

The complaint

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

What happened

In May 2019 Mr B was supplied with a new car through a hire agreement with VWFS. The agreement was for 24 months; with an advance rental of £585.06, and 23 monthly rental payments of £585.34. In May 2021, VWFS granted Mr B a three-month extension to the agreement.

On 1 April 2020, Mr B contacted VWFS to let them know that his income had been affected by the coronavirus (Covid-19) pandemic, and that he wouldn't be able to make his monthly repayments. At VWFS's request, he completed a financial difficulties form. And the payment due on 7 April 2020 wasn't paid.

On 27 April 2020 the Financial Conduct Authority (FCA) issued guidance to financial businesses about how they should deal with customers whose income had been affected by Covid-19. On 6 May 2020, in line with the FCA guidance, Mr B asked VWFS for a payment deferral. VWFS initially told Mr B that he'd been granted a payment deferral, that payments on his account were suspended, and that his credit file wouldn't be affected.

However, VWFS then told Mr B that the payment deferral hadn't been approved, because his account was in arrears – the missed payment for April 2020. Mr B complained to VWFS about how they'd dealt with the payment deferral application, and because they were reporting arrears to the credit reference agencies. And, because VWFS didn't respond to Mr B's complaint within the timescale allowed, he brought his complaint to us for investigation.

Mr B missed his payments from April to October 2020. VWFS eventually responded to his complaint, partially upholding it and offering Mr B £100 compensation. But, because VWFS didn't remove the adverse markers from Mr B's credit file, he continued with his complaint through us.

Our investigator didn't think VWFS had acted fairly. She said that Mr B's financial difficulties started in April 2020 and were as a result of the Covid-19 pandemic. And she didn't think VWFS should've declined Mr B's request for assistance because he missed the April 2020 payment. Instead she said that VWFS should've approved the request for a three-month payment deferral and backdated it – applying it for the April, May and June 2020 payments.

She also said that the FCA issued further guidance in July 2020, which allowed for a second payment deferral period. So, she thought VWFS should've granted this as well, applying it for the July, August and September 2020 payments. Furthermore, because the FCA guidance allowed for tailored support and short-term arrangements where a customer makes no payments for a specified period, the investigator said that VWFS should've put such an arrangement in place for the October 2020 payment. Which meant that VWFS shouldn't be reporting any of the payments Mr B missed between April and October 2020 as arrears.

So, the investigator said that VWFS should amend Mr B's credit file, removing this adverse information, and pay him £200 compensation for the distress and inconvenience he'd been caused.

Both Mr B and VWFS accepted the investigator's recommendations. But Mr B has subsequently said that VWFS are still reporting arrears on his account on a monthly basis, then manually correcting this with the credit reference agencies. And this has impacted him being able to remortgage his property. Because of this, Mr B has asked for an ombudsman 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. Mr B was supplied with a car under a hire agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

The basic facts of this matter aren't in dispute. And VWFS have accepted that they could've done better. Because of this, my decision will concentrate on the outstanding point of contention – Mr B's credit file. From the information Mr B has provided about his credit file, I can see that VWFS are automatically reporting a missed payment every month to the credit reference agencies. And then this is being manually corrected by VWFS to remove the missed payment marker from his credit file.

Mr B has also said that he's been declined for a remortgage application, by four separate companies, "*due to adverse credit late payment markers on my account from one company – VWFS.*" He's also said that the fact that four mortgage lenders have done searches against him will also affect his credit rating.

Mr B would prefer that VWFS don't report any arrears at all, rather than manually correct what they report every month. But VWFS's system is set up to automatically report any arrears to the credit reference agencies. Situations like this, which resulted from the Covid-19 pandemic, were as a result of unprecedented circumstances. And financial businesses like VWFS haven't necessarily made changes to their systems to suppress reporting where it results from support provided under the FCA's Covid-19 guidelines. It's not the role of the Financial Ombudsman Service to tell financial businesses what policies and procedures they should have in place, nor is it our role to tell financial businesses to make changes to their systems. This is something that VWFS would do in conjunction with the FCA.

Because of this, I can't say that VWFS have done anything wrong by manually adjusting their reporting for customers like Mr B, and I won't be telling them they need to change how they report arrears to the credit reference agencies.

I appreciate that this is frustrating for Mr B. But VWFS have offered to assist him, by letting him know when a manual adjustment has been made so he can let his mortgage company know when they can do a search. Given the circumstances, I think this is a reasonable offer.

Mr B has also said that he's been turned down by four different mortgage companies because of the information VWFS have put on his credit file. While I don't doubt that Mr B wasn't successful in his mortgage applications, mortgage applications can be declined for a number or combination of factors. And I haven't seen anything to show me, for example a letter from a mortgage lender, that Mr B was declined for a mortgage solely because VWFS were automatically reporting arrears, then manually adjusting this reporting on a monthly basis. Because of this, I won't be asking VWFS to increase the compensation.

Putting things right

It's my understanding that VWFS have paid the £200 compensation to Mr B on 8 September 2021. However, if this isn't the case, and this compensation hasn't been paid, then VWFS should pay Mr B £200 for the distress and inconvenience their refusal to grant him assistance under the FCA Covid-19 guidelines has caused.

VWFS should also continue to ensure that the missed payments for the period April to October 2020 aren't recorded as arrears on Mr B's credit file, making manual adjustments to his credit file as and when necessary.

My final decision

For the reasons explained, I uphold Mr B's complaint. And Volkswagen Financial Services (UK) Limited should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 January 2022.

Andrew Burford
Ombudsman