

The complaint

Mr D complains that Clydesdale Financial Services Limited trading as Barclays Partner Finance (Clydesdale) didn't assist him with his monthly payments when he was impacted by the coronavirus pandemic (Covid-19) and that they gave him incorrect information about his eligibility for support.

What happened

In March 2018 Mr D acquired a used car through a conditional sale agreement with Clydesdale. The agreement required Mr D to make a set payment each month for 60 months.

In January 2020 Mr D missed a payment. He discussed this with Clydesdale in February 2020. He told them he was working through an agency and had received less work than expected, so was unable to make his payment. Mr D made his usual payment in February 2020.

Mr D and Clydesdale agreed a repayment plan to begin in March 2020, which increased Mr D's monthly payment until the end of 2020 in order to clear the arrears. Mr D's payments were due to return to the originally agreed sum at the beginning of 2021 once the arrears had been paid.

In March 2020 Mr D contacted Clydesdale to tell them his income was affected by Covid-19, and he was no longer able to get any work. Clydesdale applied breathing space to Mr D's account. Mr D continued to make payments, but they were for differing amounts each month.

Mr D asked if he could have a payment holiday at the end of April 2020, and Clydesdale told him it wouldn't be available.

Mr D asked again for a payment holiday in October 2020, and Clydesdale told him he'd be eligible for one if he cleared his arrears. Mr D cleared his arrears and made an application for a payment holiday online, which Mr D said he thought had been successful.

Clydesdale called Mr D in early December 2020 to get an update on his circumstances as his account was in arrears. Mr D complained to Clydesdale and said he didn't know his payment holiday request had been declined, and he didn't know he was in arrears. Mr D said if he'd known sooner, he could've acted.

Clydesdale sent Mr D their final response to his complaint in January 2021. They said Mr D wasn't eligible for a payment holiday because his account had been in arrears the month before he applied for one. They offered Mr D £25 compensation for giving him the wrong information about this. They said the payment holiday process set out that if an application was accepted it would be automatically applied, and if it wasn't accepted, they'd be in touch. Clydesdale said they tried to contact Mr D on two occasions but were unable to get through. So, they didn't uphold Mr D's complaint about his account being in arrears.

Unhappy with this, Mr D brought his complaint to this service for investigation. He said he wanted the payment holiday to be agreed, as this would cover the three months arrears he had.

Our investigator looked into things for Mr D. He gave his view that Clydesdale could've considered offering Mr D a payment holiday earlier, when he told them he'd been impacted by Covid-19. He said there would be no need to apply one now, because Mr D's account would still be in the same situation. That is that he would need to repay the arrears accrued during a payment holiday. However, Clydesdale should update Mr D's credit file to remove any missed payments relating to Covid-19.

Our investigator also said that Clydesdale should pay Mr D a total of £150 compensation to reflect the distress and inconvenience caused, and that it might be beneficial for a discussion to take place between Mr D and Clydesdale to see if the payment arrangement could be made more affordable or if Mr D could end his agreement early.

Clydesdale didn't agree. They said Mr D was experiencing financial difficulties prior to Covid-19, and they treated him as such by entering a payment arrangement to repay arrears. They said Mr D wasn't eligible for a payment holiday in line with FCA guidance, and so it wouldn't be fair to remove the missed payments from his credit file. They agreed to pay Mr D £150 compensation.

As an agreement can't be reached, the case has been passed to me for a 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.

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 D was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

When Mr D first asked Clydesdale for a payment holiday in April 2020, the FCA had released specific guidance relating to motor finance agreements and Covid-19. That guidance said:

"This guidance applies where customers are already experiencing or reasonably expect to experience temporary payment difficulties as a result of coronavirus. Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC would continue to apply."

And:

"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."

Mr D had previously missed a payment in January 2020 and had entered a payment arrangement in order to repay these arrears between March and December 2020. Clydesdale say this shows he was in financial difficulty prior to Covid-19, and so he wasn't eligible for a payment holiday according to the FCA guidance.

The general principle behind the guidance was to ensure consumers who would have otherwise been okay, wouldn't be negatively impacted by Covid-19, and I think it's fair to say that Mr D was one of these consumers. I say that because although Mr D had missed a payment in January 2020, he'd been able to make his usual monthly payment in February 2020 and had arranged a plan to repay the arrears. I haven't seen anything to indicate that, but for Covid-19, Mr D wouldn't have been able to continue to make his usual monthly payments and keep to the payment arrangement to clear the month of arrears.

When Mr D asked for help with his payments in April 2020 it's clear that the reason for this was solely related to Covid-19, as he'd lost all work as a result of lockdown requirements. Had Covid-19 not occurred, I'm persuaded that it's unlikely that Mr D would've required any assistance.

So, I think Clydesdale should've offered Mr D a payment holiday in April 2020, which could have lasted up to six months. If Clydesdale had offered this, Mr D would still have needed to repay any sums that were subject to a payment holiday, as he is now doing for the arrears on the account. So, I don't think it's reasonable to ask Clydesdale to retrospectively apply a payment holiday, as Mr D would still be in the same position he is now.

But, if the payment holiday had been agreed as it should've, Mr D's arrears wouldn't have been reported to his credit file. So, Clydesdale should remove any adverse information from Mr D's credit file in respect of any arrears relating to Covid-19.

Clydesdale have accepted that when Mr D asked again about a payment holiday in October 2020, they gave him incorrect information about his eligibility for one. Clydesdale offered Mr D £25 compensation. Our investigator said that Mr D had also experienced distress and inconvenience in not being granted a payment holiday when he should've been, and so Clydesdale should increase the compensation to a total of £150.

All things considered, I'm satisfied that £150 fairly reflects the distress and inconvenience experienced by Mr D.

Mr D is currently making additional payments in order to clear the three months of arrears accumulated in 2020 and has told this service that he's finding it difficult. Clydesdale have said it might be better for Mr D to end the agreement early. Mr D might want to discuss with Clydesdale what options remain available to him, and I'd remind Clydesdale of its obligation to treat Mr D with forbearance and due consideration if he's currently in financial difficulty.

My final decision

For the reasons outlined above, my final decision is that I uphold this complaint and that Clydesdale Financial Services Limited trading as Barclays Partner Finance must:

- Remove any adverse information from Mr D's credit file in respect of any arrears relating to Covid-19.
- Pay Mr D £150 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 25 November 2022.

Zoe Merriman
Ombudsman