

The complaint

Ms H complains about how Volkswagen Financial Services (UK) Limited (VWFS) handled matters when she experienced financial difficulty.

What happened

In June 2017, Ms H entered into a 48 month personal contract purchase (PCP) agreement for a used car. She was required to pay monthly instalments of £334 with a final optional payment of £13,276.

In March 2020, Ms H contacted VWFS to say she would experience financial difficulty due to the impact of the Covid-19 pandemic. In June 2020, Ms H applied for a three month payment deferral and the agreement was suspended. She made a manual payment of £509 in June 2020. Following a further discussion with VWFS in September 2020, it was agreed they would refund £55 as the agreement was in credit in order to allow the payment deferral request to be considered.

In November 2020, Ms H advised VWFS she wanted to resume the contractual payments on her agreement as she was looking to part exchange the car and she couldn't do so as the account was still suspended. No action was taken by VWFS at that point. Ms H's account was suspended between June 2020 and June 2021 meaning a total of eleven payments weren't billed via direct debit. VWFS said she needed to pay these missed payments. Ms H complained, she said she was unable to make payments because the account was suspended and she was unable to sell or part exchange the car due to the situation.

VWFS accepted the agreement had been suspended for a prolonged period following the application for a payment deferral. They confirmed they would remove any adverse information from Ms H's credit file in relation to the deferred payments and those which fell due during the suspension. To put things right, they agreed to waive three months instalments from the outstanding balance. As the agreement came to an end in July 2021, they agreed to also give one additional month for Ms H to exercise her end of contract options. However they confirmed the adverse information relating to the final optional payment would remain on Ms H's credit file as the car wasn't returned nor the final payment paid as per the agreement terms.

Unhappy with their response, she referred the complaint to our service. VWFS confirmed to our service that they would agree to remove six months instalments meaning the outstanding balance owed to settle the account in full would be £15,295 (made up of the missed payments and the final optional payment). Our investigator said VWFS were responsible for the account being suspended for the extended period but they felt their offer of resolution was fair and reasonable.

Ms H disagreed, in summary she said:

- She was told she wouldn't be liable for the payments while the account was suspended;
- She only wanted a payment deferral for three months. She accepts she has to pay

these three missed payments;

- The situation had impacted her credit file negatively when she was told it wouldn't;
- She tried to make payments towards the agreement but they wouldn't let her;
- She can't pay the missed payments in a lump sum and this was what she was trying to avoid when the agreement came to an end;
- She couldn't sell or part exchange the car because the agreement was suspended;
- The situation has caused her trouble and upset and VWFS hasn't compensated her for this.

As an agreement couldn't be reached, the complaint has been referred to me to decide.

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.

Having done so, I believe VWFS has done enough to put things right. I'll explain why.

In April 2020, the Financial Conduct Authority issued guidance about the support to be offered to those financially impacted by the pandemic. In this case, it was clear the guidance applied to Mrs H so I can understand why she was advised to apply for a payment deferral. I can see the account was temporarily suspended as the application as being considered meaning no payments were taken.

However based on the evidence from VWFS, I can't see a payment deferral was either approved or declined despite them saying in September 2020 they were still looking into it. Given Ms H had applied for the payment deferral in June 2020, it's unclear why there was such a delay to consider the request and communicate the outcome. While I understand VWFS' operations and resources would've been impacted by the pandemic, I find the delay to consider the request was unreasonable. Even when Ms H made it clear in November 2020 that the payment deferral was no longer needed as she was looking to part exchange the car, the agreement remained suspended despite VWFS saying they will update the account.

VWFS accept the account was suspended longer than it needed to be meaning 11 payments weren't taken, this isn't dispute. I note Ms M said she only needed the payment deferral for three months. Thereafter, it appears she intended to resume the contractual payments and/or potentially end the agreement early.

