

The complaint

Mr S is unhappy that MotoNovo Finance Limited ("MotoNovo") didn't reinstate his Direct Debit following a payment deferral. He complains this led to MotoNovo reporting adverse information to credit reference agencies.

What happened

Mr S acquired a car under a 49 month hire purchase agreement with MotoNovo in November 2018. The car cost £21,000. Under the agreement, Mr S was required to make 48 payments of £309.78, followed by a final payment of £9,002.17 if he wanted to keep the car.

Due to the impact of COVID-19, Mr S contacted MotoNovo and requested a payment deferral. It agreed a payment deferral for May, June and July 2020. In August 2020, Mr S made a manual payment of £929.34 which was the amount of arrears owed under the three month payment deferral.

In November 2020, Mr S contacted MotoNovo as he said he received a notification from a credit reference agency letting him know he was in arrears with his MotoNovo account. Mr S says MotoNovo told him it would collect the monthly payments normally by Direct Debit after the payment deferral ended. However he says it didn't do this and neither did it notify Mr S that his account was arrears. Mr S complained to MotoNovo.

MotoNovo issued its response to Mr S's complaint. It said the terms of the payment deferral meant that Mr S needed to contact MotoNovo at the end of it to restart his monthly repayments. And it said he didn't do this, meaning payments were missed from August, September and October 2020.

It confirmed it had received a payment of £929.34 from Mr S in August 2020 which was the total amount outstanding from the payment deferral. However, it didn't receive the monthly payments owed from the further missed payments until November 2020. And as a result of this, it said it correctly reported arrears markers to credit reference agencies.

Unhappy with this response, Mr S referred his complaint to our service. He said he wasn't aware that MotoNovo hadn't taken payments from him after the payment deferral had ended. He said he only became aware this hadn't restarted when a credit reference agency notified him he was in arrears with his MotoNovo account. He said he wanted MotoNovo to amend the information it had reported to credit reference agencies.

Our investigator looked into Mr S's complaint and thought that MotoNovo hadn't clearly told Mr S that he would need to reactivate his Direct Debit after the payment deferral ended. He recommended that MotoNovo remove the late payment markers from Mr S's credit file and pay him £100 compensation for the distress and inconvenience caused.

MotoNovo disagreed and said that Mr S had cancelled the Direct Debit when the payment deferral started. And so it said it wouldn't have been able to reinstate it once the payment deferral ended. It agreed that the wording of the payment deferral email could have been clearer but said this was a standardised template it used. It said that Mr S was responsible for making sure he made repayments on time and so didn't think it was reasonable for it to amend his credit file.

As MotoNovo remains in disagreement, the case has been passed 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.

Mr S 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 Financial Conduct Authority (FCA) issued temporary guidance on 24 April 2020, that came into effect on 27 April 2020, about customers who were faced with payment difficulties as a result of Covid-19. This allowed financial businesses such as MotoNovo to grant a three-month payment deferral to people like Mr S. The guidance said that *"a firm should grant the customer a payment deferral for 3 months unless the firm determines (acting reasonably) that it is obviously not in the customer's interests to do so."* The guidance also said that *"firms should not report a worsening arrears status on the customer's credit file during the payment deferral period."*

Mr S was granted a three month payment deferral between May 2020 and July 2020. It wrote to Mr S in May 2020 to set out the terms of the payment deferral and the next steps. Mr S has provided us a copy of this email.

In this email MotoNovo said:

*"we are pleased to confirm that your request for a three month repayment deferral has been approved ... Right now you don't need to do anything more. Just to make you aware, if you have a payment due in the next 8 days it will be taken as normal. The pause in payments will start after that. It's important to make it clear that this deferral (also known as a 'concession') is a temporary pause in your repayments and does not change or vary your Agreement in any way, so your next three monthly repayments have been put on hold, not cancelled ... **at the end of the deferral period, your normal repayment will start again.**"*

There's nothing in this email which explains Mr S would need to contact MotoNovo to restart the payments at the end of the payment deferral period. Instead the email says that the payment collection is on hold, not cancelled, and normal repayments would *"start again"* once the deferral period had ended.

I'm not satisfied that this email clearly explains to Mr S that he would need to restart payments at the end of the payment deferral period. Instead, I think it suggests that payments will be collected as normal, without Mr S needing to take any further action, at the end of the payment deferral period. And I'm satisfied from what he said that Mr S relied on this email to inform his actions.

MotoNovo said Mr S cancelled his DD – although it hasn't shown this was the case. But, even if this was correct, I still think the email above implies the payments would start again without Mr S taking further action. So, either way, this doesn't change my opinion.

MotoNovo has also said in its initial email to Mr S about the payment deferral, *"We'll work with you to agree an appropriate arrangement to help you repay the deferred payments"*. However, in August 2020, Mr S repaid the repayments owed under the deferral period. So he didn't need to work with MotoNovo to agree an appropriate arrangement to repay the deferred payments. There isn't anything else in the email to suggest that Mr S would need to do anything further about reinstating his existing monthly repayments. And MotoNovo has already accepted the wording of the email could have been clearer. So I think MotoNovo didn't make it clear to Mr S that he'd need to reinstate his Direct Debit after the payment

deferral ended. And I'm satisfied that Mr S acted reasonably by expecting MotoNovo to restart collection of the monthly payments, rather than contacting it to arrange this.

I understand MotoNovo says that it was down to Mr S to ensure he made repayments under his agreement. Whilst I appreciate this, I don't think there was anything to suggest that MotoNovo wouldn't collect the monthly repayments from Mr S after the payment deferral had ended. So I don't think it was unreasonable for Mr S to assume the repayments would be reinstated at the end of the payment deferral.

Overall, I don't think MotoNovo clearly told Mr S that he would need to set up his Direct Debit again after the payment deferral ended. So I'm satisfied it was fair for Mr S to assume the monthly payments would reconvene after the payment deferral ended. And so I think MotoNovo should put things right by removing the late payment markers.

I've also considered that Mr S was inconvenienced by what happened. This meant he had to contact MotoNovo to reactivate the Direct Debit. And Mr S's credit file has been incorrectly reporting arrears since August 2020. I understand this has caused distress to Mr S. And so I think MotoNovo should compensate Mr S £100 for the distress and inconvenience caused.

My final decision

My final decision is that MotoNovo Finance Limited should do the following:

- remove any adverse information reported to credit reference agencies about the payments due between August and November 2020 from Mr S's credit file; and
- pay Mr S £100 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 May 2022.

Sonia Ahmed
Ombudsman