

The complaint

Mr H is unhappy with how MotoNovo Finance Limited reported his account to the credit reference agencies (CRA).

What happened

On 29 April 2016, Mr H was supplied with a used car through a hire purchase agreement with MotoNovo. Mr H paid a deposit of £1,190.40, and the agreement was for £5,952 over 61 months; with 59 monthly repayments of £150.72 and a final repayment of £309.72. Mr H also took out additional life and payment protection insurance (PPI) which took his total payment to £164.73.

Mr H missed the payments for February, March, and April 2020, after a PPI claim he made was rejected. On 16 April 2020, Mr H agreed a payment arrangement with MotoNovo. However, he then missed the payments for October and November 2020. He asked MotoNovo for a payment deferral on 25 November 2020, but this was declined.

Mr H complained to MotoNovo that they'd recorded his payments incorrectly with the CRAs. And he said that, because he'd had a payment arrangement in place during the coronavirus (Covid-19) pandemic, they shouldn't be recording missing payments. MotoNovo said they hadn't recorded the payment arrangement Mr H made for July to September 2020, and they amended his credit file for these months. They also paid Mr H £50 compensation for this.

Mr H then complained that MotoNovo were continuing to report arrears, even though he was making monthly payments. MotoNovo reviewed the matter and said that, even though they were reporting the number of months in arrears correctly, they'd incorrectly reported the amount. So, they amended this, and paid Mr H a further £50 compensation.

Mr H was still unhappy with this and brought his complaint to us for investigation.

Our investigator said that the information reported by the CRAs should be fair, accurate, consistent, complete, and up to date. And, while this wasn't always the case, the information MotoNovo were reporting was a true and accurate reflection of the state of Mr H's account. He also thought the £100 MotoNovo had paid Mr H was reasonable for the errors that'd been made. So, he didn't think they needed to do anything more.

I issued a provisional decision on 28 March 2022, where I explained my intention to uphold the complaint. In that decision I said:

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. Mr H was supplied with a car under a regulated consumer credit agreement which means we're able to investigate complaints about it.

Before I address this matter, I think it would be useful for me to explain the information recorded by the CRAs. They will record a number, usually between 0 and 6, which reflects the total amount of the arrears in monthly payments, for example if a customer were to only pay 75% of the payment for four months, then make a full payment for the next two months, it should be reported as 000111 (or sometimes 111000). This is because, although the full payment wasn't made for the first three months, the total amount of the arrears is less than one monthly payment, so it's recorded as 0. And, although the full payment was made for months five and six, because the arrears weren't cleared, the total amount of arrears for those months was still the equivalent of one month's payment.

What's more, I've seen that Mr H's arrears started following the rejection of a PPI claim. While I understand he's unhappy with this, this isn't a complaint about how MotoNovo recorded the arrears with the CRAs and is something Mr H will need to raise with the PPI provider. So, I won't be addressing this within my decision.

It's not disputed that MotoNovo incorrectly recorded the arrears on Mr H's account with the CRAs, and that this has now been amended. So, I've reviewed what's being recorded, based on the latest information I have available to me.

From what I've seen, these are the payments Mr H was required to pay under the agreement he signed, what he actually paid, and what the resulting arrears situation was:

Month	Payment Due	Payment Made	Arrears (Total)	Arrears (Months)
January 2020	£150.72	£150.72	£0.00	0.00
February 2020	£150.72	£0.00	£150.72	1.00
March 2020	£150.72	£0.00	£301.44	2.00
April 2020	£150.72	£0.00	£452.16	3.00
May 2020	£150.72	£150.78	£452.10	3.00
June 2020	£150.72	£243.47	£359.35	2.38
July 2020	£150.72	£0.00	£510.07	3.38
August 2020	£150.72	£202.33	£458.46	3.04
September 2020	£150.72	301.44	£307.74	2.04
October 2020	£150.72	£0.00	£458.46	3.04
November 2020	£150.72	£0.00	£609.18	4.04
December 2020	£150.72	£150.72	£609.18	4.04
January 2021	£150.72	£301.44	£458.48	3.04
February 2021	£150.72	£150.72	£458.48	3.04
March 2021	£150.72	£150.72	£458.48	3.04
April 2021	£150.72	£150.72	£458.48	3.04
May 2021	£150.72	£150.72	£458.48	3.04

Mr H has provided an extract of his credit file, showing what MotoNovo are recording with an update date of 11 April 2021. From this, I can see that, for the period January 2020 to March 2021, MotoNovo have recorded the arrears situation as follows:

Month	Arrears (Months)	Arrears on CRA
January 2020	0.00	0
February 2020	1.00	0
March 2020	2.00	0
April 2020	3.00	0

May 2020	3.00	0
June 2020	2.38	3
July 2020	3.38	3
August 2020	3.04	0
September 2020	2.04	0
October 2020	3.04	0
November 2020	4.04	3
December 2020	4.04	5
January 2021	3.04	4
February 2021	3.04	3
March 2021	3.04	3

A further extract of Mr H's credit report from September 2021 shows the same figures.

Based on what I've seen, I'm not satisfied that MotoNovo are recording the arrears for Mr H correctly. When asked about this, MotoNovo said "we are unable to say why there are jumps in the numbers. Our system will sometimes protect the credit file for a number of months of a deferral but then 'catch up' the reporting when the deferral period ends, this is why it can jump in numbers. We cannot say for sure of this has happened on this occasion but is most likely the reason."

While I appreciate the comments from MotoNovo, this doesn't explain why the amount of arrears they're recording doesn't match with the actual number of months Mr H was in arrears. What's more, MotoNovo have an obligation to report correct information to the CRAs and reporting the wrong level of arrears while their system is 'catching up' is not acceptable.

Because of this, I think MotoNovo need to do something to put things right.

Mr H has said that the incorrect reporting had an effect on him, as he was refused a mobile phone switch in June 2021 due to adverse information on his credit file. While I don't doubt this was the case, the credit search he's provided also shows he had mortgage arrears, of between 1 and 2 payments, going back to June 2015, and with continuous arrears from April 2018. So, I can't say it was just the incorrect reporting from MotoNovo that affected Mr H's ability to obtain credit.

However, I also need to take into consideration that this will be the third time that Mr H has complained about MotoNovo reporting his arrears incorrectly, and they continue to do so. Given this, I think MotoNovo should further compensate Mr H for the ongoing inconvenience this has caused him.

So, my provisional decision is that MotoNovo should:

- provide Mr H with a written statement, breaking down the amount he's paid every month since the start of the agreement, the amount that was due for each of these months, and the amount of any arrears, and the number of months these arrears equates to;
- correct Mr H's credit file so that the reported arrears correctly match those on the statement above, for each month the agreement has been live; and
- pay Mr H an additional £100 to compensate him for the ongoing distress and inconvenience caused by the incorrect reporting.

Responses

Neither Mr H nor MotoNovo had any comments on my provisional 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.

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As I've had no comments on my provisional decision, and because neither party have provided any additional evidence, my view remains unaltered.

Putting things right

So, MotoNovo should:

- provide Mr H with a written statement, breaking down the amount he's paid every month since the start of the agreement, the amount that was due for each of these months, and the amount of any arrears, and the number of months these arrears equates to;
- correct Mr H's credit file so that the reported arrears correctly match those on the statement above, for each month the agreement has been live; and
- pay Mr H an additional £100 to compensate him for the ongoing distress and inconvenience caused by the incorrect reporting.

My final decision

For the reasons explained above I uphold Mr H's complaint. MotoNovo Finance Limited should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 May 2022.

Andrew Burford
Ombudsman