

## **The complaint**

Mr B has complained about the support he received from Moneybarn No. 1 Limited trading as Moneybarn (Moneybarn) when he was in financial hardship and he is unhappy about the negative information they reported on his credit file.

## **What happened**

In May 2019, Mr B entered into a conditional sale agreement with Moneybarn to acquire a used car first registered in 2013. The cash price of the car was around £13,000. The total amount payable was approximately £23,387. Mr B made an advance payment of around £2,500. There were 59 monthly payments, each around £354.

Mr B missed two monthly payments in November 2019 and December 2019, so arrears accrued. Mr B said this was due to work issues he was experiencing at the time. So, in December 2019 Moneybarn completed an income and expenditure with Mr B and they agreed a payment plan whereby starting in January 2020 Mr B would make a payment of £400 a month. This would be approximately £46 more a month to progressively cover off the arrears which were around £708 at the time.

On 23 March 2020, the UK Government announced that UK would enter a lockdown due to the Covid-19 pandemic. Mr B, due to the pandemic, contacted Moneybarn and requested a three-month payment holiday as his employment status and his finance were affected. In April 2020, Moneybarn wrote to Mr B and agreed to a three-month payment deferral from April to June 2020. In June 2020, Mr B was still unable to pay his monthly payment so Moneybarn put a hold on his agreement until July 2020, but no payments were made until September 2020 when another payment plan was agreed. From September 2020 onwards, Mr B would again make payments of £46 more a month, so he was making monthly payments of £400, to gradually cover the arrears that had accrued.

Later Mr B found out that his credit file was affected by the missed payments dating back to November and December 2019 so, as he was unhappy with this, he raised a complaint with Moneybarn.

In June 2021 Moneybarn responded to his complaint. In summary, in this correspondence they said that at the time Mr B was advised by them of the potential adverse implications to his credit file caused by missed payments. Moneybarn also said that Mr B had a three-month payment holiday from April 2020 to June 2020, and a further payment plan was created in August 2020 to cover the payments outstanding at the time (which were approximately £1,278). And, they said, that again the potential adverse impact caused by missed payments to Mr B's credit file was reiterated to him. They also clarified that they do not report whether a payment has been missed or is outstanding, as they report the number of months that arrears are present at the time of their monthly reporting. So, they concluded that they are unable to uphold his complaint because their reporting to the credit reference agencies was correct, and he was informed of the impact of late payments on a few occasions.

Mr B was unhappy with Moneybarn's response, so he brought his complaint to this service.

Our investigator thought that Moneybarn acted unfairly. He believed that, had Mr B not been affected by Covid-19, he would've continued to make additional monthly payments at the same monthly amount of £400, and the arrears would've been cleared by 10 April 2021. So, the investigator thought that it would be fair for Moneybarn to report the arrears on Mr B's credit file only until April 2021. And, he thought they should remove any adverse information from Mr B's credit file after April 2021, as the remainder of the arrears on his agreement were due to him being financially affected by Covid-19. He also thought that Moneybarn should pay Mr B £150 compensation to reflect the trouble and upset he's been caused.

Mr B responded and said that he is more concerned about the adverse information on his credit file rather the compensation amount suggested by the investigator.

Moneybarn responded and disagreed with the investigator. They said that Mr B was already in arrears prior to the Financial Conduct Authority (FCA) Covid-19 guidance and Moneybarn were under no obligation to allow him the payment deferrals. So as his arrears are predominantly from a period of time prior to the pandemic, they should be reported on his credit file accordingly. But they did say that they are willing to apply the additional months of payment holidays for July and August 2020 which would reduce Mr B's arrears to below one month as of December 2021. This would mean that his agreement would be reflected as up to date, provided he doesn't miss any further payments.

As no agreement could be reached the complaint has been passed to me to decide.

