

The complaint

Mr B complains about the service he received when he approached SCOTCASH C.I.C. trading as Scotcash for help due to the impact of Covid-19.

What happened

In November 2019, Mr B entered into a loan agreement with Scotcash. In May 2020, he asked Scotcash for a payment holiday. Scotcash agreed and the payment holiday was put in place before Mr B's June payment was due.

On 9 June 2020, Mr B contacted Scotcash and asked for a further payment holiday. This was put in place. Mr B says he understood that the payment holiday would cover the July and August payments. But, on 21 August 2020, Scotcash contacted him and said that he had missed the August payment. Mr B says he agreed to his Direct Debit being reinstated from 30 September 2020.

In January 2021, Mr B says he found out that there were several missed payments recorded on his credit file and that his loan balance was higher than he expected. He complained to Scotcash. It said that the payment holiday he had applied for in June 2020 only covered the July payment. Mr B hadn't made a payment in August and his Direct Debit was reinstated after the September payment date, so he had missed two payments which continued to be reported while the account was in arrears. Scotcash said that the loan balance was higher because additional interest had been applied in light of the payment holiday and the arrears.

Mr B wasn't happy with Scotcash's response and brought his complaint to this service. I issued a provisional decision on 8 March 2022, indicating my intention to uphold this complaint. Mr B accepted my provisional findings, but Scotcash didn't.

Scotcash says that Mr B never told it that Covid-19 was the reason he wanted a payment holiday. It says he mentioned this for the first time when he referred the complaint to this service. Scotcash says it had clear processes in place for dealing with Covid-19 related payment holidays and that, if Mr B had said at the time that this was why he needed a payment holiday, it would have followed those processes. I put Scotcash's comments to Mr B, who says that his request was related to Covid-19.

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.

I've carefully considered the parties' responses to my provisional decision and looked at everything again. I haven't seen anything which changes my mind about the appropriate outcome here, so I'm going to uphold this complaint. My reasons are set out below.

In April 2020, the Financial Conduct Authority (FCA) released guidance which said that firms should offer payment holidays of up to three months to customers who were negatively impacted by coronavirus. It said that customers' credit files shouldn't be affected

by taking a payment holiday. These measures were extended in July 2020, when the FCA said that firms should extend payment holidays for a further three months for customers who were still struggling due to Covid-19.

Scotcash says that Mr B didn't state at any point before coming to this service that his payment holiday request was related to Covid-19. I note that the emails between the parties from 9 June 2020 onwards don't refer to Covid-19. But I can't be sure what was said in any communications prior to that as I haven't seen those. Scotcash's note of the call on 21 August 2020 doesn't refer to Covid-19. But I don't think that proves it wasn't mentioned.

It's a very brief note of the conversation and is unlikely to record all that was said. Mr B has consistently described that conversation as being very helpful and reassuring. He says he explained to Scotcash's agent the issues he was having, both in relation to Covid-19 and other personal and health issues he was experiencing at the time. None of these details are recorded in the note, but that doesn't persuade me that they weren't discussed.

In any event, Mr B says that the only reason a payment holiday was available was the Covid-19 pandemic. Scotcash says that, as soon as the FCA guidance was announced, it actively advised every customer that payment holidays were available due to the pandemic. Given the timing of Mr B's first payment holiday request, I find it likely that he got in touch as a result of this proactive advice from Scotcash. I haven't seen any evidence that Scotcash was offering payment holidays to customers for reasons other than Covid-19. And, from the information available to me, I think Mr B was eligible for a payment holiday under the FCA guidance. So, I'm satisfied that the FCA guidance applies here.

Turning to the details of the payment holidays which were granted here, I'm satisfied that Mr B's initial payment holiday was for one month only (June 2020). Shortly after this, on 9 June 2020, he sent an email to Scotcash as follows: *"Hi I was looking to see if it was possible to have another month's payment holiday for my next payment due date..."*. In light of this, I'm satisfied that Mr B was only seeking a payment holiday for one more month. As his loan repayments were usually taken on the 1st of the month, Scotcash read his email as a request for a payment holiday for July 2020. I think that was reasonable.

