

The complaint

Miss O is unhappy with how Volkswagen Financial Services (UK) Limited (VWFS) dealt with her request for assistance as a result of the Coronavirus (Covid-19) pandemic.

What happened

On 6 April 2017, Miss O was supplied with a new car through a hire purchase agreement with VWFS. The agreement was for £15,380 over 48 months; with monthly repayments of £210.99. There was also a final optional payment of £8,193.75 if Miss O wanted to keep the car at the end of the agreement.

Miss O called VWFS on 19 March 2020 to ask what support was available to people who'd lost their income due to Covid-19. At that time, VWFS referred her to their website for further information. On 3 April 2020 Miss O again contacted VWFS about what support was available – specifically payment holidays. VWFS told her they could only currently offer payment plans or breathing space, and they asked her to complete a payment difficulty form.

Miss O emailed VWFS on 7 April 2020, explaining that she'd lost her income because of Covid-19. She also said that she wasn't happy with how things had been dealt with so far, and that she'd struggled to contact VWFS by phone.

Miss O completed and sent the financial difficulties form to VWFS on 8 April 2020, asking for *“a break from my lease payments or a review of my monthly payments.”* She also said that she wanted to keep the car and would like to hear about any other options available. In an automatic reply the same day, VWFS said that, due to an increase in customer contact, it was taking them longer than normal to respond and they were prioritising vulnerable customers.

On 18 April 2020 VWFS said they could offer a payment plan or 60 days breathing space (where they wouldn't contact Miss O). On 27 April 2020, VWFS told Miss O they could now also offer her a payment deferral, also known as a payment holiday, and they provided her with an online link so she could make an application for this. Miss O applied for the payment deferral on 3 May 2020, and it was approved on 16 June 2020. VWFS sent Miss O the payment deferral paperwork on 25 June 2020 and she accepted this the following day. The payment deferral was backdated and ran from May to July 2020.

Miss O wasn't happy that the payment deferral meant her monthly payments would increase to £224.24 and the remaining term would increase by three months. She thought it would be either a payment increase, or a term extension, but not both. Miss O also said she felt rushed into taking the payment deferral and she felt she was always having to chase VWFS for information.

VWFS apologised for the time it took them to deal with the payment deferral, which they say was caused by increased customer contact at a time of reduced staffing levels. But they didn't think they'd done anything wrong by increasing the payment and term at the end of the payment deferral period. Miss O wasn't happy with VWFS's response, so she brought her complaint to us for investigation.

Our investigator said VWFS had tried to help Miss O when she first contacted them about her payment difficulties, and they'd given her the option of a payment deferral as soon as this was available. He also thought they'd given Miss O enough information so she could make an informed decision on whether to proceed with the payment deferral or not.

The investigator also didn't think that the payment deferral terms were unreasonable, as they were in line with the guidance published by the Financial Conduct Authority (FCA). And he thought VWFS had acted reasonably by extending the term by three months to limit the impact of payment increase at the end of the payment deferral term. So he didn't think they needed to do anything more.

Miss O didn't agree with the investigator. She said she was given the payment deferral before being told the terms of it and didn't find out what the terms were until the payment deferral had been in place for two months, which she thought was unfair. And she thought that the lack of information from VWFS meant that she didn't know what other options were available and whether these were viable. She also thought that the investigator had underestimated *"the undue stress and anxiety this caused especially during a pandemic."*

Because Miss O didn't agree with the investigator, this matter has been passed to me to make 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.

Having done so, I've 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.

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 (if appropriate) what I consider was good industry practice at the time. Miss O was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

The FCA issued temporary guidance, that came into effect on 27 April 2020, about customers who were faced with payment difficulties as a result of Covid-19. This guidance says a firm providing motor finance agreements should grant a payment deferral for *"3 months unless the firm determines (acting reasonably) that it is obviously not in the customer's interest to do so."* And the Consumer Credit Sourcebook (CONC) 7.3.4 states that *"a firm must treat customers in default or in arrears difficulties with forbearance and due consideration."*

The basic facts of this complaint aren't in dispute. Miss O asked VWFS for assistance when her income changed because of Covid-19, and she experienced difficulties contacting them when she wanted to discuss her account. VWFS have acknowledged they could've done better, and they've apologised for the contact difficulties Miss O had.

When Miss O applied for the payment deferral on 3 May 2020, she didn't know what the terms of this would be. But, from the paperwork she completed, VWFS had made it clear that her payment would be increased as a result.

Miss O wasn't able to make the payments for May or June 2020. She emailed VWFS on 23 June 2020, asking what her options were going forward, "*now that my situation has changed drastically.*" I've seen the contact note for a call that took place on 26 June 2020, where VWFS discussed the payment deferral with Miss O, as well as her options to settle the agreement in full, voluntarily terminate the agreement, or hand back the car.

Based on what I've seen, I'm satisfied Miss O was made aware of her options before she accepted the payment deferral on 26 June 2020. I appreciate she says she wasn't told the terms of the payment deferral until late June 2020, but she was under no obligation to accept these. As well as her options to repay the agreement or voluntarily surrender the car, as explained in the phone call of 23 June 2020; Miss O could also have chosen not to accept the payment deferral and have her agreement go into arrears, with the payments she'd missed in May and June 2020 recorded as such on her credit file.

So, while I accept that Miss O may've felt that she didn't have many viable options because of the situation she found herself in, I'm satisfied that she was given sufficient information to make an informed choice, and I haven't seen anything to show that she was rushed into making a decision.

The agreement was originally due to finish in April 2021, and any deferred payments would usually have to be paid within the original term. VWFS were also entitled to continue to charge interest on the outstanding balance while the payment deferral was in place. And this additional interest would also need to be repaid over the remaining original term. Once the payment deferral had ended, Miss O would only have nine payments remaining. And this would've meant an increase in her payments in the region of £80 to £90 a month.

Because of this, VWFS extended the term by three months so as to lessen the impact of the payment increase. And Miss O's payments only increased by £13.25 a month. Given the circumstances, I don't think that VWFS acted unreasonably by doing this. And I don't think they need to do anything more.

Turning to Miss O's difficulties in contacting VWFS, this was an unprecedented situation. Government advice was for people to work from home where possible, and VWFS would've needed to adapt their ways of working. And this came at a time when, for the same reasons, VWFS experienced a large increase in customer contacts. So, while I appreciate how frustrating this was for Miss O, I don't think that VWFS did anything wrong because they were receiving a very high volume of customer contact at a time when their normal operations were disrupted due to circumstances outside of their control.

My final decision

For the reasons explained, I don't uphold Miss O's complaint about Volkswagen Financial Services (UK) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 1 September 2021.

Andrew Burford
Ombudsman