Financial Ombudsman Service on *Novitas Loans*

Information Briefing · All upheld decisions · 2014–2026 · Source: FOS public database

What is the Financial Ombudsman Service?

The Financial Ombudsman Service (FOS) is an independent public body established by Parliament under the Financial Services and Markets Act 2000. It resolves disputes between consumers and financial businesses — free of charge to the consumer — when those businesses are regulated by the Financial Conduct Authority (FCA). The FOS has the legal authority to make binding decisions requiring financial firms to pay compensation or take corrective action. Its decisions are published in full as a matter of public record.

Why do FOS decisions matter?

Unlike a court judgment — which concerns only the parties before it — FOS decisions carry broader significance. They represent the Ombudsman's considered view of what is fair and reasonable in light of relevant law, FCA rules, and good industry practice. A pattern of upheld decisions against the same firm on the same issues is a reliable indicator of systemic misconduct, not isolated failure. Lenders are expected to learn from FOS rulings and reform their practices accordingly. Repeated failures to do so invite regulatory intervention by the FCA.

Why is this relevant to Divorce Without Debt?

The four decisions summarised in this briefing were all upheld against Novitas Loans Ltd — the dominant provider of litigation funding loans in UK family proceedings between 2011 and 2021. Each decision exposes a distinct failure in Novitas's conduct: irresponsible lending with no meaningful affordability assessment; funding both sides of the same dispute without disclosure; facilitating solicitor fraud through its panel model; and allowing the misrepresentation of loan terms at the point of sale. Together, they document a pattern of structural harm that disproportionately affected women — the primary applicants for litigation funding in divorce. These decisions are objective, authoritative, and publicly available. They form a core part of the evidence base for the case that this sector requires statutory regulation.

Four decisions summarised:

→ Decision 1 — DRN-3692047 | 18 November 2024 | Both-sides funding / irresponsible lending
→ Decision 2 — DRN-3992510 | 29 March 2023 | Unaffordable loan / inadequate affordability checks
→ Decision 3 — DRN5132754 | 23 July 2021 | Solicitor fraud / connected lender liability
→ Decision 4 — DRN0812737 | 22 February 2021 | Misrepresentation of loan terms by solicitor-agent

DECISION 1 OF 4

Both-sides funding, irresponsible lending & unfair relationship

Decision reference	DRN-3692047
Decision date	18 November 2024
Lender / respondent	Novitas Loans Ltd
Outcome	**Upheld**
Source	https://www.financial-ombudsman.org.uk/decision/DRN-3692047.pdf

✓ **UPHELD**

SUMMARY

Mr A was drawn into a Novitas litigation loan after his former partner (P) threatened a property claim against him. He later discovered that Novitas had simultaneously been funding P's side of the same dispute — a fact that was never disclosed to him. The same Novitas director approved both loans. Mr A complained on two grounds: (1) Novitas negligently approved P's loan, forcing him to take out his own; and (2) his own loans were unaffordable and should never have been approved.

The Ombudsman found that Novitas had failed on both counts. It had not carried out reasonable affordability checks — Mr A earned under £10,000 per year and already had £240,000 in secured debt, yet Novitas lent £90,000 based almost entirely on the assumption his property would be sold. The Ombudsman also found that Novitas's decision to fund both sides of the same dispute created a direct conflict of interest under FCA Principle 8, which it failed to manage. Mr A was left as the only party unaware that Novitas was financing his opponent, placing Novitas in a structurally advantaged position where it held legally privileged information from both sides simultaneously.

KEY FINDINGS

- → Novitas failed to carry out reasonable and proportionate affordability checks before lending
- → Novitas funded both sides of the same dispute without disclosing this to Mr A — a direct conflict of interest
- → The same Novitas director approved both loans with no ethical wall or segregation in place
- → An unfair relationship existed under s140A Consumer Credit Act 1974 on three independent grounds
- → Novitas's position as sole holder of legally privileged information from both parties created structural unfairness

REMEDY DIRECTED

- → All interest, fees and charges written off — only capital to remain
- → Capital reduced by 50% — total liability capped at £36,627.50
- → Affordable repayment plan to be arranged
- → Credit file to be amended to reflect the capped liability

WHY THIS MATTERS

This is the most structurally significant of the four decisions. It establishes — as a matter of FOS law — that a lender funding both sides of the same dispute without disclosure breaches FCA Principles 6 and 8, and is likely to create an unfair relationship under s140A CCA. The decision exposes a systemic practice: Novitas was simultaneously funding opposing parties in the same proceedings through the same director, with no internal controls to manage the conflict. It also confirms that basing affordability assessments primarily on property values — rather than income and expenditure — is a breach of CONC 5.3.4R and constitutes an unfair business practice. For DWD, this decision provides a direct regulatory foundation for the argument that the Novitas business model was structurally incompatible with fair dealing.

