pay will be considered as arrears and will have a negative impact on her credit file. And so, in consideration of the above, I'm satisfied that Novuna did tell Mrs C that her credit file could be adversely affected by making reduced payments to the loan.

Mrs C has explained that regardless of the emails and telephone conversation that took place, she didn't understand the negative impact that her accepting the reduced payment plan could have on her credit file. And Mrs C has also explained that if she had understood this fact, she would have borrowed money from her mother to enable her to continue making the contractually required loan payments and avoid the adverse credit file impact.

But as explained, I feel that Novuna did make Mrs C aware of the potential impact on her credit file of making reduced payments to the loan. And I'm also not convinced that Mrs C would have been able to continue to make the contractually required payments as she's said she would have been able to.

I say this because the income and expenditure assessment Novuna undertook with Mrs C clearly showed that Mrs C didn't have the disposable income available to her at that time to be able to afford the contractually required loan payment amount.

And while it's possible to say in hindsight, when the payments no longer need to be made, that her mother would have lent her the money to make the payments, Mrs C didn't indicate to Novuna that this was an option when discussing her financial difficulties with them. Instead, Mrs C indicated to Novuna that if no agreement could be reached, she wouldn't be able to make a payment to the loan and would default on the loan agreement.

Additionally, Mrs C has explained to this service that when she became aware of the adverse impact the account arrears were having to her credit file, she cleared the account

arrears using a credit card which incurs a high interest rate. And Mrs C is unhappy of the impact that this high interest credit card debt is having on her financial position.

But if Mrs C's mother was able to provide the financial support to Mrs C that Mrs C has claimed, it's difficult to understand why Mrs C's mother didn't pay either the account arrears or the credit card debt that Mrs C incurred when paying off the account arrears herself.

Ultimately, the issue of whether Mrs C could have borrowed the money to make the contractually required payments is a moot point. And this is because I'm satisfied that Novuna did provide Mrs C with the information that making reduced payments to the loan might have an adverse impact to her credit file. And because Mrs C did then make reduced payments to the loan. And I'm also satisfied that Novuna have reported these reduced payments to the CRAs accurately, as would be expected of them.

All of which means that I don't feel that Novuna have done anything wrong here. And I also feel there's a responsibility on Mrs C, as the loan account holder, to have understood the terms of the loan she'd entered into and to have questioned Novuna if there were any aspects of her agreeing to the reduced payment plan that she wasn't sure of – in light of both the loan terms and the information about the potential credit file impact that Novuna had provided to her.

I realise this won't be the outcome Mrs C was wanting, but it follows from all the above that I won't be upholding this complaint or instructing Novuna to take any further action. I hope that Mrs C will understand, given what I've explained, why I've made the final decision I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 14 September 2023.

Paul Cooper  
**Ombudsman**