I've listened to the calls between VWFS and Ms H. When discussing the payment deferral, the advisors explained any missed payments would need to be paid back, either by paying higher monthly instalments during the remainder of the agreement or the agreement may be extended, it would be based on her affordability. At no point did I hear any of VWFS' advisors say she wouldn't be responsible for the paying the missed payments so I don't agree with Ms H's comments that she was told this. During one call, she was advised that once a payment deferral was in place, she could still make manual payments towards the agreement if she wanted to and these will go towards the oldest arrears. The reason this was discussed was because she indicated although she couldn't pay the contractual amount, she may be able to pay £250 per month. On another call she was advised as the account was suspended the direct debit had been cancelled but once it ended this would need to be reinstated to resume the contractual payments. The advisor offered to take the direct debit details at the time but Ms H confirmed she would do so at a later point. For these reasons, I'm satisfied VWFS had made it clear that she would be required to pay back any missed instalments.

I've carefully considered Ms H's comments that she planned to part exchange her car but she couldn't because the agreement was suspended. Having heard the calls, I can hear she advised the same but I'm not convinced this would've definitely happened. I say this because following her calls in December 2020 to talk about this, Ms H didn't make contact with VWFS until June 2021 which was around six months later and approximately a month before the contract was due to come to an end. If she had definitely decided to part exchange the car and end the agreement early, I think it's fair to assume she would've been back in contact with VWFS sooner if she was unable to do so because of the account remained suspended. On balance, I believe the agreement would've more or less run to the end, which was July 2021 meaning all the monthly instalments would need to be paid.

I can understand why at the end of the agreement, Mrs H was upset and frustrated by being told she had eleven missed payments to pay when she had proactively contacted VWFS on several occasions to discuss the account. From my understanding she wanted to avoid being left with a large lump sum to pay at the end of the agreement. While it's clear there was an error by VWFS for the account being suspended for so long meaning no payments were taken, that doesn't mean they aren't entitled to these payments. Mr H had the benefit and use of the car during this time so based on the terms of the agreement, I find these 11 missed payments are owed to them by Ms H.

To put things right, VWFS has agreed they would waive six monthly instalments from the outstanding balance which totals around £2000. They've agreed to update Ms H's credit file to remove any adverse information related to the missed payments while the account was suspended. They also agreed to give Ms H an additional month after the contract ended so she could consider her end of contract options. Based on what has happened, I consider this to be a fair resolution. I say this because although Ms H owes VWFS eleven missed payments, they are offering to waive six of them, that's half of the missed payments that they are contractually entitled to, I consider that a significant amount.

As mentioned above, due to the account being suspended longer than it should meant Ms H was unable to part exchange or sell the car, in her words, she was 'stuck with it'. I find it was reasonable for VWFS to allow additional time after the agreement ended for her to explore her end of contract options. Despite this additional time, I understand the car remains in her possession. From my understanding, Ms H wanted this situation to be resolved so she knew how much was needed to settle the agreement before considering her options. As the car wasn't returned, part exchanged or the agreement settled by the extended deadline, it meant the final optional payment became payable. Therefore I can't say VWFS acted unfairly by reporting this adverse information to her credit file. They have a duty to report fair and accurate information in relation to the agreement so I won't be asking them to remove the adverse information in relation to this.

Given the number of calls and contact between Ms H and VWFS it's clear this situation caused her upset and worry. She contacted VWFS to let them know about her financial difficulties and asked them about next steps and options. As explained above, I find VWFS' offer of resolution to be significant and certainly higher than what I would award as compensation for such circumstances. Although I accept this situation has impacted Ms H, I won't be asking them to pay a separate award of compensation for the trouble and upset caused.

Taking everything into account, it's clear there has been a failing by VWFS. They suspended Ms H's account longer than necessary meaning payments weren't taken. However I believe their offer of resolution is enough to put things right so I won't be asking them to do anything further.

Lastly, I wish to remind VWFS that if Ms H is still experiencing financial difficulty and unable to pay the revised outstanding balance in a lump sum, they should treat her with forbearance and due consideration as per the CONC guidelines.

My final decision

For the reasons set out above, as already offered by Volkswagen Financial Services (UK) Limited, they should do the following to put things right:

- Update the outstanding balance to remove six monthly instalments (if not done so already;
- Remove any adverse information relating to the missed payments while the account was suspended.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 22 July 2022.

Simona Charles
Ombudsman