

The complaint

Mr C has a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (VWFS). He has complained VWFS didn't treat him fairly when he asked for help with his agreement.

What happened

Mr C acquired a new car under a four-year hire purchase agreement with VWFS in January 2020. The car cost around £22,000 and Mr C was required to pay around £270 per month.

In April 2020 Mr C contacted VWFS and asked for help by making a request through its portal for customers in financial difficulty as a result of Covid-19. VWFS suspended Mr C's agreement in May 2020 to stop further billing while his request was assessed. Mr C asked for an update in June 2020, and the following month he signed a modified agreement and VWFS agreed to apply a four-month payment deferral for the months that weren't paid. Rentals on the modified agreement were around £300 per month.

Towards the end of July 2020, it looks like VWFS told Mr C his rentals were soon due to resume. In August 2020 VWFS also wrote to Mr C to explain his credit file had incorrectly been negatively impacted but amendments would be made to correct this.

Mr C spoke to VWFS in October 2020 about missed rentals for August and September. He cleared one of the missed rentals in October 2020 and made a further application for a payment deferral and his agreement was suspended. Mr C made a £200 payment in December 2020, which meant his agreement was around £100 behind at that point.

VWFS, however, left Mr C's agreement suspended which meant arrears started to accrue. Its contact notes indicate it sent arrears texts to Mr C but it wasn't noted until May 2021 the payment deferral hadn't been properly processed. So VWFS told Mr C his rentals would resume. It offered to write off rentals in excess of six months totalling around £600. Mr C's agreement was therefore around £1,900 behind. This is worked out as the six rentals that weren't taken when the agreement was suspended totalling around £1,800, together with the £100 he was behind from the payment made in December 2020.

Mr C wasn't happy with this. VWFS' notes say he was unhappy with the call waiting times; he wanted the option to pay the outstanding rentals at the end of the agreement; he thought the communication wasn't adequate; he was concerned about his credit file; and he'd been unable to make card payments over the phone.

VWFS gave Mr C its bank details for making payment and in August 2021 it sent a final response to the complaint. It said it acknowledged its call waiting times were impacted by Covid-19 but they were back to their unusual level by that point. It agreed to amend Mr C's credit file up to that point too and offered to speak to him about the outstanding rentals that were due. It said it would consider forbearance options if needed. And that Mr C had signed the modified agreement after the initial deferral setting out what his rentals would be. It couldn't say when the system for taking card payments over the phone would be fixed. To

resolve things, it offered to waive a further amount totalling around £700, which reduced the outstanding balance to around £1,200.

Mr C still didn't agree and brought the complaint to our service. VWFS offered to reduce the outstanding balance further to £1,000. Our investigator looked into things, and she thought VWFS' offer was fair. She noted it had agreed to write off a significant sum in total – around £1,500. She noted it had agreed to amend Mr C's credit file. And she didn't think it needed to do more.

Mr C didn't agree so the complaint has been passed 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 first want to say I'm sorry to hear Mr C has been impacted by Covid-19. It can't have been easy, and I appreciate the time he's taken to bring his complaint to our service.

I also want to acknowledge that I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I want to assure Mr C and VWFS that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

Mr C acquired the car under a regulated hire purchase agreement. And our service is able to consider complaints relating to these sorts of agreements.

It's not in dispute here that things could have gone better. It would have been helpful had Mr C been told earlier his first payment deferral had been accepted. And rather than suspending the agreement for so many months when Mr C asked for the second payment deferral it would have been better had VWFS gave him an answer on the request sooner, told him what the implications were, and carried out what was necessary. VWFS also incorrectly impacted Mr C's credit file before having to rectify it.

I can understand Mr C's frustration if he was having difficulty contacting VWFS and making payment over the phone. I can also understand Mr C's concerns about having to pay back the rentals that hadn't been collected in addition to paying his normal rentals. And, of course, he also wanted to know his credit file wouldn't be impacted in relation to the outstanding rentals. So I think it was right for VWFS to offer to do something to resolve Mr C's complaint.

On the other hand, I don't think VWFS has acted wholly unreasonably. While it didn't let Mr C know about the outcome of the initial payment deferral enquiry straight away it did suspend the agreement so rentals weren't claimed for. When Mr C initially asked for help the Financial Conduct Authority hadn't yet issued its Covid-19 guidance setting out its expectations for payment deferrals for car finance firms. And VWFS added a Covid-19 flag on the agreement so there'd be no payments taken or worsening status on his credit file (although I acknowledge there was a temporary issue with this).

Moreover, VWFS only increased Mr C's rentals after the initial deferral once he'd accepted a modified agreement. So I don't think that was unfair. While VWFS didn't deal with the subsequent deferral request as it should have done, it did suspend the agreement which did ultimately give Mr C the breathing space he needed. From what I can see it sent texts to him about the arrears. So there's an argument Mr C should have known something wasn't right, although I do appreciate he had a lot going on at the time. I also have to bear in mind VWFS'

service was likely impacted in 2020 by having to change the way it worked as a result of Covid-19. And that it gave him alternative methods for making payment.

VWFS has offered a significant reduction in the outstanding amount owed – around £1,500. It's also offered to ensure there's no worsening status on Mr C's credit file in relation to the rentals that were missed. While I can appreciate Mr C is still unhappy, I think this offer is fair and reasonable in all the circumstances. This is taking into account any difficulties Mr C had contacting VWFS; making payment over the phone; the errors on reporting his credit file; and the communication about the deferrals. I think it adequately puts things right in light of what I've explained above.

While Mr C is unhappy with the resolution, I don't for example think VWFS needs to do more such as offering to write off the outstanding rentals. Those rentals are fairly owed under the agreement, and Mr C had use of the car for the relevant time. So I think it's fair he pays for that. It also doesn't look like VWFS is adding interest on this amount. I don't find I have the proper grounds to direct it to do more.

I would encourage Mr C to speak to VWFS about the outstanding rentals. If Mr C is unable to pay this amount straight away VWFS should work with him to find a solution. If he is in financial difficulties, I'd remind it to treat him with forbearance and due consideration.

Finally, I think this decision fairly resolves things up until this point. But if there are any future problems, for example with the arrangement, if Mr C is unhappy with how VWFS has dealt with things, it may be something our service is able to consider.

My final decision

My final decision is that, to the extent it's not done so already, Volkswagen Financial Services (UK) Limited trading as Audi Financial Services should reduce the debt relating to the missed rentals to £1,000, and it should remove any adverse information relating to those rentals from the credit reference agencies.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 July 2022.

Simon Wingfield
Ombudsman