

The complaint

Mr K complains that Volkswagen Financial Services (UK) Limited trading as Bentley Financial Services (VWFS) recorded missed payments on his credit file after he requested a payment holiday he needed as a result of the Coronavirus (Covid-19) pandemic.

What happened

In August 2018, Mr K was supplied with a new car through a hire purchase agreement with VWFS. The agreement was for £279,207 over 48 months; with 48 monthly repayments of £4,728, and a final payment of £127,822.

In March 2020 Mr K contacted VWFS to ask about a payment holiday as his income had reduced due to the Covid-19 pandemic. He's unhappy that VWFS marked his credit file with missed payments for five months. He said they told him in July 2020 that they'd remove all adverse markers from his credit files. He said he had to contact them again in September 2020 as the markers were still present. He said this meant he lost his deposit on a new car.

He said he had to contact them again in April 2021 as his credit file was again showing arrears.

Mr K said he lost £8,000 as he was unable to get a payment holiday from another credit provider due to the credit issues caused by VWFS.

He also said he had to obtain finance on two other cars at a higher rate because of the credit issues caused by VWFS. And he had to sell the car because he had to end the agreement. He says he lost £100k on the value of the car.

VWFS said Mr K's request for a payment deferral was declined as he was already three months in arrears by the time he made the request. They said this would have significantly increased the contract term, and/or the monthly payment. So they said they agreed a normal arrangement to pay rather than a payment deferral.

They said arrears were automatically recorded with the credit reference agencies, but they took steps afterwards to remove these manually. Unhappy with this Mr K complained to this service. He was unhappy that the issue with reporting adverse information to his credit file had happened again, after it had been initially fixed. He said he wanted compensation for the losses he said this caused him.

Our investigator didn't think VWFS had acted fairly when they declined Mr K's request for a payment holiday. And he thinks that because of this VWFS recorded arrears on his credit file and this shouldn't have happened.

He said VWFS should pay Mr K £200 for the distress this had caused. But he wasn't satisfied that Mr K's losses were solely and directly due to the adverse information recorded on the credit file.

Mr K disagreed and asked for an ombudsman's decision. He said his losses were due to adverse information VWFS placed on his credit file. He said his losses amounted to £73,000 – this was made up of £27,000 on two other cars – this was the difference in overall cost as he had to enter into more expensive credit agreements. He said he had to sell the car and end the agreement as this was the only way he could stop VWFS marking adverse markers on his credit file. He said this resulted in a £40,000 loss from the sale of the car that was the subject of this agreement. He also wanted £1,000 for his time wasted in calls to VWFS.

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.

I think it's important that I explain my role isn't to fine or to punish a business – that's the role of the regulator, the Financial Conduct Authority (FCA). My role is to look at the issues that a consumer – in this case Mr K – may have experienced, and see if the business – in this case VWFS – have done anything wrong. If they have, I look to put the consumer back in the position they would've been in if the mistakes hadn't happened.

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 K 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.

As stated above, the FCA issued temporary guidance, that came into effect on 27 April 2020, for customers who were faced with payment difficulties as a result of Covid-19. The purpose of the guidance was to provide *"exceptional and immediate support to customers facing payment difficulties due to circumstances arising out of coronavirus"*.

Mr K first contacted VWFS to request a payment holiday in March 2020, before the FCA issued its guidance. VWFS said it didn't consider a payment holiday was appropriate at the time – I disagree. I accept that the FCA guidance wasn't available to them when the guidance was issued. But they had the opportunity to correct this after the guidance was issued.

If they had, I think it more likely than not that they would have given Mr K a payment holiday, of three months, and would likely have granted a further three months when the FCA issued its later guidance in July 2020. And, in line with the guidance, they wouldn't have treated Mr K as if he was in arrears, and wouldn't have reported the missed payments to Credit Reference Agencies (CRA) during the payment deferral period.

In September 2020 VWFS agreed that Mr K could repay the arrears over a 12-month period, and to remove all negative markings on his credit file. So I'm satisfied that whilst this could've happened sooner, VWFS did correct the situation, and put Mr K in the position he would've been in if they'd dealt promptly and appropriately with his request for a Covid related payment deferral.

Credit reporting

As I've already said, the FCA guidance says where a payment deferral is granted to customers who need support because they faced payment difficulties due to circumstances arising from Covid, businesses like VWFS shouldn't report missed payments to the CRAs. VWFS wrongly reported missed payments to the CRAs.

But I can see from the file that VWFS took steps to amend Mr K's credit file in September 2020. And I'm satisfied they were monitoring Mr K's file as they said they had done. I say this because I can see they made an amendment in November 2020 when they found a negative marking for October 2020.

So they took corrective action, and while it took longer than I'd have expected, they put Mr K back in the position he should've been if they'd correctly applied the FCA guidance sooner.

Mr K's consequential losses

Mr K says his losses were caused by VWFS recording missed payments on his credit file. I'm not persuaded that is the case. He has provided evidence that he entered into agreements in September 2020 and December 2020, and he says these are at a higher rate of interest than he could have got if his credit file wasn't showing missed payments.

But I'm not persuaded that the recording of missed payments was the direct cause of this. I say this because there are a number of factors that lenders consider when making a decision to lend, and when applying an interest rate.

Information on a credit file is just one factor. Other factors include general market conditions, and Mr K's financial situation at the time. We know that both of these were heavily impacted by the Covid pandemic at the time he took out the new agreements. And I've said why I'm satisfied that VWFS had corrected the credit file in September 2020 – and Mr K would've been able to explain this to any lender.

He also said he had to sell the car that was the subject of the agreement. He said he had to do this to stop VWFS applying negative markers on his credit file. That was his choice. But I've said above why I'm satisfied that VWFS were monitoring the file and ensuring any wrongly placed adverse markers were removed promptly.

I also think £200 is a fair amount to award for the distress and inconvenience caused. I say this because VWFS didn't resolve the issue as quickly as it could've done, and it took Mr K several phone calls to get the issue resolved.

Putting things right

To put things right VWFS must pay Mr K £200 to compensate him for the distress and inconvenience they caused him.

My final decision

For the reasons explained, I uphold Mr K's complaint. Volkswagen Financial Services (UK) Limited trading as Bentley Financial Services must follow my directions above

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

Gordon Ramsay
Ombudsman