

The complaint

Miss D is unhappy that Volkswagen Financial Services (UK) Limited ('VWFS') terminated the hire purchase agreement she had with them.

What happened

On 3 October 2019 Miss D was supplied with a used car through a hire purchase agreement with VWFS. The agreement was for £10,248, with 48 monthly payments of £200.63, and a final optional payment of £4,207.50 if she wanted to keep the car.

Miss D said that her income had been affected by the coronavirus (Covid-19) pandemic, and that she was struggling to maintain the payments to the agreement. She says that she contacted VWFS in May 2020 and was told that she only had to start making payments towards her agreement when she was able to do so. But VWFS terminated the agreement. And when, in late 2020, she told VWFS that she was able to start making payments again, she says they weren't willing to let her clear the arrears and continue with the agreement.

Miss D complained to VWFS, but they didn't uphold her complaint. So, she brought her complaint to us for investigation.

Our investigator said that Miss D missed payments towards the agreement and, because of this, VWFS sent her arrears letters, and a default notice. The investigator said that Miss D had contacted VWFS twice about a payment holiday, which wasn't an option at the time of her requests. And, after receiving her second request, VWFS asked Miss D to complete an online form so they could consider what support was available. But she didn't do this.

The investigator was satisfied that Miss D didn't have a payment holiday, or any other type of arrangement in place. So, she was satisfied that VWFS acted reasonably by terminating the account after sending the default notice and not receiving any response from Miss D. And she didn't think VWFS needed to do anything more.

Miss D didn't agree with the investigator. She said that she didn't receive the default notice and would've acted immediately if she had – she would've started making payments once she was employed or surrendered the car. Miss D has also said that she needs the car for her work, so she doesn't think that it's fair that VWFS instructed a company to repossess it. And she's 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 have 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 what I consider was good industry practice at the time. Miss D was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

While I haven't had copies of the calls themselves, VWFS have said that Miss D called them on 2 March 2020 to ask about a payment holiday. And they say they told her that this wasn't an option at the time. Miss D doesn't dispute this call happened. VWFS say that Miss D called them again on 27 March 2020, but they still couldn't offer a payment holiday. But they explained Miss B's options to her – allowing her 60-days breathing space or setting up a repayment plan. VWFS say they also asked Miss B to complete an online financial difficulties form, but she didn't do so. Again, Miss D doesn't dispute that this call happened.

It wasn't until 27 April 2020 that the Financial Conduct Authority (FCA) issued guidance to financial businesses about customers whose incomes had been affected by Covid-19. And it was this guidance that allowed for a temporary (three-month) payment holiday. Given this, I'm satisfied that VWFS couldn't offer Miss D a payment holiday when she contacted them in March 2020, but they acted under the FCA's forbearance rules in place at the time by offering the assistance they did. And I haven't seen anything to show me that Miss B asked VWFS for a payment holiday once this option was available to her.

I've seen that VWFS wrote to Miss D on 17 March 2020, advising her that she was in arrears. And they asked her to call them to discuss this. This letter was followed by similar letters dated 4 April, 15 April, and 30 April 2020. VWFS also sent Miss D a default notice on 6 May 2020, asking her to pay the arrears of £601.89 by no later than 25 May 2020. Otherwise they may terminate the agreement and repossess the car. Miss D didn't clear the arrears but VWFS didn't terminate the agreement.

VWFS sent Miss D a further arrears letter dated 1 September 2020, giving a full breakdown of what payments were due, and what had been paid. This letter confirmed that the arrears were now £1,203.78. This was followed by a similar letter dated 29 January 2021, which showed that Miss D had made payments in September, October and November 2020. But hadn't paid anything in December 2020 or January 2021.

VWFS sent Miss D a second default notice on 8 February 2021, asking her to pay the £2,006.30 arrears by no later than 27 February 2021. They again said that failure to do this may result in the termination of the agreement and the repossession of the car.

Miss D emailed VWFS on 13 February 2021, about the letter she'd received saying "*that £2000 needed to be paid immediately*", and to ask what options she had. Because this email refers to the contents of the default notice, I'm satisfied that Miss D received this. And that she would've been aware what could happen if she didn't clear the arrears.

While VWFS say they explained to Miss D that they could set up a repayment plan, or they could offer her 60-days breathing space, I haven't seen any evidence of this. What I have seen is that VWFS asked Miss D to complete some security questions before they could reply to her query. And I haven't seen anything to show that Miss D did this.

I've also seen VWFS sent Miss D a chaser email on 12 March 2021, saying they'd not been able to get in touch with her, and asking her to contact them. This may have been in relation to Miss D not answering the security questions, or it may have been a follow up to the options VWFS say they gave to Miss B. Either way, Miss D didn't respond to this request. And, on 23 March 2021, VWFS wrote to Miss D to tell her the agreement had been terminated, and that they would start repossession proceedings.

VWFS wrote to Miss D about her arrears on at least nine separate occasions between 17 March 2020 and 23 March 2021. I'm aware that Miss D says she didn't receive some letters, but I've seen that they're all addressed correctly. And Miss D has confirmed that the address VWFS used is her residential address. What's more, I've not seen anything that indicates these letters weren't sent. Given this, I won't be holding VWFS responsible for Miss D not receiving these letters - they can't be held accountable for any failures in the postal service.

The agreement Miss D signed clearly said that missing payment could result in a default notice being issued and the car repossessed. While VWFS issued the first default notice in May 2020. As this was in the middle of a pandemic, and people's incomes were being affected as a result, I'm satisfied that VWFS acted reasonably by not terminating the agreement and repossessing the car at this point.

But as Miss D hadn't contacted VWFS about her arrears – even if she didn't receive the arrears letters, Miss D would've know she hadn't made all of the monthly payments, so she would need to make an arrangement with VWFS – I don't think that VWFS did anything wrong by issuing a second default notice in February 2021. Miss D received this default notice, and she contacted VWFS about it. But she didn't follow this up when VWFS requested asked her to do so. And this resulted in the termination of the agreement.

While I appreciate this will come as a disappointment to Miss D; given the above, I'm satisfied that VWFS acted reasonably by terminating their agreement with her, and by taking steps to repossess the car. So, I won't be asking them to do anything more.

My final decision

For the reasons explained, I don't uphold Miss D's complaint about Volkswagen Financial Services (UK) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 22 February 2022.

Andrew Burford
Ombudsman