

## **The complaint**

Mrs B is unhappy with how Moneybarn No. 1 Limited reported a payment holiday on her credit file.

## **What happened**

In August 2017 Mrs B was supplied with a used car through a conditional sale agreement with Moneybarn. The agreement was for £29,024, with 59 monthly payments of £491.94.

Mrs B said she requested a payment holiday in 2020 as her finances had been impacted by the Covid pandemic. She said that Moneybarn agreed to this. She said that Moneybarn contacted her in October 2020 to tell her the payment holiday period had ended. She said they told her she would now need to start paying her full contractual monthly amount, plus the arrears. She said she couldn't afford this as she'd been made redundant in March 2020.

After considering the options available to her, she decided to voluntarily terminate the agreement.

Shortly after this, she checked her credit score, and found that her credit record had been "*trashed*" by Moneybarn. She said she had a payment holiday agreed from April 2020 and payment holidays shouldn't be recorded as missed payments but this is what Moneybarn had done. She said they'd continued to record a negative status on her credit file and report missed payments. She said this was contrary to the rules set by the Financial Conduct Authority (FCA).

She was also unhappy that Moneybarn had passed her account to a collections company whilst she was still in dispute with them.

Moneybarn said that Mrs B had voluntarily terminated the agreement in December 2020 but hadn't allowed them to take possession of the car.

Moneybarn said they agreed an affordable repayment plan with Mrs B in October 2019.

They said Mrs B made reduced payments in line with the plan from October 2019 to March 2020. They said they reported these as missed payments from December 2019 when she reached the equivalent of one monthly payment worth of arrears. They said this was reported to the credit file with the digit "1" to indicate one month's arrears. They said this continued until March 2020.

Moneybarn said that Mrs B didn't make the April 2020 monthly payment.

They said that the monthly payments from May 2020 to October 2020 were not reported to the credit file because these were part of the agreed payment holiday. They said the credit report was recorded as a "4" to reflect that Mrs B was four months in arrears at the point of the payment holiday started.

They said Mrs B failed to make the November 2020 and this missed payment was reported to the credit file.

Mrs B was unhappy with Moneybarn's response, and she brought her complaint to us for investigation.

Our investigator said that Moneybarn should have reported the April 2020 payment as a payment holiday. But she felt that all other reporting by Moneybarn was accurate.

Mrs B disagreed and said she would only return the car when the adverse data was removed from her credit file.

Because Mrs B didn't agree with the investigator, the matter was passed to me to make 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.

Having done so, I have reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

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. Mrs B was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

#### *Payment arrangements*

Mrs B contacted Moneybarn in October 2019 to ask for support as her salary had changed due to a change in her personal circumstances.

The Financial Conduct Authority (FCA) – Consumer Credit Sourcebook (CONC), and in particular CONC 7, titled "Arrears, default and recovery (including repossession)", say that firms should treat consumers in default or in arrears difficulties with forbearance and due consideration. Treating consumers with forbearance would include a number of things including allowing deferment of payment of arrears, and accepting token payments for a reasonable period of time.

I'm satisfied that Moneybarn treated Mrs B in line the rules set out by the FCA as they considered her income and expenditure and offered her an affordable payment plan.

They confirmed the payment plan arrangements in a letter dated 22 October 2019. Importantly this letter advised Mrs B that arrears on the account could have an impact on her credit report. The letter included the following statement:

*"As you won't be clearing your arrears balance, this could have a negative impact on your credit score and the vehicle may be at risk."*

A further payment plan was agreed in January 2020. This was again confirmed in writing, and this included the notification I've quoted above that the credit score could be impacted if the arrears balance is not cleared. Moneybarn sent Mrs B a "notice of sums in arrears" letter at this time. She queried why this had been sent and Moneybarn explained that arrears were accruing because the payment plan was for an amount lower than the contractual amount. So I'm satisfied she was made aware that her account was in arrears.

In May 2020, and following the missed payment at the end of April 2020, Mrs B contacted Moneybarn to inform them she had been made redundant. Moneybarn allowed a payment holiday.

They confirmed the payment holiday in an email sent to Mrs B on 5 May 2020. This explained how the holiday would work. Importantly it also confirmed that they would *"freeze the status of your credit file as it was immediately before the payment holiday"*.

This is in line with the approach set out by the FCA in its guidance for firms where customers were experiencing financial difficulty due to circumstances arising out of the Covid pandemic. This said that firms should not report *"a worsening arrears status"*.

The payment holiday was extended in June 2020 and again in August 2020. And the same explanation was given to Mrs B about the impact on her credit file.

As Mrs B's circumstances hadn't changed, it was clear that the agreement was no longer affordable. So Mrs B chose to voluntarily terminate the agreement after the various exit options were explained to her.

I'm satisfied that Moneybarn provided Mrs B with sufficient information about the impact of the payment arrangement and subsequent arrears on her credit file. The correspondence I've referred to above makes clear that arrears would be reported to the credit reference agencies.

In addition the conditional sale agreement Mrs B signed contained important information about the impact on her credit rating should the account fall into arrears. In a section headed *"What happens if you don't make a payment?"*, the agreement says *"Failing to make payments on time and having an account in arrears may negatively impact your credit rating and make it more difficult to get credit in the future. We will share your payment performance with credit reference agencies"*.

I've considered the information provided by both parties and I'm satisfied that Moneybarn has reported accurate information to Mrs B's credit file during the payment holiday – with one exception, see below. The account was already in arrears – from the reduced payments Mrs B had been making since October 2019.

When the payment holiday was agreed in May 2020, Moneybarn informed Mrs B that they would freeze the reporting of the credit file. And that is what they did. They had marked the account in arrears up to March 2020, and this status remained unchanged during the payment holiday period.

#### *April 2020*

Mrs B missed her due payment in April 2020 and this was recorded as a missed payment on the credit file. But Moneybarn then confirmed that Mrs B's payment holiday started from April 2020. So that entry should be corrected to show the status of the agreement as at March 2020.

All lenders are required to notify accurate information to the credit reference agencies. Because Mrs B was unable to clear her arrears it was reasonable for this to be reflected in the credit information.

I'm also satisfied that it's reasonable for Moneybarn to take steps to recover the car following Mrs B's decision to voluntarily terminate the agreement.

### **Putting things right**

To put things right Moneybarn should amend the credit report entry for April 2020 to show that the payment was not missed, as it was part of the payment holiday. The entry should be corrected to show the status of the agreement as at March 2020.

### **My final decision**

For the reasons explained, I uphold Mrs B's complaint about Moneybarn No. 1 Limited Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 16 September 2022.

Gordon Ramsay  
**Ombudsman**