

## **The complaint**

Mr H is unhappy with the way Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services (VWFS) treated him during his time of financial difficulty as a result of the Covid-19 pandemic.

## **What happened**

In April 2019, Mr H entered into a 48 month personal contract purchase (PCP) agreement with VWFS for a new car. The cash price of the car was £26,049. He was required to pay £395 per month with an optional final payment of £9,865.

In April 2020, Mr H contacted VWFS by email to advise that due to the Covid-19 pandemic, he wasn't in receipt of any income and he wouldn't be able to meet his contractual payments. Mr H said he never heard back from VWFS and despite his further emails and telephone calls, he was unable to speak to them.

Mr H said he starting to receive communication about the account being in arrears and he contacted them in June 2020. He was told about a payment deferral for those impacted by the pandemic however he was advised as his account was two months in arrears, it was unlikely they would agree to it in his case. Mr H paid one month's contractual payment in order to reduce the arrears. A three month deferral was agreed in June 2020.

Mr H complained. VWFS apologised for the difficulties he experienced trying to contact them. They agreed to waive April's payment, confirmed he had paid for May and said June's instalment would be considered as part of the payment deferral. They also confirmed the adverse information recorded on his credit file for April to June 2020 had been removed. Lastly, they offered to pay £150 compensation as a gesture of goodwill.

Unhappy with their response, Mr H referred the complaint to our service. Our investigator recommended the case wasn't upheld. They accepted VWFS should've offered financial support to Mr H sooner in light of his financial difficulties however they felt VWFS' proposed resolution was fair and reasonable.

Mr H disagreed. In summary, he said despite not being in receipt of any income he had to make a payment in order to reduce the arrears so a payment deferral could be approved. He remained unhappy with the level of customer service received, he said he was told two contractual payments would be waived, he received arrears letters and he was told the compensation was offered to prevent the complaint being escalated to our service. He didn't believe the compensation was enough given the stress and upset that had been caused.

As an agreement couldn't be reached, the complaint has been referred to me to decide.

## **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 believe VWFS have done enough to put things right.

In this decision, I've considered whether I believe VWFS showed forbearance and due consideration in light of Mr H's financial difficulty and whether they acted fairly when handling his request for a Covid-19 payment deferral. In this case, I don't think they have and I'll explain why.

The UK government imposed a nationwide lockdown due to the Covid-19 pandemic on 23 March 2020 and I can see Mr H sent an email to VWFS on 1 April 2020 to say he would be unable to meet his contractual payments due to not being in receipt of any income.

At the time of this email, there was no specific guidance about what to do for those affected by the pandemic. However there was existing guidance about dealing with situations of financial difficulty that I would expect VWFS to follow. The guidance is found in the Financial Conduct Authority's handbook– Consumer Credit Sourcebook (CONC) which says '*A firm must treat customers in default or in arrears difficulties with forbearance and due consideration*'.

On 20 April 2020, VWFS responded by email to ask further questions in order to get an understanding of Mr H's financial circumstances and requested him to complete an income and expenditure form. Mr H answered the questions but he said he didn't feel it was necessary to complete the form as he wasn't in receipt of any income and the contractual payments under this agreement was his largest financial commitment.

Mr H said he never received a response from VWFS and despite his attempts to contact them by phone he was unable to speak to anybody. I note he also sent emails to VWFS' senior management complaining he hadn't received a response from them.

However based on VWFS' contact notes, I can see they sent a response to Mr H on the same day, that is, 20 April 2020. They said they didn't consider a payment deferral would be appropriate due to the impact it would have on the interest charged, the contract term and the value of the car. However they proposed two options, namely for an affordable 12 month repayment plan or a 60 day breathing space period. They explained a breathing space period would mean they wouldn't contact him or chase for payment in order to give him time to consider his finances. They confirmed Mr H wouldn't incur fees, or additional late payment interest during that time. If the situation hadn't changed after 60 days, they would agree to a suitable payment plan based on his affordability. They asked Mr H to confirm whether he wanted the 60 day breathing space applied to his account. In the circumstances, I consider this supportive measure proposed by VWFS to be fair as forbearance was shown as I would expect.

