

## **The complaint**

Mr J has complained about how MotoNovo Finance Limited (MotoNovo) handled a payment deferral that was applied to his account.

## **What happened**

In August 2017, Mr J entered into a hire purchase agreement with MotoNovo to acquire a used car. The cash price of the car was around £7,685. The total amount payable was around £9,952. There was one monthly payment of around £311 starting one month after execution of the finance agreement, followed by 58 monthly payments of around £161 per month, followed by one final monthly payment of around £311.

In June 2020, Mr J contacted MotoNovo and they agreed to provide him with assistance because he was experiencing financial difficulty as a result of the Covid-19 pandemic. MotoNovo agreed to provide Mr J with a payment deferral from 1 July 2020. On 19 June 2020, when MotoNovo confirmed the payment deferral, they said that it wouldn't affect his credit rating. Towards the end of August 2020, Mr J contacted MotoNovo and he confirmed that he was able to resume his monthly payments and he requested to spread the outstanding arrears from the payment deferral over the remainder of the finance agreement. Based on this option Mr J's monthly payments increased to around £181 a month.

In November 2020, Mr J contacted MotoNovo because he noticed a late payment marker on his credit file for his September 2020 payment. MotoNovo confirmed this was a mistake and said they would remove it. And then again in December, Mr J contacted MotoNovo because his credit file was showing a negative marker for his November 2020 payment. MotoNovo again agreed to amend this. In January 2021, Mr J contacted MotoNovo because this time his credit file was showing missed payments for November and December 2020.

MotoNovo said that in January 2021, they updated the credit reference agencies and they also put measures in place to prevent the incorrect reporting from happening again. They also apologised and said they would arrange to pay Mr J £75 compensation.

Mr J was unhappy with this. He was also unhappy that one of the credit reference agencies had decreased his credit score after a 'Special Arrangement' was recorded on his credit report by MotoNovo. So, he brought his complaint to this service.

Our investigator thought the complaint should be upheld in part. He thought that MotoNovo should pay Mr J a total of £150 for the distress and inconvenience caused. But he also thought that MotoNovo was reporting correct information on Mr J's credit file as Mr J did have an arrangement to pay in place.

MotoNovo agreed with the investigator, but Mr J disagreed. In summary, he told us that he didn't expect more money, but he said that he wanted his credit score on his credit file not to be negatively affected.

As Mr J didn't agree with the investigator, the complaint has been passed to me to decide.

In March 2022, I called MotoNovo and, in summary, I said that I didn't think it was fair in this particular case for MotoNovo to be reporting an arrangement to pay on Mr J's credit file. I explained that I thought that the guidance on how consumers should be treated if they have been affected by Covid-19 pandemic, including the guidance published for firms by the Financial Conduct Authority (FCA), stipulated that that firms should not be reporting an arrangement if this causes a worsening status on a credit file. This is especially the case where a mechanism to repay deferred amounts is agreed at the end of a payment deferral period, and the customer can resume at least the level of contractual payments. So, I asked if MotoNovo were happy to stop reporting the arrangement to pay on Mr J's credit file and pay the further £75 for a total of £150 compensation.

In May 2022, MotoNovo replied to our service, and they said that they agree to pay the additional £75 for the distress and inconvenience caused. But they didn't agree to remove the arrangement to pay. They said that this was because Mr J requested a payment deferral, so this should be reported correctly.

### **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.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time. The rules and guidance mentioned below refer to 'customers' and 'consumers', and I will be using these words interchangeably, but in this decision the words are to have the same meaning.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

Mr J acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements.

MotoNovo have told us that all adverse information surrounding the missed payments were requested by them to be removed from Mr J's credit file. So, the only issue remaining for me to consider is the impact MotoNovo's error had on Mr J, and then whether it's fair for MotoNovo to report to credit reference agencies that he had an arrangement to pay.

I've taken into consideration everything Mr J told us about the impact of MotoNovo's mistake had on him. When considering the fair amount of compensation, I've also kept in mind that MotoNovo agreed to remove the adverse information surrounding the missed payment, but if they have not done so, they should do so as soon as possible, and from all the credit reference agencies they report the information to. Mr J had to contact MotoNovo on a few different occasions as mistakes kept reoccurring. So, considering everything, I think MotoNovo's errors have caused Mr J distress and inconvenience when he was trying to sort this out. And I think that MotoNovo should pay Mr J a total of £150 to fairly reflect the impact their errors had on him. I understand that they have already paid £75, so I think now they should pay a further £75.

The other issue Mr J has is that MotoNovo has been reporting that he had an arrangement to pay, which he said impacted his credit score in a negative way. MotoNovo said that they believe that the information being reported to the credit reference agencies is accurate as Mr J had requested a payment deferral, so this should be reported correctly.

I'm aware that MotoNovo have a duty to report accurate and fair information to credit reference agencies. There is no question that Mr J had a payment arrangement on his account, but I've thought about whether it would be fair and reasonable for MotoNovo to report this information to the credit reference agencies, considering the specific circumstances of this complaint.

