

The complaint

Miss M is unhappy Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services ('VWFS') declined her request for a payment deferral when she was in financial difficulty due to COVID-19.

What happened

In August 2019 Miss M acquired a used car and took a hire purchase agreement with VWFS to finance the cost.

Unfortunately, Miss M was later furloughed due to the COVID-19 pandemic and had a reduction to her income. She emailed VWFS in April 2020 and asked for assistance. She received an automatic email back detailing some support that might be available. She emailed VWFS again later in the month asking for help. At this point Miss M said she couldn't make her monthly repayment and so cancelled her direct debit.

VWFS then said to Miss M that she could apply for a payment deferral and sent her some details of how to do so. Miss M continued to contact VWFS asking for assistance and she asked for its collections department to call her back, which wasn't done.

In July 2020 Miss M spoke to someone at VWFS and again asked for help with her situation. VWFS then told her that she wasn't eligible for a payment deferral as her account was in arrears. It instead offered her 'breathing space' or said she could voluntarily terminate the agreement if she paid around £8,000.

Miss M was unhappy with this and complained to VWFS. It issued its final response. In summary, this said it was right that Miss M wasn't eligible for a payment deferral due to arrears on the account. It said the service Miss M had received fell below what it would expect, as it didn't call her back when she asked. VWFS waived £298.42 from her account because of this.

Miss M remained unhappy and brought the complaint to our service. While we were looking into things, Miss M told us she was now back at work and had arranged a payment plan with VWFS.

Our investigator upheld the complaint. She said, in summary, that VWFS didn't act in line with the Financial Conduct Authority's ('FCA's) guidance and it should've given Miss M a payment deferral to cover May, June and July 2020. She thought it was likely a further payment deferral should've also then been given for the following three months. So, she said the payment deferral should now be backdated to cover this period and Miss M's credit file should be amended to show this.

VWFS disagreed with this. It went into some detail about its processes at the time and what it did in response to the FCA guidance. Our investigator explained this didn't change her opinion. So, 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.

Having done so, I think this complaint should be upheld. I'll explain why.

Miss M complains about support offered in relation to a hire purchase agreement. Entering into regulated consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Miss M's complaint against VWFS.

What I need to consider here is whether VWFS acted fairly when it declined Miss M's request for a payment deferral. If it didn't, I need to think about what should've happened and what, if anything, VWFS need to do to put things right.

Should the payment deferral have been agreed?

I accept VWFS's point that the FCA hadn't yet issued specific guidance to firms about COVID-19 when Miss M first got in touch with it. But, it still needed to follow the existing relevant rules that were in place. Some of these are set out in the FCA's Consumer Credit Sourcebook (CONC).

I appreciate that due to COVID-19 businesses were dealing with an unprecedented situation at this point. But I can't see VWFS initially took any action other than sending Miss M an automatic reply to her email. This email included details of support potentially available, but I can't see it gave details of how to access it, or that anything specific was considered for Miss M.

When considering what's fair and reasonable, I take into account relevant law, guidance and regulations. On 24 April 2020 the Financial Conduct Authority ('FCA') published guidance 'Motor finance agreements and coronavirus: temporary guidance for firms'. This came into effect on 27 April 2020 and explained:

"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 3 months unless the firm determines (acting reasonably) that it is obviously not in the customer's interests to do so".

In May 2020 Miss M asked VWFS for a payment deferral. I'm satisfied VWFS would've been aware that she was experiencing temporary financial difficulty as a result of COVID-19. I say this because Miss M told VWFS that her financial issues were due to her being furloughed and I can see this is specifically recorded on its contact notes.

Miss M didn't get a response to her request for a payment deferral until July 2020. At this point, VWFS declined her request as it said she wasn't eligible for the support as she had missed three repayments.

I've thought carefully about this. But, I don't think VWFS acted fairly and reasonably here. The FCA guidance said, in very brief summary, to provide a payment deferral to consumers who were experiencing temporary financial difficulty due to COVID-19. VWFS declined this support to Miss M *because* she was experiencing temporary financial difficulty due to COVID-19. This does not make sense to me, nor does it follow the letter nor the spirit of the FCA guidance.

I have considered that VWFS told us Miss M contacted them in early May 2020 and said she was not in need of a payment deferral. I'm not sure if this was a mistake from VWFS, but

either way I can see she told it around this time in an email "*I do need the Deferral option as I have been furloughed since March*". So, this doesn't change my opinion.

I've also carefully considered what VWFS said in response to our investigator's view. It gave quite a lengthy, detailed reply with a number of points to think about. But, I won't echo the same level of detail here. This is because all of this information is about VWFS's general approach to payment deferrals and its general response to the FCA guidance – it doesn't address anything specific about Miss M.

I want to reassure VWFS that I have read everything it said in response to the investigator's view. And I appreciate it was dealing with a very difficult situation and had to quickly react to rules and guidance that came out. But, it hasn't mentioned anything to persuade me it was in Miss M's best interests to decline her request for a payment deferral.

What should've happened?

As I've explained above, I don't think it was reasonable for VWFS to decline Miss M's request for a payment deferral. It follows that I'm satisfied she should've been given a deferral to cover the May, June and July 2020 repayments.

I'm aware that at the point the deferral would've ended, Miss M hadn't returned to work full time. So, I've considered what should've happened once her initial deferral period ran out.

The FCA issued further guidance that came into effect on 17 July 2020. Part of this explained, in summary, that at the end of a three month payment deferral, if a consumer is still unable to afford any payments, then a firm should offer a further payment deferral – if this is in the consumer's best interests.

So, I think it's most likely, on balance, that VWFS should've agreed a further payment deferral to cover August, September and October 2020.

Thinking about how to put this right, Miss M cancelled her direct debit and didn't make any repayments towards her agreement during this period. So, VWFS do not need to refund her anything. But, I think it's fair and reasonable that it treats the account as though these payment deferrals were put in place. And, it should update Miss M's credit file to reflect this.

Customer service

Miss M was unhappy that she asked VWFS to arrange for its collections team to call her directly and this wasn't done. I understand VWFS were receiving a lot of requests at this time and dealing with a lot of issues due to the pandemic. So, I understand why it wasn't possible to call Miss M. But, I do think it should've made it clear to her that it wouldn't be able to do so rather than trying to arrange this.

I also think Miss M was waiting too long for VWFS to respond to her request for help, even taking into account the situation with COVID-19.

Finally, I think not being given a payment deferral when she should've been has also caused Miss M distress and inconvenience.

I've thought about whether to make an award here. VWFS said it has already waived one month's repayment, £298.42, from Miss M's account, to apologise for the customer service provided. Taking everything into account, I don't think it needs to do anything further here.

My final decision

My final decision is that I uphold this complaint. I instruct Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services to put things right by doing the following:

- Treat the account as though a payment deferral was put in place to cover six months from May to October 2020
- Amend Miss M's credit file to reflect the above
- Arrange for the deferred payments from the above period to be repaid in line with the relevant FCA guidance

Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services should also treat Miss M's current financial situation with forbearance and due consideration.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 17 January 2022.

John Bower
Ombudsman