

The complaint

Mr L complains Mitsubishi HC Capital UK Plc gave him incorrect information and poor service in relation to a payment holiday on his motor finance agreement.

Mitsubishi HC Capital UK Plc was called Hitachi Capital (UK) Plc at all the times relevant to Mr L's complaint. I will therefore refer to the company as "Hitachi" in this decision.

What happened

I issued a provisional decision on Mr L's complaint on 10 May 2022, asking both parties to respond to me by 24 May 2022. My provisional decision said the following about the background to Mr L's case:

"Mr L took out a point of sale loan with Hitachi to purchase a used car, in November 2019. The loan was arranged by a car dealership. Under the loan's terms, Mr L was expected to make 60 monthly payments of £305.95, equalling £18,358.

On 17 April 2020 Mr L rang Hitachi to ask about taking a payment holiday due to his financial situation having been affected by the coronavirus pandemic. Hitachi agreed a three month payment holiday, to start from 26 May 2020.

There were a few admin issues on Hitachi's side around stopping and restarting payments, which caused some confusion and Mr L to have to make a few phone calls. Hitachi acknowledged this confusion and paid Mr L £20 for his call costs. However, a bigger problem arose when Mr L learned a few months later that he was going to be charged around £500 interest because of the payment holiday. He was not happy about this because he considered he had not been given enough information. He said had he been told he was going to be charged this much he'd have made more payments.

Mr L complained. He says that at some point during the course of his complaint a member of staff at Hitachi said he shouldn't be charged the extra interest, but in the end Hitachi didn't uphold the complaint. In its final response, it said that at the time Mr L had asked for the payment holiday it was still working out how interest would be applied in such cases, and that it had told him and sent him a modifying agreement as soon as it was able to. Dissatisfied with this response, Mr L referred the matter to this service for an independent assessment, where it was looked into by one of our investigators.

Our investigator concluded that Hitachi had acted in a way which was consistent with guidance on payment holidays which had been issued by the Financial Conduct Authority (FCA), which allowed contractual interest to continue to be charged during pandemic-related payment holidays. So there was nothing wrong in principle with Hitachi having charged Mr L interest while his payments were deferred. The investigator was also satisfied Hitachi had told Mr L when he applied for the payment holiday, that interest would continue to be added.

Our investigator did however think there had been a delay in Hitachi giving Mr L more precise information about the interest, and that this should have been provided in July 2020, not September 2020. But our investigator reasoned that in the end this hadn't made a

difference, as when Mr L had received the information, he had signed to say that he agreed to it."

I then went on to make my provisional findings on the complaint, which were worded as follows:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The pandemic was an unprecedented event, and financial businesses needed to adapt quickly to sudden changes in working practices, while adhering to new guidance issued by the FCA in providing extra support to consumers suffering financial hardship.

The regulator had issued draft guidance to businesses operating in the car finance sector the same day Mr L called Hitachi on 17 April 2020. This noted that it was the FCA's expectation that, where consumers were experiencing or expecting to experience financial difficulty as a result of the pandemic, these businesses should allow consumers a payment holiday of three months, unless it was obviously not in the consumer's interest, and that accounts should not be reported to consumers' credit files as being in worsening arrears while on a payment holiday.

The FCA also said that interest could continue to be charged during a payment holiday, but that businesses needed to give "adequate information" to consumers about the implications of a payment holiday, including "the consequences of interest accrued during this period..."

It was therefore not wrong of Hitachi to charge Mr L the normal interest on his agreement while his payment holiday was ongoing. If an agreement is extended it's not unreasonable to expect that this will mean more interest will be charged, as the repayments end up being spread out over a longer period of time.

Hitachi needed to tell Mr L that he would be charged interest. When he called on 17 April 2020 it did so, although it did not give him full details of how much interest this was, until September 2020. Mr L was clearly concerned on the phone call about how much interest might be charged, and Hitachi's member of staff did give him some reassurance, as he said to Mr L that he didn't think it would be "a crazy amount". When Mr L asked how long it would take to provide him with the figures, he said he thought it would be "a few days", although he also said he wasn't sure about this. In the end it took Hitachi nearly five months to provide this information. While I appreciate Hitachi was also affected operationally by the pandemic and some degree of delay was perhaps to be expected and acceptable, five months in my opinion was too long a time especially in view of the information given on that initial phone call. I observe, like our investigator, that part of the delay also appears to have been caused by a mistake made by Hitachi, as its internal notes suggest it had the figures ready some months earlier but they were not passed on to Mr L.