Scotcash responded to Mr B as follows: *"Thank you for your enquiry. I have applied a payment holiday for your 1st July 2020 payment. Your next Direct Debit will be taken on 1st August 2020. Please be aware that interest will continue to accrue during this period."* I think it was clear from this that the payment holiday which had been granted would only cover the July payment and that payments would resume in August.

Mr B says he called and requested a further payment holiday for August. From the evidence available, I can't safely conclude that a payment holiday was requested before the August payment. And I'm satisfied there wasn't one in place for that month.

Scotcash says it tried to collect the August payment from Mr B's bank. It says the payment was declined because the Direct Debit had been cancelled by Mr B. I'm satisfied that Mr B cancelled the Direct Debit without informing Scotcash and without a payment holiday being in place for August. So I think it was reasonable that Scotcash tried to collect the August payment. When that failed, I think it was reasonable that Scotcash treated the account as being in arrears and reported a missed payment to the Credit Reference Agencies. But I think the situation changed when Scotcash spoke to Mr B on 21 August 2020.

It was agreed during this call that Mr B's Direct Debit would be reinstated from 30 September 2020. But, as I've indicated above, the parties' recollections differ about what else was discussed. Mr B says he explained that he wanted another payment holiday for August. He

says that Scotcash's advisor told him not to worry and that they would get it sorted. He says he took this to mean that it would be put through as a payment holiday.

Scotcash's notes of the call say *"Called the mobile and spoke to cust, he apologised for not being in touch but had been off his work due to issues with his health and had no funds coming in. Gets paid last day monthly so DD reinstated from 30/09 as will only get 2 weeks wages this month as just back at work"*.

As I explained above, I'm satisfied that Mr B was impacted by coronavirus and that he was eligible for a payment holiday under the FCA guidance. Scotcash had already agreed to two one-month payment holidays and Mr B's credit file hadn't been impacted by those. So it appears that Scotcash had been following the FCA guidance to some extent in relation to Mr B's account already. But I think it ought to have offered Mr B a further payment holiday during this call, to cover at least the August and September payments.

Instead, Scotcash agreed to set up Mr B's Direct Debit to start from 30 September. This was too late for the instalment which was due on 1 September. But the payment due date for September doesn't appear to have been changed to the 30th of the month. So, even though Mr B made a payment on 30 September, his payment for that month was recorded as being late. That doesn't seem fair, when he'd explained his circumstances to Scotcash and it had agreed a new collection date for the Direct Debit.

Scotcash's notes don't record any discussion of how Mr B's account or credit file would be impacted by this, which Scotcash accepts. Mr B clearly wasn't aware of the effect it would have. Even allowing for different recollections of exactly what was discussed, I think it's fair to say that the position could have been made clearer by Scotcash at the time. I'm not satisfied that it explained how Mr B's account and credit file would be impacted or suggested any alternative solutions. So I can't conclude that it followed the FCA's guidance or showed Mr B appropriate forbearance.

I think the FCA guidance ought to be applied retrospectively here. I realise that Mr B only asked for a one-month payment holiday initially, then one more month. But I think he could have been eligible for a payment holiday of up to six months under the FCA guidance. If Mr B had asked for a three-month payment holiday when he first contacted Scotcash in May, then asked to extend it, he could have missed the payments from June to September without any impact on his credit file. I don't think he should be in a worse position just because he didn't ask for a longer payment holiday, in line with the FCA guidance, from the outset.

Turning to the interest, I'm satisfied that Scotcash told Mr B that interest would continue to accrue during the payment holiday. And I haven't seen anything to suggest that the interest was calculated incorrectly. So I don't think Scotcash acted unfairly in this respect.

But I can understand the distress and inconvenience Mr B experienced upon finding out how his credit file had been impacted. This could have been avoided, as could the pressure to make payments while his work was being impacted by coronavirus, if Scotcash had dealt with his request for support more appropriately and in line with the FCA guidance.

I understand that Mr B's loan has now been repaid in full. In order to put things right, I think Scotcash should remove any adverse information reported to the Credit Reference Agencies from August 2020 onwards and pay Mr B £150 in compensation for the unnecessary distress and inconvenience caused.

My final decision

For the reasons above, I uphold this complaint. SCOTCASH C.I.C. trading as Scotcash should:

- remove any adverse information reported to the Credit Reference Agencies from August 2020 onwards; and
- pay Mr B compensation of £150.

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

Katy Kidd
Ombudsman