When considering the above, among other things, I've taken into account the guidance published by the FCA. On 24 April 2020 the FCA published the guidance – "Motor finance agreements and coronavirus: temporary guidance for firms". This guidance introduced temporary measures for consumers whose finances had been impacted by Covid-19, and it builds on Principle 6: ("A firm must pay due regard to the interests of its customers and treat them fairly"). The guidance states the following: "Where a customer is already experiencing or reasonably expects to experience temporary payment difficulties as a result of circumstances relating to coronavirus, and wishes to receive a payment deferral, a firm should grant the customer a payment deferral for three months unless the firm determines (acting reasonably) that it's obviously not in the customer's interests to do so."

This guidance was further updated by the FCA in July 2020. This update was published a short period after Mr J first contacted MotoNovo, but I think it is relevant to this case, as it builds on the previous guidance. Also, the FCA in September 2020 released further guidance called "Consumer credit and Coronavirus: Additional Guidance for Firms". I believe this guidance is also relevant because under section '4 CRA Reporting' the guidance says that this specific section sets out FCA's expectations "of firms for Credit Reference Agency (CRA) reporting when dealing with customers who: • have been granted a payment deferral under the July guidance;". So first I should mention that I'm satisfied that all of the above FCA guidance applies to Mr J, as he was provided with a payment deferral under this guidance. With that said, I've gone on to look at what the guidance said about reporting information to the credit reference agencies.

The FCA guidance says that "firms should explain that a worsening status will not be reported to the customer's credit file in respect of any payment deferral taken under this guidance." I'm satisfied that is what MotoNovo had explained to Mr J. More specifically, they let him know that his credit file will not be negatively impacted due to him taking them up on their offer of a payment deferral. The guidance also says "In accordance with the relevant Coronavirus Data Reporting Guidance published by the Credit Reference Agencies (CRAs) in consultation with SCOR, firms should not report a worsening status on the customer's credit file during any initial or further payment deferral period." So, I've thought about whether what MotoNovo has been reporting would be considered "a worsening status" on Mr J's credit file.

In October 2021, Mr J has provided our service with a current screenshot showing that his credit file has been negatively impacted, whereby his credit score decreased by 159 points. This print screen shows that "Account status changed to agreed payments". And from another print screen he provided to our service, I can see that under the finance agreement Mr J had with MotoNovo it says "Special Arrangement". A third print screen shows under current status "Agreed payments", and higher up on that same print screen it shows "A Hire purchase account was changed to a negative status on your October report." So, I think most likely the way MotoNovo reported the deferral payments as "Agreed payments" or "Special Arrangement" has impacted his credit file in a negative way. And, I think, as his credit score has reduced in this particular case this, most likely, would be considered "a worsening status" on Mr J's credit file.

I've also considered what the FCA guidance issued in September 2020 mentions around the CRA reporting. And the guidance says that "Where a mechanism to repay deferred amounts is agreed at the end of a payment deferral period and the customer can resume at least the

level of contractual payments we would not expect this to result in the reporting of an arrangement to credit files (subject to subsequent payment performance being reported in the usual manner).” In Mr J’s situation, once the three-month deferral period ended, he was able to resume his monthly contractual payments, and he agreed to spread the outstanding arrears from the payment deferral over the remainder of the finance agreement. Based on this he was making increased payments of £181 a month. So, I thought about whether it was fair for MotoNovo to report an “Agreed payments” or a “Special Arrangement” to the credit agencies.

Overall I’m aware that MotoNovo had a duty to report accurate and fair information to credit reference agencies, but taking all of the circumstances of this particular complaint, in conjunction with the spirit of the above mentioned guidance published by the FCA, I don’t think it’s fair and reasonable for MotoNovo to report “Agreed payments” or a “Special Arrangement” to Mr J’s credit reference agencies. This is because Mr J’s credit score has been negatively impacted, and as such leading to “a worsening status”. Furthermore, as he was able to resume more than just the level of his contractual payments after the deferral period, I think it’s only fair and reasonable that MotoNovo in this particular case should remove the reporting of arrangement to pay from Mr J’s credit files.

Also, Mr J says that he was unable to get credit while the information on his credit file was being incorrectly reported. So, I’ve considered this, but I’ve not seen enough evidence for me to conclude that MotoNovo’s reporting of adverse information on Mr J’s credit file was most likely the reason for Mr J directly incurring a loss. From the available evidence, I haven’t seen anything to suggest that the adverse information recorded on his credit file was why he couldn’t obtain credit. So, I can’t say that most likely it’s MotoNovo’s action that directly caused him a financial detriment.

### **My final decision**

My final decision is that I uphold this complaint, and I require MotoNovo Finance Limited to take the following actions:

1. Pay Mr J a total of £150 compensation. I understand that £75 has already been paid so a further £75 should be paid;
2. Remove any adverse information recorded on Mr J’s credit file in relation to the hire purchase agreement, including, and during, the period between July 2020 and January 2021;
3. Remove the reporting of an arrangement to pay, including “Agreed payments” or a “Special Arrangement”, from Mr J’s credit file in relation to this hire purchase agreement.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J to accept or reject my decision before 29 June 2022.

Mike Kozbial  
**Ombudsman**