

The complaint

Mr A 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 March 2018, Mr A was supplied with a used car through a hire purchase agreement with MotoNovo. He paid a £2,000 deposit and the agreement was for £12,175 over 60 months, with 59 monthly repayments of £277.55, and a final payment of £278.55.

Mr A's income had been affected by Covid-19 and, on 22 April 2020, he applied to MotoNovo for a payment deferral (otherwise known as a payment holiday). And MotoNovo granted this.

In June 2020, MotoNovo contacted Mr A to tell him that his payment deferral was coming to an end. And, during a phone call on 14 July 2020, MotoNovo incorrectly told Mr A that the original deferral had been agreed for the May to July 2020 payments. Mr A asked MotoNovo to extend the payment deferral for three months i.e. to September 2020, and he completed the paperwork for this on 16 July 2020.

However, MotoNovo's process also required Mr A to phone them after he'd submitted his application for a deferral. Which he didn't do. Despite this, MotoNovo agreed a deferral to cover the payments for June to August 2020, which they've said was done in error.

On 27 August 2020, MotoNovo sent Mr A a text message, telling him that his deferral period was coming to an end, and he would need to start making payments. On a phone call on 6 October 2020, Mr A told MotoNovo that he'd left the country in late-August 2020 due to the death of a close relative. At this point Mr A was incorrectly advised that the deferral had been set up for six months, and an arrangement was made to repay the deferred payments over the remaining term.

In January 2021, Mr A complained to MotoNovo that they'd been recording arrears on his credit file since September 2020. While MotoNovo initially said that this was an error and the credit file would be amended, they later changed their position. Mr A wasn't happy with this, and he brought his complaint to us for investigation.

Our investigator said MotoNovo had provided Mr A with some incorrect information about his payment deferral. And that Mr A had submitted the necessary forms to extend the deferral period to six months, which is what he believed had been agreed. She also said that, in the call on 6 October 2020, no arrears were mentioned, and Mr A was told that six payments had been deferred.

While the investigator said that MotoNovo hadn't granted Mr A a full six month payment deferral, because of the conflicting information he was provided with, had it been made clear to him that the September 2020 payment needed to be made, he most likely would've paid this. So, she didn't think it was fair that MotoNovo record this missed payment as arrears.

MotoNovo didn't agree. They said that the missed payment marker was due to Mr A not making the September 2020 payment, for which there was no deferral agreement in place. And because they only misadvised Mr A that there was a payment deferral in place to cover this payment in October 2020, after the payment had been missed, they don't think that they should amend his credit file.

MotoNovo also said that Mr A failed to contact them after completing the paperwork for extending the payment deferral, which was "*a choice or error*" on his part. So, they don't think they were responsible for this. Because MotoNovo didn't agree, 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 A 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 basic facts of this case aren't disputed, so I won't repeat them here. While MotoNovo have acknowledged that they gave Mr A incorrect information, I'm satisfied that the crux of this matter is whether Mr A should've been reasonably aware that he was required to make the payment for September 2020.

The Financial Conduct Authority (FCA) published guidance that came into effect on 27 April 2020, as to how firms like MotoNovo should deal with customers whose incomes had been affected by Covid-19. 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.*"

MotoNovo have confirmed that, on 22 April 2020, they agreed to defer Mr A's payments for April and May 2020 – a two-month payment deferral. However, they haven't explained why they considered that it was obviously not in Mr A's best interests to agree this deferral for three months, in line with the FCA guidance.

The FCA issued updated guidance on 15 July 2020. This allowed MotoNovo to extend payment deferrals and grant up to six months in total. MotoNovo have confirmed that, on 14 July 2020, Mr A had contacted them to ask for an extension to his payment deferral. It's not disputed that he was asked to submit an income and expenditure form, then call MotoNovo when this was done. And, while Mr A did complete the forms to apply for this payment deferral, he didn't follow this up with a call to MotoNovo. As such, MotoNovo didn't process his application.

However, in what they call an "*administrative error*", MotoNovo have confirmed that they provided Mr A with a further payment deferral to cover the payments due from June to August 2020. And, despite referring to this as an error, MotoNovo have honoured the second payment deferral, and didn't report the deferred/missed payments as arrears.

I've seen MotoNovo's case notes for their contacts with Mr A. This shows that, on the call of 14 July 2020, he was incorrectly told the payment deferral in place covered the payments for April, May, and June 2020. And, when he queried why he'd received a text message telling him his payment deferral was coming to an end and a payment was due in June 2020, he was told *"we message all our customer's that are in deferrals, But the system doesn't recognise when the deferral is actually due to end [sic]."*

So, based on this information, Mr A would reasonably assume that he may receive incorrect messages telling him when the payment deferral is due to end and the next payment is due. And, given what he'd been told about the period of the existing payment deferral, when he applied for a three-month extension to this, he would've also reasonably expected this to be for the payments due from July to September 2020.

Mr A received a further text message on 27 August 2020 telling him that his payment deferral was coming to an end and a payment was due. I'm aware that he was out of the country at the time, attending a relative's funeral, but he'd previously been told that the system doesn't know when a deferral is due to end. And he reasonably believed, based on what he'd been told in July 2020, that the deferral extension was actually ending in September 2020. Given all these circumstances, I don't think it was unreasonable for Mr A not to contact MotoNovo at this time. Or to assume that a payment was actually due.

Mr A spoke to MotoNovo again on 6 October 2020. In this call he was again told that his payment deferral was for six months. So, he arranged for these six deferred payments to be added to the end of the agreement. At no point did MotoNovo explain that the payments had only been deferred for five months and, as such, there was one payment (for September 2020) due immediately. Had they done so, Mr A would've had the opportunity to challenge the deferral period at this point and make the missed payment to avoid it being reported on his credit file.

Given all the above circumstances, I'm satisfied that at no point before 6 October 2020 should Mr A have been reasonably aware that the payment deferral was only for five months, not six, and that the September 2020 payment was due.

What's more, I'm not satisfied that MotoNovo applied the FCA guidance correctly in April 2020. When Mr A applied for a payment deferral, the guidance was for this to be approved for three-months unless it wasn't in the customers best interests to do so. I haven't seen any reason why it MotoNovo considered that it was in Mr A's interests to have a two-month payment deferral, and not a three-month deferral.

As such, I'm satisfied that the first deferral should've covered the payments for April to June 2020. What's more, Mr A submitted the paperwork for a second deferral period in July 2020. While he didn't phone MotoNovo after he'd submitted this, MotoNovo didn't follow up on the application either. And I wouldn't expect them to ignore an application just because a customer failed to follow this up with an immediate phone call.

Given this, and because MotoNovo actually granted a second deferral period (even though they've said they did this in error because Mr A hadn't followed their process), I'm satisfied that this second deferral should've covered the payments for July to September 2020. And, had this happened, the first payment Mr A was required to make would've been in October 2020. And MotoNovo wouldn't have reported a missed payment to the credit reference agencies for September 2020.

So, I'm satisfied that MotoNovo need to take further action.

Putting things right

I've seen that MotoNovo have already paid Mr A £50 compensation for their errors. So, I don't think they need to pay any additional compensation. Therefore, MotoNovo should amend Mr A's credit file to remove any reporting relating to the payment for September 2020 being recorded as missed.

My final decision

For the reasons explained, I uphold Mr A's complaint. And MotoNovo Finance Limited must follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 September 2022.

Andrew Burford
Ombudsman