

## The complaint

Mrs C complains that Moneybarn No. 1 Limited trading as Moneybarn didn't treat her fairly when she experienced financial difficulties due to the coronavirus (Covid-19) pandemic.

## What happened

In March 2019 Mrs C was supplied with a used car under a Conditional Sale agreement with Moneybarn. The agreement was for £8,249; with 59 monthly repayments of £275.82.

She said that in April 2020 she had to "shield" because her husband had been "*symptomatic*". This had resulted in an increase in her household expenditure. She said she also had her own significant health problems. On 10 April 2020 she sent an email to Moneybarn requesting a payment holiday under the "FCA Payment Holiday Rules". She said she understood this wouldn't affect her credit rating and would mean Moneybarn wouldn't send her a bill for three months.

On 18 May 2020 she received an email from Moneybarn saying she was in arrears. She replied saying this wasn't correct as she had a three-month payment holiday – and referred to her email of 10 April 2020. She said that Moneybarn refused her offer of paying £150 a month, and also refused her a payment holiday. She said that Moneybarn wouldn't allow her to pay £30 a month towards her arrears, and insisted that she get an MOT done, even though she said there was a 6-month exemption on MOT tests. She said she'd prioritised her health over the MOT and tax, as she was suffering from a very serious health condition. She said she didn't use the car for five months.

She contacted Moneybarn on 16 June 2020 and again asked for either a payment holiday or a reduced payment of £150 a month. She said this was because of her loss of income due to the impact of the coronavirus pandemic. Mrs C said she was in arrears in 2019 as her mother had been ill. She said Moneybarn didn't respond to her emails, refused to accept her payment of £150, and didn't consider her needs as a "vulnerable customer", suffering from poor health, and "close to death".

She said Moneybarn's refusal to accept the £150 payments she'd offered, or a token payment, was unreasonable and not in line with the forbearance Moneybarn were required to provide. She said their refusal had caused her arrears to build up.

Moneybarn said Mrs C had fallen into arrears prior to the Coronavirus pandemic. They said they'd agreed a number of payment plans with her before the pandemic. They said she contacted them on 10 April 2020 requesting a payment holiday, as she said she was suffering financial difficulties due to the pandemic. They said she referred to the FCA guidance but they didn't think a payment holiday was appropriate. They said this was because the difficulties weren't related only to the pandemic, as she was already in arrears.

They also said that Mrs C had failed to have the car MOT'd as required under the terms of the agreement. They said the MOT had expired in January 2020.

They also said there was no evidence that Mrs C's income had been impacted by the coronavirus situation. They offered her further time to get an MOT – and the car wasn't MOT'd until June 2020.

They said they'd given Mrs C opportunities to address her arrears, and that they'd provided her with appropriate forbearance, before and after the pandemic.

Our investigator didn't think Moneybarn had treated Mrs C unfairly. She noted that Mrs C was in significant arrears before the pandemic. She thought it was reasonable for Moneybarn not to grant her a payment holiday as the FCA guidance was aimed at consumers with new financial difficulties arising from Covid-19.

She also thought that Moneybarn had treated Mrs C with appropriate forbearance during the time of the agreement.

Mrs C disagreed and asked for a final decision from an ombudsman. She wants the interest charges to be waived as she feels she was prevented from making payments. She said she was also upset by Moneybarn's "unacceptable and inhumane" treatment of her and how they'd ignored her serious health condition.

### **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.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time. Mrs C was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it. Having done so, I have reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

#### *The payment holiday*

On 24 April 2020, the FCA issued guidance to firms about the financial impact of COVID-19 on customers and their ability to make payments on regulated motor finance agreements. This said that firms could grant a payment holiday (referred to as a payment deferral) for up to 3-months. On 17 July 2020 they issued further guidance saying, if a customer was unable to resume full payments after an initial payment deferral, a further payment deferral period of up to 3-months should be offered.

The purpose of the guidance was to provide support for customers experiencing temporary financial difficulties as a result of COVID-19 related issues. It was for customers facing a loss or reduction in income as a result of coronavirus.

The guidance made clear that payment holidays or deferrals would not be suitable in all circumstances. It was also clear that this was only a temporary solution.

I can see from the statement of account, and from her own testimony, that Mrs C was already in arrears and struggling to meet the monthly payment as set out in the agreement. I appreciate that Mrs C said her outgoings, especially her food bill, increased due to the need to isolate during the pandemic. But it was clear that the FCA intended for payment holidays to be suitable for customers who weren't already in arrears, and whose income

was affected by Covid 19. So I think it was reasonable for Moneybarn not to offer Mrs C a payment holiday.

### *Financial difficulty*

The guidance also advised firms what to do where the customer was already in financial difficulty. It said, “*Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC would continue to apply.*” These rules can be found in the FCA Handbook (available online). “CONC” is the section that provides rules and guidance for firms like Moneybarn who offer consumer credit products.