After reviewing the case, I issued a provisional decision on 4 August 2022. In the provisional decision I said:

***“What I've provisionally 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 need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time.*

*Where the evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.*

*I also want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties 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. This simply reflects the informal nature of our service as a free alternative to the courts.*

*Mr B acquired the car under a conditional sale agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements.*

*In summary, Mr B's main reason for his complaint is that he was not treated fairly by Moneybarn when he found himself in financial hardship before, during, and after the Covid-19 pandemic. He is especially not happy that Moneybarn were reporting missed payments on his credit file even though he was making payments towards his finance agreement. He feels that the impact the situation would have on his credit file was not properly explained to him by Moneybarn.*

*So, I've taken the above into consideration and I've considered whether Moneybarn have done enough to support Mr B, when he told them that he was experiencing financial hardship. When doing so, I've also thought about the relevant rules and guidance at the time. The rules and guidance mentioned below refer to 'customers' and 'consumers', and I will be using these words interchangeably, but in this decision the words are to have the same meaning.*

*On 24 April 2020 the FCA published additional guidance which came into effect on 27 April 2020 – "Motor finance agreements and coronavirus: temporary guidance for firms". This guidance introduced temporary measures for consumers whose finances had been impacted by Covid-19, and it builds on Principle 6: "A firm must pay due regard to the interests of its customers and treat them fairly". In relation to the payment deferrals, the guidance states the following: "Where a customer is already experiencing or reasonably expects to experience temporary payment difficulties as a result of circumstances relating to coronavirus, and wishes to receive a payment deferral, a firm should grant the customer a payment deferral for three months unless the firm determines (acting reasonably) that it's obviously not in the customer's interests to do so".*

*This guidance was further updated by the FCA in July 2020, and later in September 2020. All the updates build on the previous guidance that was issued, and stipulate that payment deferrals can be granted for a total period of six months. And I know that the FCA guidance also indicates that "a worsening status will not be reported to the customer's credit file in respect of any payment deferral taken under this guidance". But I've considered that the April 2020 guidance, and the updates issued by the FCA later, wouldn't be applicable to Mr B's situation. The main reason for this is because he was in financial hardship prior to the Covid-19 pandemic. The above guidance applies to circumstances where customers are already experiencing or reasonably expect to experience temporary payment difficulties as a result of coronavirus, and it says that if "a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC would continue to apply". So, I have gone on to consider what this means for Mr B's situation.*

*The 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 such things as considering suspending, reducing, waiving, or cancelling any further interest or charges, allowing deferment of payment of arrears, and accepting token payments for a reasonable period of time. I think this applies to Mr B, as he was in financial hardship when he missed the November and December 2019 payments, and later on when he couldn't make payments due to his work being impacted in April to August 2020.*

*I can see that, starting in January 2020, Moneybarn agreed a repayment plan with Mr B by allowing him to make slightly higher payments than what he was contractually obligated to make, so that he could slowly pay back the arrears. I can also see that when he couldn't make his payments in April 2020, they allowed him to have a three-month payment deferral. They have also put a hold on his payments in June to July of 2020 and later told our service that they are willing to apply the additional months of payment holidays for July and August 2020 which would reduce Mr B's arrears, which I think is reasonable in the circumstances of this complaint. So, considering all the circumstances, I can't say that Moneybarn didn't treat Mr B with forbearance and due consideration when taking all these actions into consideration.*

*I know Mr B is also unhappy that Moneybarn reported adverse information on his credit file, and that he feels that the impact this situation would have on his credit file was not properly explained to him. But the finance agreement between Moneybarn and Mr B explains that*

*missing payments may have severe consequences and that his credit rating may also be affected. And I've seen that when Moneybarn was communicating with him about his missed payments, they also told him that his credit file will be affected. So, considering all the circumstances, I think it is reasonable for Moneybarn to report any payments in arrears on Mr B's credit file for periods where he was behind on his payments until the arrears have been cleared. I say this because Moneybarn have a duty to report accurate and fair information to credit reference agencies.*

*Overall, I sympathise with Mr B for the difficulties that he is experiencing, but taking all the circumstances of the complaint into account, I don't think Mr B has been treated unfairly, provided that Moneybarn treat the July and August 2020 missed payments as deferred.*

### **My provisional decision**

*For the reasons given above I intend to uphold this complaint in part, and I require Moneybarn No. 1 Limited trading as Moneybarn to treat the July and August 2020 missed payments as deferred."*

I asked both parties to provide me with any additional comments or information they would like me to consider by 18 August 2022.

Mr B responded but didn't provide any further comments.

Moneybarn didn't provide a response.

### **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.

Mr B nor Moneybarn had any further comments or evidence to provide, so I see no reason to reach a different conclusion to what I reached in my provisional decision (copied above).

### **My final decision**

For the reasons given above, and in my provisional decision, I require Moneybarn No. 1 Limited trading as Moneybarn to treat the July and August 2020 missed payments as deferred.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 September 2022.

Mike Kozbial  
**Ombudsman**