

The complaint

Mr R complains that Startline Motor Finance Limited (Starline) recorded an arrangement to pay on his credit file, after he missed a payment.

What happened

Mr R entered into a hire purchase agreement with Starline to acquire a used car in September 2017.

In July 2020 Mr R contacted Starline to explain he'd been made redundant due to Covid-19 and asked for a payment holiday. Startline asked Mr R to complete a digital form to assess his financial situation. Mr R wasn't able to use the form whilst he was on the phone, he said he did submit it afterwards but Startline didn't get back in touch with him.

Startline said the form wasn't received, and so no payment holiday was agreed.

Mr B didn't make the payment for July 2020 on the agreement, and Startline contacted him in August 2020 to discuss this. Mr R resumed his normal payments in August 2020 and complained to Starline about the record of missed payment on his credit file.

Mr R returned to work in September 2020 and an arrangement to pay was made, which ran until January 2021. This included Mr R making additional payments on top of his normal monthly payment to clear the arrears balance.

Startline sent Mr R their final response to his complaint in September 2020. They said as the digital form wasn't received, no payment holiday was agreed, so the information about the missed payment would remain on his credit file.

Mr R contacted Starline in January 2021 about the arrangement to pay being recorded on his credit file. Starline said they had a duty to report accurate information to credit reference agencies, so they couldn't amend his credit file.

Unhappy with this, Mr R brought his complaint to us for investigation. He said Startline didn't tell him that the arrangement to pay would be recorded on his credit file, and this had a negative impact on him trying to obtain a mortgage. He asked for his credit file to be amended.

Our investigator gave his view that having regard to the relevant regulator guidance at the time, Startline should have given Mr R a payment holiday in July 2020 without the need to complete an online form. If this had happened, no arrangement to pay would've been needed, and there wouldn't have been an effect on Mr R's credit file, so the adverse information should be removed.

Startline didn't agree. They said they had a legitimate concern that a payment holiday wouldn't have been in Mr R's best interest, and the guidance at the time allowed them to make reasonable enquiries. As Mr R didn't complete the form, no payment holiday was

granted. An arrangement to pay was entered, and so it would be disingenuous to remove this information from Mr R's credit file.

As an agreement couldn't be reached, the case was passed to me for a decision. I issued a provisional decision on this complaint in June 2022 recommending that it was upheld. I made the following provisional findings:

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 R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it. Mr R asked for a payment holiday in July 2020 because he'd lost his job as a result of Coronavirus (Covid-19).

In April 2020 the Financial Conduct Authority (FCA) released specific guidance titled 'Motor finance arrangements and coronavirus: temporary guidance for firms.' The guidance said:

This guidance sets out our expectation that firms provide, for a temporary period only, exceptional and immediate support to customers facing payment difficulties due to circumstances arising out of coronavirus. It is intended to provide help to those who might be having temporary difficulty in making their finance or leasing payments due to a loss of or reduction in their income (or income of other members of their household) or to those who expect to experience such difficulties.

Mr R hadn't missed a payment under the agreement previously and was asking for a payment holiday as a result of circumstances arising out of Covid-19. So, I'm satisfied he would've been eligible for a payment holiday under the guidance.

Our investigator said that Startline should've given Mr R a payment holiday when he asked for it in July 2020.

Startline said they asked Mr R to complete an online form to assess his suitability for a payment holiday. They said the guidance allowed them to make this assessment. And, as Mr R didn't return the form, no payment holiday was agreed.

Mr R tried to complete the form whilst on the phone with Startline but had trouble with his account. Startline sent him a link and agreed to call him the next day, but this didn't happen. Startline have apologised to Mr R for not calling him.

Mr R contacted Starline at the beginning of August 2020 to explain he'd completed the form but hadn't received a call back.

I think it was always Mr R's intention to complete the form that Starline asked him to fill in, but there appear to have been some technical issues in him doing so, and Starline didn't call him when they said they would.

Had the form worked correctly or had Startline called Mr R and taken additional information over the phone, I'm satisfied that, on the balance of probabilities, Mr R would've been given a payment holiday for at least one month.

Mr R was able to make his usual monthly payment in August 2020 and set up an arrangement to repay the arrears balance from September 2020 until January 2021.

The FCA issued updated guidance in July 2020 titled: 'Motor finance agreements and coronavirus: updated temporary guidance for firms' This guidance deals with reporting arrangements to pay to credit reference agencies. It says:

'Where at the end of a payment deferral period a mechanism to repay accrued amounts is agreed we would not expect this to result in any negative reporting.'

Had Mr R been granted the payment holiday in July 2020 as I think he should've been, the arrangement to pay wouldn't have been recorded on his credit file.

Mr R says the information on his credit file has prevented him from obtaining a mortgage. Lenders consider a number of factors when making a decision to lend, and I haven't seen any evidence that Mr R has been declined credit solely or directly as a result of the information reported by Startline.

Our investigator recommended that Startline pay Mr R £150 compensation. Mr R has been put to distress and inconvenience in having the information recorded on his credit file, and in trying to have it removed. Overall, I'm satisfied that £150 compensation fairly reflects the distress and inconvenience caused to Mr R.

Whilst I accept that Startline may have been able to make assessments about the suitability of a payment holiday for their consumers, I don't think Mr R should be disadvantaged by a problem with the technology. For the reasons I've explained, I think Mr R always intended to complete the form, and had this process worked as it should have, he would've been granted a payment holiday and the arrangement to pay wouldn't have been recorded on his credit file.

So, Startline should remove the adverse information in respect of the arrangement to pay from Mr R's credit file.

Neither Mr R nor Startline responded to 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.

As neither party has raised any new arguments, or sent me new information to consider, for the same reasoning that I set out in my provisional decision, I've decided to uphold this complaint.

My final decision

My final decision is that I uphold this complaint and Startline Motor Finance Limited must:

- Remove any adverse information in respect of the arrangement to pay from Mr R's credit file.
- Pay Mr R £150 compensation for the distress and inconvenience caused.

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

Zoe Merriman
Ombudsman