> *"Novitas choosing to fund Mr A's litigation in circumstances where it had already agreed to fund P's litigation created an additional conflict and risk to Mr A's interests which Novitas was required to manage fairly." — Ombudsman Jeshen Narayanan, November 2024*

DECISION 2 OF 4

Unaffordable loan — inadequate affordability checks

Decision reference	DRN-3992510
Decision date	29 March 2023
Lender / respondent	Novitas Loans Ltd
Outcome	**Upheld**
Source	https://www.financial-ombudsman.org.uk/decision/DRN-3992510.pdf

✓ **UPHELD**

SUMMARY

Ms H (identified elsewhere as Rosie Heys, the co-founder of Divorce Without Debt) borrowed £100,000 from Novitas in September 2014 to fund her divorce, secured against her marital home at 18% annual interest. The facility was extended twice — first to £200,000, then to £230,000 — over the following year. In January 2016, she refinanced the full balance of £259,105 with a separate lender (RateSetter) at 9% interest. That debt ultimately reached nearly £1m before being negotiated down.

Both Novitas and the Ombudsman agreed that the loans were unaffordable and should never have been approved. Novitas had failed to carry out adequate affordability or creditworthiness checks before extending the facility three times. The dispute turned on the remedy: Novitas had already agreed to refund interest charged during periods when it failed to provide compliant annual statements (approximately £7,000). The Ombudsman directed that all interest, fees and charges applied to the Novitas loans should be refunded, and that Novitas should pay 9% compound interest on that refund through to August 2018 — the point by which the property could reasonably have been sold and the loans repaid.

KEY FINDINGS

- Novitas failed to carry out adequate affordability checks on a facility extended three times totalling £230,000
- The loan was secured against the marital home at 18% annual interest — a high-risk product sold without income or expenditure assessment
- Novitas had allowed Ms H to waive independent legal advice for the second and third loan extensions
- The loan was irresponsible in its original form and its extensions should not have been approved

REMEDY DIRECTED

- All interest, fees and charges applied under the Novitas loans to be refunded
- 9% compound interest to be applied to that refund, calculated to August 2018
- Capital repayment obligation remains — borrower must repay the principal

WHY THIS MATTERS

This is the decision most directly connected to the named co-founder of Divorce Without Debt. It demonstrates how a loan product designed and marketed as a route to access justice became a compounding debt trap: £230,000 in principal, extended three times, at 18% annual interest, secured on the family home, with no meaningful affordability assessment at any stage. It also illustrates how refinancing to escape one Novitas loan led to a second, larger debt — ultimately reaching nearly £1m with RateSetter — underscoring the cascading financial harm that follows a single irresponsible lending decision. This case was the subject of the Yorkshire Post investigation published in March 2025.

> *"Both parties accept the loan was unaffordable and shouldn't have been approved." — FOS Ombudsman, March 2023*

DECISION 3 OF 4

Solicitor fraud — connected lender liability

Decision reference	DRN5132754
Decision date	23 July 2021
Lender / respondent	Novitas Loans Ltd
Outcome	**Upheld**
Source	https://www.financial-ombudsman.org.uk/decision/DRN5132754.pdf

✓ **UPHELD**

SUMMARY

Miss H entered a Novitas loan in November 2014 to fund separation proceedings, arranged by her solicitor firm (X) through one of its partners (Mr C). The loan funds were paid directly to X — never to Miss H. X subsequently misappropriated the loan funds, carried out little or no actual legal work, deliberately delayed proceedings, obstructed mediation, provided incorrect information to the instructed barrister and to Novitas, and concealed the existence of the loan from Miss H.

The Ombudsman found that X had acted dishonestly, breached its contract with Miss H, and that Novitas bore connected lender liability under ss56, 75 and 75A of the Consumer Credit Act 1974. The key question was whether Miss H had benefited from the loan principal. The Ombudsman concluded she had not — the funds were misappropriated before they could benefit her — and capped her total liability at £1,745 (the estimated cost of mediation that should properly have resolved her case). Novitas was further required to pay £300 compensation for its handling of the complaint.

KEY FINDINGS

- X (the solicitor firm) pressured Miss H into the loan, misappropriated the funds and obstructed mediation
- Novitas bore connected lender liability under ss56, 75 and 75A CCA for the solicitor's breach of contract
- Novitas failed to carry out proportionate affordability checks before agreeing the facility
- Had mediation proceeded as it should, total costs would have been approximately £1,745
- Novitas's handling of the complaint was found to be poor, causing Miss H significant inconvenience

REMEDY DIRECTED

- Loan agreement ended and all credit file entries removed
- Miss H's total liability capped at £1,745
- Any overpayments refunded with 8% simple interest per year
- £300 compensation paid for distress and inconvenience
- Costs incurred at the November 2017 mediation to be reimbursed

WHY THIS MATTERS

This decision establishes that a lender who arranges loans through solicitor panels bears legal responsibility for the conduct of those solicitors as its agents. Novitas's business model depended on solicitor firms introducing clients, completing paperwork, and drawing down funds — yet this structure exposed clients to the full risk of solicitor misconduct, including fraud, with no direct relationship between borrower and lender. The Ombudsman's application of connected lender liability means Novitas could not contract out of responsibility for what happened between the solicitor and the client. This has significant implications for the sector: any lender operating through solicitor panels may be exposed to liability for the full range of that solicitor's conduct towards the borrower.

