

## **The complaint**

Mr G complains that Mitsubishi HC Capital UK PLC trading as Novuna Personal Finance irresponsibly lent him a personal loan. He says it failed to conduct a thorough affordability check before agreeing to lend.

## **What happened**

Mr G took out the following loans with Novuna Personal Finance.

September 2022 - £9,500 for 60 months

August 2023 - £7,000 for 60 months

November 2023 - £5,500 for 36 months

Mr G has complained to Novuna about it lending all three of these loans irresponsibly. The complaint about the November 2023 loan was upheld by Novuna. The complaint about the September 2022 loan has been considered separately by this service. So this complaint is only dealing with the August 2023 loan.

The stated purpose of the loan at the time of the application was for debt consolidation. The monthly payment was £184.36.

Mr G says this loan has forced him to take on further debt to manage his monthly expenses, and has resulted in considerable stress. He says if Novuna had completed appropriate checks before agreeing to lend, it would have found this loan was unaffordable for him.

Novuna disagreed it had lent irresponsibly to Mr G when it lent the August 2023 loan. It said after carrying out its checks, including verifying Mr G's income, the loan was deemed affordable. It said it found no evidence of financial stress from information on his credit file. It used data from Credit Reference Agencies to see existing credit commitments, and used Office of National Statistics (ONS) data to calculate other expenditure. It said its affordability reviews were completed in line with Financial Conduct Authority guidelines. It also said that whilst the purpose of the loan was debt consolidation, it had included Mr G's existing debt in its affordability calculation. But it would be reasonable to assume the loan would reduce Mr G's outgoings further once some of his existing debts had been repaid.

One of our Investigators looked into things and didn't think Novuna had acted irresponsibly when agreeing to lend to Mr G. Mr G asked for his complaint to be referred to an Ombudsman, so it's been passed to me.

## **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.

Before agreeing to lend to Mr G, Novuna was required to ensure it was lending responsibly. It needed to carry out reasonable and proportionate checks to ensure that Mr G could afford to repay the loan. It was up to Novuna what checks it deemed necessary to determine that, but the checks needed to be borrower focused, and will depend on things such as the

amount borrowed, the monthly payment amount compared to the borrower's income, and the term of the loan.

Novuna has said it verified Mr G's monthly income as approximately £2,035.20 using a third party income validation tool. It said he had existing credit commitments of £24,700, with monthly payments of £560.16. Mr G also had a mortgage, so Novuna accounted for half of the monthly mortgage payments when calculating the affordability of the loan as Mr G was married. This gave a figure of £1,073.16 for monthly payments on existing credit commitments. It said the monthly payment for this loan was £184.36 per month, and so that would have left Mr G with just over £777.68 per month for other living expenses. Novuna has said that based on ONS data, it was satisfied that was sufficient.

I've thought about whether Novuna ought to have done further checks to ensure this loan was affordable for Mr G before agreeing to it, but having considered the circumstances I'm not persuaded it should have done.

Whilst Mr G did have a relatively high amount of unsecured existing debt in place in proportion to his annual income (which was £30,000 at the time), his credit file showed he was managing that effectively and had kept up with payments. He also had an existing loan with Novuna which had been maintained well (with the exception of one late payment the previous year). I'm also persuaded it's relevant that Mr G was taking this loan out for the purpose of debt consolidation, and so whilst the loan was considered affordable alongside Mr G's existing debts, the amount of creditors was likely going to reduce and it wasn't intended that this loan would add to Mr G's overall indebtedness.

I appreciate Mr G has said this loan wasn't actually affordable for him and that led him to take out further credit to maintain his outgoings. But I'm not persuaded that ought to have been apparent to Novuna at the time. Mr G's income, and the expenditure information Novuna relied on suggested the loan would be affordable, and I'm not persuaded there was anything on Mr G's credit file or his previous loan history that ought to have led it to think otherwise. I'm also satisfied Novuna took a reasonable approach to its affordability assessment.

So overall, whilst I appreciate it will come as a disappointment to Mr G, I'm not satisfied Novuna acted unfairly, and I won't be upholding this complaint.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 April 2025.

Kathryn Billings  
**Ombudsman**