I turn now to the question of whether Mr L has been left any worse off due to Hitachi's actions, or failures to act. I will then consider what, if anything, it would be fair and reasonable of Hitachi to do to put things right.

I can understand Mr L's position. He had committed verbally to a payment holiday in April 2020 without knowing how much interest he would be charged. He was then presented, at the end of the payment holiday, with two options. He could either sign to agree to a modification of his loan agreement, under which he would pay £495.01 in additional interest over the lifetime of the agreement, or he could not sign, meaning his loan agreement would stay the same and he would be several months in arrears. I think he would have felt he had been put in the difficult position of choosing between two unpalatable options.

But ultimately, I think it is reasonable that I work on the assumption that the reason why Mr L was asking for a payment holiday in the first place was because he was going to find it at least difficult to afford his repayments due to the impact of the pandemic. This was, after all, the purpose of these payment holidays. So while I can see Mr L now says he would have been able to make more payments so as not to pay the additional interest, I don't think I can assume that he'd have been in a position to do so, especially as he told Hitachi on the phone call of 17 April 2020 that he was out of work. I arranged for Mr L to be contacted to ask some further questions around his situation at the time, but we've not heard back from him. But based on the evidence available I think it's probable Mr L would have been in a worse position overall if he hadn't gone ahead with the payment holiday.

Finally, while it may or may not be the case that a member of staff at Hitachi later told Mr L that he wouldn't be charged the extra interest, this isn't something I think it would be reasonable to conclude means Mr L should not now have to pay that extra interest.

Assuming this was said, it appears not to have reflected Hitachi's actual position, which it clarified later.

Although I don't think Hitachi's failings here mean that Mr L should not have to pay the extra interest associated with the payment holiday, I think Hitachi should still pay him some compensation for providing him with incorrect or misleading information, and delaying in providing him with the figures associated with the payment holiday. He was understandably frustrated and annoyed when he learned about the amount of interest he had been charged, and I think the situation was made worse by him earlier being given reassurances about this when this wasn't appropriate, and then the lengthy delay in providing him with the figures. I think Hitachi should pay Mr L £150 compensation to reflect the impact its mistakes have had on him."

So my provisional decision was that Hitachi should pay Mr L £150 compensation. Both parties to the complaint have responded to the provisional decision. Hitachi said it had nothing further to add. Mr L made the following points:

- He didn't think £150 compensation was fair. It should be increased to £250 which was about 50% of the additional interest charged.
- There had been faults on both ends and he was happy to take some responsibility for this, but that Hitachi should also take responsibility for poor and slow communication. He noted that he didn't have same resources or knowledge of Hitachi and was looking for a compromise.
- Hitachi had given incorrect information advising no extra interest would be charged.

Because both parties have made their submissions following the provisional decision and haven't indicated that they will be supplying further submissions, the complaint has been returned to me to make 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.

I've thought about Mr L's points following the provisional decision. Having done so, I think they are points I had already considered when coming to my provisional decision.

I had taken into account failings in Hitachi's communications with Mr L. Indeed, their

communication failings were the reason I thought the complaint should be upheld. I agree Hitachi provided incorrect information at times and were slow to provide the correct information. But I've not seen anything in Mr L's recent submissions which makes me think £150 isn't a reasonable amount of compensation in the circumstances. I remain of the view that it is a fair amount taking into account the non-financial impact on Mr L of Hitachi's failings, which in my view was him being caused annoyance and frustration when he finally received the correct information. For the reasons I explained in my provisional decision, Hitachi's failings didn't cause a financial loss to Mr L – I think he'd likely have been in a worse position than just needing to pay more interest, had he not taken the payment holiday.

It follows that I see no reason to change the award of £150 I referred to in my provisional decision.

My final decision

For the reasons explained above, and in the quoted extracts from my provisional decision, I uphold Mr L's complaint and order Mitsubishi HC Capital UK plc to pay him £150 compensation.

Mr L has asked how the compensation would be issued. From Hitachi's most email to this service, it appears it would be prepared to either pay compensation via bank transfer or as a credit to his loan agreement, so he will have a choice assuming he accepts the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 16 June 2022.

Will Culley
Ombudsman