Based on what Mr H has said, it would appear he didn't see this email and VWFS' contact notes don't show a response was received. On balance, I believe this email was correctly sent by VWFS. I say this because Mr H had correctly received their earlier email and it was sent in response within minutes of his email therefore I'm satisfied VWFS did respond. However I appreciate for whatever reason, Mr H didn't see it therefore the 60 day breathing space wasn't set up. I accept Mr H tried on several occasions thereafter to call VWFS but he was unable to get through. Given the unprecedented nature of Covid-19, I can understand VWFS would've been very busy dealing with consumers who found themselves in similar situations like Mr H and this would've placed a great strain on their business operation including their phone lines.

That said, I note at the time VWFS responded on 20 April 2020, the Financial Conduct Authority (FCA) had issued its *Motor finance agreements and coronavirus: draft temporary guidance for firms* on 17 April 2020 setting out what rule changes it was intending to make to deal with the impact of Covid-19.

The full guidance came into effect on 27 April 2020 which is seven days after VWFS' email. The guidance stated that a firm should grant a customer whose finances had been negatively impacted by the Covid-19 pandemic, a payment deferral for three months unless the firm determines (acting reasonably) it's obviously not in the customer's interests to do. The intention behind the guidance was to ensure consumers who would've otherwise been fine, wouldn't be negatively impacted by Covid-19. In this case, it's clear Mr H's financial difficulties were as a result of the pandemic so I think it's fair to say the guidance would apply to him.

When he contacted them in June 2020 following letters about the arrears, he was advised that as the account was in two months arrears, VWFS couldn't agree to the payment deferral. Given what Mr H had already told them in April 2020, I believe it was clear the reason the account fell into arrears was as a result of his financial difficulties due to the pandemic.

However I'm not satisfied VWFS fairly took this into account, instead they determined the arrears was the reason to decline the payment deferral. While I recognise VWFS showed forbearance when Mr H first contacted them in April 2020, I believe it would've been fair and reasonable for them to have agreed to a three payment deferral in line with the FCA guidance from April 2020 without the need for the arrears to be cleared or reduced.

Given Mr H wasn't in receipt of any income at the time, I can appreciate the trouble and upset it caused him to make the equivalent of one month's payment. VWFS confirmed this was applied to May's instalment and they agreed to a three month payment deferral from June 2020. However even doing so, the account would've still been one month in arrears (April's instalment) and adverse information added to his credit file.

VWFS accept there had been failings and in recognition of what's happened and by way of an apology, they agreed to waive April's contractual payment. I must take into account, even if the payment deferral or the 60 day breathing space had been set up, Mr H would've always owed this amount of money to VWFS. They've agreed to waive this payment which is the equivalent of £395 compensation which I consider to be a significant amount so I don't believe it would be fair to say they need to pay more. I note Mr H's comments that he was told June's instalment would also be waived however having listened to the relevant calls, I'm satisfied he wasn't told this. The advisor said it would be considered and he was later told they wouldn't agree to it because they felt the waiving of April's payment was fair in the circumstances. I also believe VWFS has acted fairly by removing the adverse information from Mr H's credit file for April, May and June 2020.

I've carefully considered what Mr H has said and I can understand why he feels so strongly about this matter especially given his previous history with VWFS, I understand he has been a customer for many years and he wanted support during his time of financial difficulty. I don't dispute the struggles he had trying to contact VWFS, the stress placed on him during what was already a challenging time, receiving arrears letters and having to make a payment to reduce the arrears so the payment deferral could be approved. In light of the above, I believe trouble and upset has been caused but I consider VWFS' offer of £150 compensation is reasonable, I'm also satisfied he wasn't told this amount was offered to stop him from escalating the complaint to our service. I've seen evidence that the compensation was credited to his account in April 2020 so I won't be asking VWFS to do anything further to resolve this complaint as Mr H has received the equivalent of £550 compensation.

Overall, I don't believe VWFS fairly applied the FCA's guidance about payment deferrals during Mr H's time of financial difficulty due to the Covid-19 pandemic and because of

this, it caused upset and worry. However I believe VWFS has done enough to put things right.

### **My final decision**

For the reasons set out above, I've decided not to uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 November 2021.

Simona Charles  
**Ombudsman**