

## **The complaint**

Miss S complains that Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (AFS), adversely affected her credit score when they recorded incorrect settlement details of the hire purchase agreement she held with them.

## **What happened**

In May 2018 Miss S acquired a new car through a hire purchase agreement with AFS. The cash price of the car was £18,430. An advanced payment of £2,010 was made which meant the total amount financed on this agreement was £16,420.05 payable over 49 months.

Miss S explained that AFS terminated her agreement after she'd defaulted on it in 2018 by missing some payments. Miss S said AFS transferred her outstanding debt on the agreement to a debt recovery agent; and was told if she settled the outstanding balance within a certain timeframe, she'd be able to pay a lower amount. So, Miss S said she was able to pay off her outstanding debt on the agreement in May 2021.

Miss S said when she later reviewed her credit file she noticed her credit score had gone down, and having contacted the credit reference agency, Miss S said she was told there may have been a clerical error by AFS because the agreement was showing as being settled in February 2022, which she believed was incorrect. Miss S says she wants her credit file and credit score repaired.

AFS system notes show that Miss S contacted them in March 2022 to complain about a default notice showing on her credit file for an issue that occurred in 2018. They also provided a statement of her account which showed that the payments for August to November 2018 were rejected.

AFS also provided a copy of correspondence they sent to Miss S in December 2018 confirming they'd terminated her agreement as a result of the arrears and were taking steps to repossess her car.

Miss S complained to AFS about the incorrect settlement information on her credit file, and the impact she felt it had on her credit score. In April 2022 AFS provided their final response to her complaint. AFS upheld Miss S' complaint. AFS confirmed that Miss S had settled her account in May 2021, however due to administration delays her credit file reported the defaulted amount as satisfied in March 2022, 10 months later. AFS apologised and said they made a request in April 2022 to have Miss S' credit file corrected.

Unhappy with AFS' final response Miss S brought her complaint to this service for investigation. Our investigator gave their view that AFS hadn't acted fairly in the circumstances and recommended that they pay Miss S £100 in compensation for the distress and inconvenience.

Miss S responded to say that her credit score had been affected as a result of AFS' mistake, and that she wanted it restored to reflect what it had been in February 2022. Miss S also

sent to our investigator a copy of a page of her credit report from November 2021 showing her agreement with AFS as being settled in July 2018.

Our investigator explained to Miss S, that as AFS had put a request through for her credit file to be corrected and are unable to determine what her credit score would go back to, his view remained unchanged. So, Miss S asked that her complaint is referred to an ombudsman for 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.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

The Consumer Credit Act 1974 requires a business to serve notice on a borrower before they can become entitled to take certain actions, including terminating an agreement or recovering possession of any goods. I can see that AFS wrote to Miss S in September, October, November and December of 2018 about the arrears on her agreement. They also wrote to her in October 2018 advising she may be issued with a default notice which could result in the termination of her agreement. And in November 2018 AFS issued Miss S with a default notice advising her agreement may be terminated if she failed to repay her arrears by a certain date. This led to the termination of Miss S agreement and the issue that Miss S complains about.

It's not in dispute that an administration delay was the cause for Miss S' credit file not being updated when it should have been. In their final response, AFS have upheld Miss S complaint and have acknowledged and apologised for the delay. Miss S has accepted that AFS made the mistake, however what is in dispute here is the proposed resolution to put things right.

AFS accepted our investigators outcome and recommendation to pay Miss S £100 in compensation for the inconvenience caused. In an email to our investigator Miss S said her credit score had reduced by around 500 points as a result of AFS' mistake. Miss S said that she agreed with our investigator's conclusions but said she'd also like to see her credit score repaired.

Having thought about all the information and evidence provided, I'm in agreement with our investigator's outcome that AFS should pay Miss S £100 in compensation for the inconvenience caused.

AFS have recognised their mistake meant Miss S' credit file was incorrect. I acknowledge the credit file page, generated in November 2021, sent to us from Miss S showed that her account had been settled in July 2018. I recognise this was also incorrect. I think it's fair to say that AFS hadn't recorded the correct information on Miss S credit file in relation to the hire purchase agreement. And as a result, I think it's fair that AFS should put things right.

AFS provided us with a copy of a manual amendments credit file record detailing that Miss S agreement with them had been satisfied on 14 May 2021. I recognise Miss S' strength of feeling that her credit score should also be improved, however when credit reference agencies calculate a person's credit score various pieces of data and information are taken

into consideration. And so, I'm not persuaded that Miss S is able to say what her credit score would have been under certain circumstances. AFS has provided evidence that they've corrected the credit information relating to Miss S agreement with them, so I'm satisfied that they've reasonably put things right in the circumstances.

I acknowledge what Miss S has told us about her personal circumstances and the impact this situation has had on her. And I've carefully thought about the circumstances here. However, having considered everything, I've seen no evidence that AFS is responsible for what Miss S says about how her credit score has affected her, and as credit ratings are compiled using different information, I'm not persuaded that AFS should be blamed for what Miss S is going through, for example in relation to seeking additional credit or for how she's feeling.

Having said that, I acknowledge there would have been some degree of inconvenience for Miss S, for example in having to notify AFS about the issue and in sorting things out; and so I'm in agreement with our investigator that £100 compensation fairly recognises this. So, I'll be instructing AFS to pay this to Miss S.

### **My final decision**

To settle the complaint AFS has already amended Miss S' credit file to correctly reflect the settlement of her agreement with them.

So, in addition to what they've already done, my final decision is that Volkswagen Financial Services (UK) Limited trading as Audi Financial Services should:

- Pay Miss S £100 compensation for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 2 September 2022.

Benjamin John  
**Ombudsman**