

The complaint

Mr J is unhappy with how MotoNovo Finance Limited dealt with his request for assistance as a result of the Coronavirus (Covid-19) pandemic.

What happened

In February 2018, Mr J was supplied with a used car through a hire purchase agreement with MotoNovo. The agreement was for £8,775.69 over 48 months; with an initial payment of £468.39, 46 monthly repayments of £269.39 and a final payment of £468.39.

Mr J's income was affected by Covid-19 and, in June 2020, he applied for a payment deferral. Which MotoNovo accepted. The payment deferral covered the payments due in July, August, and September 2020. Mr J was unhappy that MotoNovo didn't reactivate his direct debit, which meant the payments for October and November 2020 weren't collected. And MotoNovo reported this to the credit reference agencies as arrears.

MotoNovo said that Mr J had been correctly informed about the payment deferral process, and what he needed to do once this ended. So, they didn't think they'd done anything wrong. Mr J wasn't happy with this response, and he brought his complaint to us for investigation.

In an email dated 23 June 2020, MotoNovo said *"at the end of the deferral period, your normal repayments will start again."* Our investigator said this implied that the payments would automatically recommence, and he didn't think it was reasonable for Mr J to conclude it meant that he needed to contact MotoNovo to set up a new direct debit – which is what MotoNovo said was their process. So, he didn't think MotoNovo made their process clear.

MotoNovo agreed that the missed payments for October and November 2020 would be added to the end of the agreement – which is also what happened with the deferred payments for July to September 2020. And the guidance issued by the Financial Conduct Authority (FCA) about customers whose income was affected by Covid-19 allowed MotoNovo to offer up to six-months payment deferral. So, the investigator said that, as MotoNovo had essentially treated the October and November 2020 payments as part of the payment deferral, then they shouldn't have reported them as missed payments.

Given all of this, the investigator said that MotoNovo should remove the missed payments from Mr J's credit file and pay him an additional £200 for the trouble and upset he'd been caused.

MotoNovo didn't agree with the investigator. They said they spoke to Mr J when they set up the payment deferral and told him he would need to call them back when the payment deferral ended, to set up the payments again. And they confirmed this in an email dated 23 June 2020. They also said that Mr J should've contacted them when the payment for October 2020 didn't go through. Because of this, they think they correctly reported the arrears on Mr J's account.

Because MotoNovo didn't agree with the investigator, this matter has been passed to me 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'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.

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 J 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 J. 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."*

The FCA issued updated guidance on 15 July 2020. This guidance said that, *"Where, after an initial payment deferral, and at any time before their first payment is due, a customer indicates they remain in temporary payment difficulties and cannot resume full payments immediately, a firm should offer a full or partial payment deferral to reduce payments for a period of 3 months to a level the customer indicates they can afford. If the customer is in temporary payment difficulties but is unable to afford any payments, the firm should offer them a full payment deferral where this is in the customer's interests."*

MotoNovo have said they told Mr J, in a call on 23 June 2020, that he would need to contact them at the end of the payment deferral period, to arrange to restart the payments. They've also said they confirmed all of this in a follow up email sent then same day.

MotoNovo haven't been able to provide a copy of the call they had with Mr J. But I have seen a copy of the email they sent on 23 June 2020. In this email MotoNovo said *"we are pleased to confirm that your request for a three month repayment deferral has been approved ... 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 J 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 restart once the deferral period had ended.

I'm not satisfied that this email clearly says what MotoNovo thinks it does. And, instead, it implies that payments will be collected as normal, without the need to Mr J to take any further action, at the end of the payment deferral period. What's more, if this email accurately reflects what Mr J was told by MotoNovo, then I'm not satisfied what he was told on the phone call would've been clear either, especially as MotoNovo's case notes for the call refer to Mr J's direct debit being *"suppressed"* and not 'cancelled', which is what I'd expect if the direct debit needed to be set up again.

Mr J has also provided a screenshot of an email he received from MotoNovo. This email says *“your Payment Deferral arrangement on your vehicle finance agreement with us is due to come to an end soon but don’t worry, we’re here to help you decide on your next steps. When your Payment Deferral ends your normal monthly payments will restart.”* The date of this email is unknown, and it doesn’t appear in MotoNovo’s case notes. However, from the content of this email, I think it’s likely this was sent to Mr J in September 2020.

MotoNovo have also referred to text messages they sent to Mr J about the payment deferral. In a text message dated 23 July 2020 – a month into the three month payment deferral – they told Mr J *“your Payment Deferral is coming to an end soon, you need to choose how you’d like to make up your Deferred Payments.”* And Mr J was provided with a link to MotoNovo’s website.

Four days later, on 27 July 2020, MotoNovo sent Mr J a further text message, saying *“your Payment Deferral is coming to an end soon”* and providing the same link to choose how to repay the deferred payments.

MotoNovo sent Mr J a third text message on 26 October 2020 – about a month after the payment deferral had ended, saying *“your Payment Deferral is coming to an end soon, you need to choose how you’d like to make up your Deferred Payments.”* And Mr J was provided with a further link to MotoNovo’s website.

None of these text messages make it clear that Mr J needed to contact MotoNovo to set up a new direct debit. Given this, I’m satisfied that Mr J acted reasonably by expecting MotoNovo to restart payment collection, and by not contacting them to arrange for this.

MotoNovo’s case notes also show that Mr J contacted them on 9 November 2020, to let them know that his income was still being affected by Covid-19. And he followed this up with an email the same day saying, *“I’m willing to go back to my normal payments in December.”*

Under the FCA guidance, it’s clear that MotoNovo should’ve offered Mr J a payment deferral extension to cover the payments for October and November 2020. And these payments shouldn’t have been recorded as arrears on his credit file. But, MotoNovo didn’t do this. Even though they added the missed payments to the end of the agreement, they still reported two months arrears. So MotoNovo need to do something to put things right.

Putting things right

MotoNovo have reported arrears on Mr J’s credit file, and this needs to be corrected. Mr J has also provided evidence that he was unable to get a mortgage with a 10% deposit due to adverse entries on his credit file, and that a 15% deposit would be needed. While I haven’t seen anything to show me that Mr J went ahead with this mortgage, I’m satisfied that MotoNovo should compensate Mr J for the inconvenience and upset this caused.

So, MotoNovo should:

- remove any adverse entries relating to the payments due from July to November 2020 from Mr J’s credit file, and
- pay Mr J an additional £200 for the inconvenience and upset the incorrect recording of arrears has caused.

My final decision

For the reasons explained, I uphold Mr J's complaint and MotoNovo Finance Limited need to follow my directions above.

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

Andrew Burford
Ombudsman