

The complaint

Mr B is unhappy with how Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (AFS), acted when he asked for assistance with payments on his hire purchase agreement.

Mr B is represented in this complaint by Ms B. But for ease, I'll mainly refer to Mr B throughout my decision.

What happened

In September 2018, Mr B acquired a used car through a hire purchase agreement for 48 months. Mr B complains about the following:

Payment deferral not being offered to Mr B

In mid-March 2020, Mr B contacted AFS to let them know he wasn't working due to Covid-19. Mr B explained he was on limited income and that he wouldn't be able to continue with the monthly payments until the Covid-19 lockdown ended. As a result, Mr B asked for a payment deferral. AFS responded to Mr B and asked for some more information about his financial circumstances at the time and also asked him to fill out an income and expenditure form.

Mr B questioned why he had to complete this form as he didn't think it was necessary for a payment deferral to be put in place. AFS say they told Mr B on 9 April 2020 a payment deferral wasn't available. So instead, they wrote to Mr B and offered him breathing space for 60 days – meaning they wouldn't contact Mr B for payment during this time and that they'd monitor his credit file, removing any adverse information which may appear. At the same time, AFS apologised to Mr B for the service he received and the lack of communication from them. In recognition of this, AFS refunded the monthly payment taken in April which was for £264.21 as compensation which Mr B wasn't required to pay back. AFS say when payment deferrals were specifically set out in the Financial Conduct Authority's (FCA) guidelines titled "*Motor finance agreements and coronavirus: temporary guidance for firms*" on 27 April 2020, Mr B didn't make an application for this.

The 60 days breathing space came to an end in June 2020. Mr B contacted AFS in August 2020 to let them know he'd started working again and wanted to reinstate his direct debit from September 2020. AFS say they advised Mr B there was £1,056.84 outstanding under the agreement for missed payments in May to August 2020. And that this had the potential to impact his credit file – AFS say it was standard practice to advise this. Mr B asked to have all the missed payments classed as deferral payments, as he'd heard of many lenders and finance providers offering this to their customers at the time.

On 29 September 2020, AFS say Mr B contacted them and asked for the four months' missed payments to be added to the end of the agreement. AFS then advised Mr B on 2 October 2020 that they were unable to do this and an arrangement to pay was set up. AFS say this was because Mr B hadn't made an application for deferred payments when this option became available to customers with finance. And so, as the balance Mr B was paying

was an arrears balance, being paid through an arrangement to pay, the length of the agreement couldn't be extended.

Our investigator said AFS hadn't done anything wrong in not offering Mr B a payment deferral when he first contacted them. She also said Mr B confirmed the repayment of the missed payments was affordable at an additional £45.95 a month. However, our investigator thought AFS should have made clear why they weren't allowing the payments to be added to the end of the agreement. In order to put things right in relation to this part of Mr B's complaint, our investigator initially recommended that AFS treat any missed payment as a payment deferral and apply the full benefits of a payment deferral as per the FCA guidance. This includes having the option of adding the missed payments to the end of the agreement, although she explained this may be more costly in the long term, due to the interest.

Adverse information being recorded on Mr B's credit file

When Mr B contacted AFS to let them know he'd started working again and wanted to start making the repayments from September 2020, AFS say they let Mr B know he was in arrears by £1,056.84 - they say this was because they didn't receive any payments towards Mr B's agreement in May, June, July or August 2020.

Mr B was unhappy about this. He said he was previously told by AFS that the payment holiday would be extended until October 2020. While neither party have been able to provide us with evidence of this, AFS agreed to amend Mr B's credit file on a monthly basis to show no adverse information until the arrears were cleared. AFS agreed to do this as they acknowledged the arrears were as a result of Covid-19.

Our investigator said there were occasions where Mr B made AFS aware of the adverse information being reported on his credit file, despite AFS saying they'd make a manual adjustment to this each month.

Our investigator also acknowledged that AFS refunded Mr B his April 2020 monthly payment. And that they gifted Mr B an experience day as a way to say sorry for the inconvenience caused. However, our investigator felt Mr B had experienced further trouble and upset such as adverse information continuing to be reported on his credit file. So, she recommended AFS pay Mr B £100 compensation in recognition of the upset caused. Our investigator also recommended that Mr B's credit file is updated permanently so there isn't a short period of time where his account will show it's in arrears, unless he falls behind on a contractual monthly payment.

Customer service issues

Mr B has also complained about the customer service he received from AFS. He's described several instances where he wasn't able to reach AFS successfully and that it took several attempts before getting a response from them in relation to his request for a payment deferral. AFS acknowledged Mr B's frustrations and difficulties he faced in contacting them to arrange for a break in his payments during Covid-19. However, they explained, due to this unprecedented time, they had a very short time to adapt and deal with such sudden demand in customer contact. AFS apologised and explained this was why they refunded the April 2020 payment Mr B made.