The part of the rules relevant to this matter can be found in “CONC 7, Arrears, default and recovery (including repossession)”. This says that firms should consider consumers in default or in arrears difficulties with forbearance and due consideration. This could be in the form of waiving interest, deferring arrears payments, etc.

Mrs C fell behind with her payments not long after she entered into the agreement. She said this was because she incurred unexpected extra costs of travelling to see a relative who needed her care after an operation. Mrs C said she made Moneybarn aware of this and they agreed to set up a payment plan. They agreed to accept payments of £150 each month for the next few months due to her circumstances. I’m satisfied that this shows that Moneybarn treated her fairly as required by the FCA, and in line with the rules set out in CONC 7.

Mrs C’s account remained in arrears. I can see that Moneybarn issued her with Notice of Arrears letters in September 2019 and November 2019. They followed this up with a letter on 8 January 2020. This explained to Mrs C that the account was more than £1,000 in arrears, and that she’d need to maintain the payments or return the car. The letter also set out the options for Mrs C should she want to end the agreement, and the cost of each option.

They then issued a default notice to Mrs C in 17 February 2020. This set out what Mrs C needed to do to avoid breaching the agreement.

All of these notices were sent in line with the requirements set out in the Consumer Credit Act 1974, with the purpose of keeping Mrs C informed of the status of her account, and what would happen if she breached the agreement. Again, I think it was fair for Moneybarn to do this. Mrs C said she never received the default notice. I’m satisfied it was sent: the address on the notice is the same as Mrs C’s home address. So I’m persuaded that it’s more likely than not that it was sent to her home.

Mrs C contacted Moneybarn shortly after the notice was issued and asked them to agree to a payment plan of £30 per month. At this point they noticed that Mrs C hadn’t taxed the car, and the MOT had expired in January 2020. So they refused to consider Mrs C’s offer until the car was taxed and had a MOT. I think this was a reasonable approach to take: keeping the car taxed, MOT’d and insured was a condition of the agreement (as well as a legal requirement), and it was reasonable for Moneybarn to ask Mrs C to put this right.

Moneybarn said they'd discuss a payment plan with Mrs C after she confirmed the car had a valid MOT and was taxed. In March 2020 Mrs C told Moneybarn she'd booked the car in for an MOT and that she would get the road tax on 12 March 2020.

Mrs C was still struggling to make the monthly payments, and in March 2020 they agreed to allow her more time to pay. This demonstrates to me that they were treating her sympathetically as required in the rules.

She did make the payment on 16 March 2020, just a few days late. But she wasn't able to confirm that the car had been taxed or MOT'd.

Mrs C said she should have been allowed the six-month extension to MOTs that the Government had announced. But this didn't apply to Mrs C, because the MOT had expired in January 2020. The extension applied only where the MOT expired between 30 March 2020 and 31 July 2020.

In May 2020 Mrs C said that she offered to pay Moneybarn £150 a month. She said their refusal to accept this led to an increase in her arrears owed. I've considered this and I don't think it was unreasonable for Moneybarn to decline the offer at this time. They'd made clear to Mrs C what she needed to do before they'd consider any payment plan – that was to have the car MOT'd and taxed. She hadn't done this, and was in breach of the agreement.

Moneybarn could have terminated the agreement at this point – but because of the circumstances, they allowed her more time to get an MOT. In response to our investigator, Mrs C said she put her own health above the need to get the car MOT'd. She described her serious health condition, and provided medical evidence of this. I accept that she was seriously ill, but I have to consider whether or not Moneybarn treated her fairly. And I think they did – they made it clear to her what she needed to do before they'd discuss a payment plan.

Having use of the car without valid tax and MOT was in breach of the agreement and Moneybarn could reasonably have terminated the agreement at the time. But they didn't: they gave her several opportunities, and several months, to put it right.

I've explained above that the FCA's rules required Moneybarn to treat Mrs C with forbearance. This doesn't mean automatically allowing payment holidays, or missed payments, without considering the wider picture – that includes looking at the amount of arrears and making sure this doesn't become unmanageable. There was already a considerable amount of arrears on Mrs C's account, so it was reasonable for Moneybarn to refuse the offer until it was sure that Mrs C could get the car roadworthy and make the payments without going into further debt.

In May 2020 Mrs C told Moneybarn she couldn't meet the monthly payments. Moneybarn again explained the exit options available to her. And they offered her "breathing space" to consider what she wanted to do. This is further evidence that Moneybarn have treated Mrs C fairly, and were taking her circumstances into account when discussing her agreement.

I'm satisfied that Moneybarn treated Mrs C fairly and reasonably: since she first went into arrears, when they discovered the car wasn't MOT'd, and when she asked for a payment holiday because of the Covid 19 situation. So I won't be asking them to do any more.

**My final decision**

For the reasons explained, I don't uphold Mrs C's complaint about Moneybarn No. 1 Limited trading as Moneybarn.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 31 August 2021.

Gordon Ramsay  
**Ombudsman**