> *"I concluded X had been dishonest in its dealings with Miss H and had breached its contract with her, and that Novitas could be held jointly liable for the latter." — FOS Ombudsman, July 2021*

DECISION 4 OF 4

Misrepresentation of loan terms by solicitor-agent

Decision reference	DRN0812737
Decision date	22 February 2021
Lender / respondent	Novitas Loans Ltd
Outcome	**Upheld**
Source	https://www.financial-ombudsman.org.uk/decision/DRN0812737.pdf

✓ **UPHELD**

SUMMARY

Mr S approached a solicitor at the end of 2015 to pursue legal action. Unable to pay the solicitor's fees, he was arranged a fixed-sum Novitas loan by the solicitor. Before signing, the solicitor told Mr S in writing that the loan was insured and that he would not have to repay it if his legal action failed. This was false — the insurance in fact protected only Novitas, not Mr S, and a successful insurance claim would still leave Mr S personally liable for the debt.

Mr S later discovered the solicitor had drawn down the majority of the loan but carried out almost no legal work. The solicitor's practice was subsequently closed. Mr S complained to Novitas that he had been induced into the loan by misrepresentation. The Ombudsman found that the solicitor had acted as Novitas's agent under s56 CCA, and that the misrepresentation about the insurance was the direct cause of Mr S entering into the agreement. Novitas was required to refund all interest applied to the loan, cancel any future interest, and refund the £5,000 insurance premium and £600 administration fee.

KEY FINDINGS

- The solicitor acted as Novitas's agent under s56 CCA — named as 'introducer' in the loan agreement
- The solicitor misrepresented the insurance: told Mr S he would not have to repay if he lost — this was false
- The misrepresentation was the direct cause of Mr S entering the agreement
- The 'independent' legal advice arranged for Mr S was arranged and paid for by the same solicitor — not genuinely independent
- Novitas accepted the complaint outcome — it accepted the solicitor's conduct as its own responsibility

REMEDY DIRECTED

- All interest refunded from the date the loan was agreed (January 2016) to settlement
- No further interest to be applied from the date of settlement
- £5,000 insurance cost refunded to the loan account
- £600 administration fee refunded to the loan account

- Affordable repayment plan to be arranged for remaining capital balance
- £250 compensation for distress and inconvenience

WHY THIS MATTERS

This decision illustrates how the structure of the Novitas product — arranged entirely through the solicitor, with the solicitor completing all paperwork and communicating all product information — created an environment in which misrepresentation was both possible and undetectable. The borrower had no direct contact with Novitas during the application. The 'independent' legal advice was arranged and paid for by the very solicitor who had a commercial interest in the loan proceeding. The Ombudsman's finding that the solicitor acted as Novitas's agent makes clear that the lender cannot rely on the solicitor's involvement to shield it from liability for what the solicitor tells the client. The insurance misrepresentation — a direct, written, false promise that the loan would be written off on an adverse outcome — is the clearest example across all four decisions of a borrower being actively misled at the point of sale.

> *"I think it was fair and reasonable for Mr S to have relied on what he was told here [by the solicitor]." — FOS Ombudsman Sam Wedderburn, February 2021*

OVERVIEW

All Four Decisions at a Glance

REF	DATE	OUTCOME	KEY ISSUE	REMEDY
DRN-3692047	18 Nov 2024	**Upheld**	Both-sides funding; conflict of interest; irresponsible lending	Capital halved to £36,627; all interest written off; credit file amended
DRN-3992510	29 Mar 2023	**Upheld**	Unaffordable loan extended 3×; no affordability checks	All interest, fees & charges refunded; 9% compound interest on refund to Aug 2018
DRN5132754	23 Jul 2021	**Upheld**	Solicitor fraud; connected lender liability; funds misappropriated	Liability capped at £1,745; credit file cleared; £300 compensation
DRN0812737	22 Feb 2021	**Upheld**	Solicitor misrepresented insurance terms; not genuinely independent advice	All interest refunded; £5,600 in fees refunded; £250 compensation

PATTERNS ACROSS ALL FOUR DECISIONS

All four decisions were upheld. Across them, the Ombudsman consistently found: (1) Novitas routinely failed to carry out adequate affordability checks, relying on property values rather than income and expenditure; (2) the solicitor-panel structure meant borrowers had no direct relationship with the lender, creating conditions for misrepresentation and agency liability; (3) the 'independent' legal advice required as a condition of the loans was, in multiple cases, arranged and paid for by the solicitor introducing the loan — undermining its independence; and (4) in the most structurally serious case, Novitas funded both sides of the same dispute without disclosure or internal controls.

Novitas accepted adverse findings in at least three of the four cases without mounting a substantive defence — suggesting awareness of the systemic nature of the conduct at issue.

— End of FOS Novitas Information Briefing · Divorce Without Debt · June 2026 —