Our investigator looked into Mr B's concerns in relation to this part of his complaint. She acknowledged the frustration and upset caused to Mr B. But having considered the strain on AFS' services due to Covid-19, our investigator couldn't see any significant delays had been caused.

In addition to this, Mr B is unhappy AFS sent him two letters – one was a letter notifying him he was in breach of his contract and the other was a notice of sum in arrears. Mr B said these shouldn't have been sent as he'd agreed to a payment arrangement. AFS acknowledged these were sent in error and explained that this wasn't a payment demand, but rather a statement that they said had to be sent to Mr B. AFS also explained that whilst Mr B agreed to a payment plan, he may still have received these letters. Our investigator also acknowledged that letters were sent to Mr B requesting a full payment of the arrears, which caused Mr B inconvenience and distress.

Since our investigator issued her view, AFS have let us know the agreement has now been settled and the total outstanding balance was cleared. They said Mr B part exchanged this car for another car and a new agreement was taken out in July 2021, to finance the new car. Therefore, the investigator's initial recommendations for how AFS should be reporting information on Mr B's credit file and also allowing him the option of adding the missed payments to the end of the agreement isn't possible now. AFS have confirmed that all adverse information on Mr B's credit file has been amended. AFS also agreed to the investigator's recommendation that they should pay £100 compensation in recognition of the upset caused to Mr B.

We let Mr B know AFS' updated position and asked if this resolved matters for him. However, Mr B said it didn't. In fact, Mr B applied for a new mobile phone contract however, this was declined due to adverse information on his credit file. Mr B made AFS aware of this in July 2021 and they said they amended this as soon as they could. Mr B said he asked AFS to pay for the alloy wheels of the new car to be sprayed in recognition of the embarrassment caused. AFS said they contacted the retailer Mr B was purchasing his new car from and as a gesture of goodwill, paid Mr B £360 – which was the amount required for the alloy wheel spray. While Mr B accepted this, he says he wants more compensation for the distress and inconvenience this issue has caused him. So, the complaint has been passed to me.

I issued my provisional decision setting out the below:

I'd like to firstly say I'm sorry to hear of the stress and anxiety this issue has caused Mr B. I'm very aware that I've summarised this complaint in far less detail than Mr B and I've done so using my own words. I'm not going to respond to every single point made by Mr B. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Payment deferral not being offered to Mr B

Mr B doesn't find AFS' explanation that a payment deferral wasn't an option when he originally requested one, to be fair. Especially as Mr B said he'd been granted payment deferrals on his other lending at the time.

I appreciate Mr B's concerns about what AFS told him at the time. However, the FCA's guidance on Covid-19 for car finance firms set out payment deferrals for hire purchase agreements like Mr B's and this came into effect on 27 April 2020. So, while a payment deferral hadn't yet been set out as an option in the FCA guidance when Mr B first contacted AFS, AFS were still expected to treat him with forbearance and due consideration if he was in default or in arrears as set out in the Consumer Credit Sourcebook (CONC) 7.3.4.

While Mr B wasn't in arrears and the account wasn't defaulted, Mr B made it clear to AFS that he wasn't receiving much of an income and that there was no way he could continue to make the monthly payments until the Covid-19 lockdown ended. As Mr B expressed his concerns about keeping up this financial commitment, I don't think it was unfair for AFS to ask Mr B to complete an income and expenditure form to assess his financial situation. I say this because the FCA guidance on payment deferrals for agreements like Mr B hadn't yet been formalised. So AFS needed to assess what Mr B was able to repay given what he'd told them about his circumstances at the time. I also think AFS treated Mr B with due consideration by offering him 60 days breathing space from April 2020 – this meant no payment was required from Mr B for 60 days.

AFS say Mr B never applied for a payment deferral once the guidance called "Motor finance agreements and coronavirus: temporary guidance for firms" came into effect. From the contact notes provided by AFS, I can't see Mr B contacted them after the 60 days breathing space had ended. I can see first contact was made in August 2020. Mr B says he was under the impression the breathing space period would be extended until October 2020, but I've seen no evidence to persuade me that this is what was agreed.

I've looked at the letter AFS wrote to Mr B confirming the 60-day breathing space. I can see they said after this period, they'd work with Mr B to agree a suitable and affordable plan to pay the amounts Mr B was unable to due to Covid-19. But I think AFS could have been clearer on explaining the next steps when agreeing to the breathing space.

In addition to this, the FCA guidance came into effect very soon into Mr B's 60 day breathing space. So, I think AFS could have contacted Mr B to let him know that although he was given a breathing space, that payment deferrals were now option – especially given AFS were aware Mr B had initially wanted a payment deferral and that he'd been impacted by Covid-19. I appreciate AFS' customer contact had increased due to Covid-19, however, I don't think this should've prevented them from contacting Mr B.

AFS say they hadn't received payments towards Mr B's agreement in May, June, July or August 2020. So, AFS say this meant there was £1,056.84 due. AFS have told us that because Mr B never applied for a payment deferral, these missed payments were being treated as arrears rather than missed payments under a payment deferral. Mr B's unhappy with this as he doesn't think AFS should be reporting the missed payments as arrears. Given the 60 days breathing space started from April 2020, I don't think it's fair to say Mr B necessarily missed payments in May – as this was covered by the 60 days where AFS said no payment would be due for these months and that they'd continue to monitor Mr B's credit file to ensure no adverse information was recorded for this period.

Overall, I don't think it was unfair for AFS to offer Mr B the breathing space when they did. I acknowledge Covid-19 had an impact on AFS but it also had an impact on Mr B too – it was a difficult time for both parties. So, while I appreciate Mr B could have contacted AFS at the end of the breathing space period, I think AFS could have contacted Mr B to mention the payment deferrals availability once the measures came into effect. The FCA guidance called "Motor finance agreements and coronavirus: temporary guidance for firms" says "this guidance applies where customers are already experiencing or reasonably expect to experience temporary payment difficulties as a result of coronavirus. Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC would continue to apply." So, with this in mind, I think it's fair to say that the missed payments should be treated as payment deferrals. I acknowledge this hasn't been possible (as the agreement has since been settled) and AFS offered to remove adverse information from Mr B's credit file, which seems fair to me.

Mr B is unhappy he wasn't given the option to add the payments to the end of the agreement. I think there are instances where AFS should have probably given Mr B the option to do this as per the FCA guidance. But in this case, from what I can see, AFS contacted Mr B in October 2020 and offered to set up an arrangement to pay over the remaining term for the missed payments. Mr B confirmed the repayment of the missed payments was affordable at £45.95 per month in addition to the monthly payments for the remaining term of the agreement. As Mr B confirmed it was affordable for him, I think it was fair for AFS to do this. In any event, the agreement has now been settled so there doesn't seem to be significant detriment caused.

Adverse information being recorded on Mr B's credit file

AFS let Mr B know when they wrote to him confirming the 60 days breathing space that they'd review and amend his credit file to show no adverse information on a monthly basis. On more than one occasion, Mr B made AFS aware of their failings to update his credit file and therefore, adverse information had appeared. Mr B has described the stress and inconvenience this has had on his health.

I think it's likely there was going to be a greater risk of there being an issue with the updates to Mr B's credit file happening on time, given AFS were relying on manually adjusting this each month. Whilst AFS reassured Mr B the adverse information would only show for a small period of time, it still would've been worrying for Mr B as he wasn't given a specific timeframe the adverse information would be removed by. I've also seen information to show that Mr B had to contact AFS several times to remind them to remove the adverse information.

AFS have since provided us with information to show the account was settled in July 2021. And they said it would've likely taken a month before Mr B's credit file reflects this update. For the avoidance of doubt, AFS should ensure there's no previous record of missed payments in relation to the 'deferral' period.

Customer service issues

Mr B has also described the number of times he's tried to get through to AFS and has been unsuccessful. I understand Mr B found this deeply frustrating and I can understand why – he was concerned about the potential impact the adverse information would have on his credit file. Having looked through AFS' contact notes and the emails Mr B has provided us with, I note there have been times where AFS have taken a week or so to respond to Mr B. I understand Mr B wanted this issue resolved quickly and he wanted to know if his request for a payment deferral had been honoured when requesting it in March 2020. But this was at an unprecedented time where a lot of businesses were dealing with an increase in demand from customers who had been impacted by Covid-19. As AFS explained, they had a very short time to adapt and deal with such sudden demand in contact from their customers – and I don't find the time AFS took to respond unreasonable in such circumstances.

AFS sent a letter to Mr B in October 2020 letting him know he was in breach of his contract as he hadn't paid the outstanding balance (which AFS have referred to as the arrears) due under the agreement. AFS acknowledged this letter was sent out in error as it had been generated automatically.

AFS then sent the notice of sum in arrears letter in error to Mr B in November 2020. AFS explained that this wasn't a payment demand and instead, was a statement to advise Mr B his arrears. AFS said they probably could have explained this better to Mr B previously.

It's clear AFS have acknowledged they could have done things better here and I agree. I think they could have explained what the notice of sum in arrears letter was beforehand to manage Mr B's expectations and to avoid causing him further distress and worry. I also think AFS could've got in contact with Mr B sooner as it wasn't until Mr B contacted them in August 2020 that they let him know the missed payments were due.

I note Mr B has sent us comments from online forums about AFS and their service. However, I'm only looking at the specific circumstances of Mr B's complaint and not those of the online forums. And as explained above, there are instances where I think AFS could have done more.

Putting things right

I acknowledge Ms B, Mr B's representative, has told us about the impact this complaint has had on her – she's provided us with detail about the time she's spent trying to resolve things for Mr B. Whilst I note AFS sent Ms B flowers to say sorry for the distress caused to her, I must make it clear that we generally don't ask a business to make awards for trouble and upset caused to representatives of consumers. So, while I acknowledge what Ms B has told us about the stress and inconvenience this issue has caused her, I'm not planning on asking AFS to compensate her.

I understand Mr B is looking for a considerable amount of compensation to recognise the issues he's experienced. Mr B has also said AFS should be fined for their failings and poor customer service. It's important to stress that our service doesn't punish or fine a business for getting things wrong. Instead, we can award compensation to consumers for any financial loss and potential upset and inconvenience caused by a business' error.

I can understand the worry Mr B was caused when finding out his credit file had been impacted due to the adverse information AFS recorded – especially as AFS had told Mr B that they'd monitor this and make manual adjustments. Letters were also sent to Mr B incorrectly which caused further worry and concern to Mr B. I've acknowledged that AFS' service was impacted due to Covid-19 and I appreciate they may have been difficult to successfully get hold of. But I think there were times where they could have communicated better with Mr B – especially after the 60-day breathing space had ended.

I also think Mr B would have been caused some worry and inconvenience when finding his credit file had adverse information, despite AFS telling him they'd make a manual adjustment to remove this information each month.

I note the agreement is now settled and therefore, no further adverse information should appear on Mr B's credit file. AFS have reassured us that this agreement will appear as settled from mid-August on Mr B's credit file.

I can appreciate why Mr B is asking for a considerable amount of compensation in recognition of what went wrong. However, when thinking about fair compensation, I've also taken into consideration what's already been awarded by AFS to Mr B. AFS refunded Mr B the monthly payment he'd made in April 2020 and this was a total of £264.21. AFS also offered Mr B an experience day in recognition of the distress caused. More recently in July 2021, Mr B told us his credit file had been impacted again. To apologise for this, AFS paid £360 for the alloy wheels on Mr B's car to be sprayed in recognition of the embarrassment caused when Mr B's application for a mobile phone contract got declined. I think this offer goes some way to recognise the errors and issues caused.

Having thought about the worry and inconvenience Mr B experienced, I currently think AFS should pay Mr B £100 compensation. I think in the round, the awards made by AFS and the additional £100 fairly compensate Mr B.

Responses to my provisional decision

AFS responded to my provisional decision, letting me know they accept my findings and had no further comments for me to consider.

Mr B provided several responses disagreeing to my provisional decision. In one of the responses, Mr B's representative said my decision wasn't reflective of Mr B's complaint in any way. I responded and gave them the opportunity to clarify anything they felt wasn't understood by 12 October 2021. However, they didn't respond. So, I'm treating everything that was said in response to my provisional decision as Mr B's comments. I've summarised these points in my own words.

Mr B reiterated that he attempted to contact AFS on numerous occasions via different methods but had no success. Mr B says the £100 I recommended AFS pay for the distress and inconvenience caused to him doesn't take into account the time and frustration spent on trying to contact them.

Mr B also added AFS' failure to offer him a payment deferral was in breach of the FCA guidance and that other lenders followed the guidance when they provided him with a payment deferral. Mr B said while my provisional decision recognised how AFS eventually resolved the issues Mr B faced, it doesn't recognise the effort he had to go through in order for AFS to put things right for him.

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.

I want to assure Mr B that I've read all of the responses he's provided to my provisional decision. And I appreciate Mr B's frustrations at the service he received from AFS. However, I want to make clear that I don't think it's in dispute that AFS got things wrong and there were times where they could've done things better.

I note Mr B doesn't feel the compensation I've asked AFS to award sufficiently recognises the distress and inconvenience he suffered. But when thinking about this, I've got to be conscious of the fact that AFS rectified matters when they did go wrong, even if this may have not been as quickly as expected.

I've reconsidered what AFS have already awarded Mr B and this is a total of around £600 – I've come to this figure by calculating the amount AFS paid Mr B to have his alloy wheels sprayed on his new car, the refund of the April 2020 payment Mr B made and the likely cost of the experience day AFS awarded Mr B. In considering this, I've looked at our bands of award and I can see this amount fits into the 'substantial' band. Having thought about all of this, I think this – and the additional £100 – reasonably reflects the overall distress and inconvenience Mr B suffered.

I note Mr B has provided us with more customer comments from online forums of the service they've received from AFS. As previously explained, I'm only looking into the individual circumstances of this complaint. So, I won't be commenting on these extracts any further.

My final decision

For reasons explained above, I uphold this complaint. And I direct Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (AFS) to pay Mr B £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 November 2021.

Leanne McEvoy
Ombudsman