

The complaint

Ms G complains Startline Motor Finance Limited (Startline) failed to assist her during her time of financial difficulty during the Covid-19 pandemic.

What happened

In August 2020, Ms G entered into a 56 month hire purchase agreement for a used car. The car's cash price was £9,581 and she was required to pay monthly instalments of £212.

In October 2020, Ms G told Startline she had been furloughed due to the pandemic and was experiencing financial difficulty. Startline said they couldn't agree to a payment deferral. Instead they advised her to let October's payment bounce, then she could pay half of the contractual amount and later they would set up a payment plan for her to pay the other half. Thereafter, Startline said for November and December's payments she would be required to pay £239 (made up of the contractual payment and part of the arrears from October 2020). However Ms G said her situation hadn't changed so she couldn't afford these payments.

Startline said in order to agree to reduced payments, she was required to complete an income and expenditure assessment via an open banking resource. Ms G said she was frustrated and upset that Startline wouldn't help her and the payment plans weren't affordable. Instead, she said she borrowed money from friends and family to pay the instalments while she remained furloughed. She complained.

Startline said they were unable to offer reduced payments or payment deferrals for agreements under six months old. They said they tried to get an understanding of Ms G's financial circumstances but she didn't engage with them or the open banking process. They said they were duty bound to consider Ms G's affordability before agreeing to reduced payments or a payment deferral.

Unhappy with their response, Ms G referred the complaint to our service. Our investigator recommended the case was upheld. They said Startline hadn't acted fairly by not agreeing to a payment deferral. To put things right, they said Startline should remove the adverse information for the months concerned and pay £100 compensation.

Ms G agreed. Startline disagreed and maintained their position. In summary, they said it would've been irresponsible of them to automatically grant a three month payment deferral without considering Ms G's individual circumstances. They said by applying a payment deferral, it would extend the agreement and it would've been irresponsible for them to do so without proof or understanding of Ms G's long-term affordability.

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've decided to uphold Ms G's complaint. I'll explain why.

In April 2020, the Financial Conduct Authority (FCA) released specific guidance to firms which was later updated in July 2020. The guidance stated that a firm should grant a consumer a payment deferral for up to six months unless the firm determines (acting reasonably) that it is obviously not in the customer's interests to do. In this case, the guidance was in place at the time Ms G first reported her financial difficulties. As it was clear her financial circumstances had been negatively impacted by the pandemic, I'm satisfied the guidance applied to her.

However Startline said she wasn't entitled to the above support because the agreement was less than six months old. In addition, before agreeing to the same they needed to make sure it was in Ms G's best interest to do so.

At this point, I wish to stress I consider the fundamental principle of the FCA's guidance was for firms to provide temporary and immediate support to those impacted by the pandemic. Having read the guidance, I wish to point out some key sections which I believe are relevant in this case. When determining whether a payment deferral would be appropriate, it says:

"For example, a payment deferral would obviously not be in customers' interests if it would give the firms' customers a greater overall debt burden compared to other solutions (that might involve reduced or waived interest for example) that could equally meet customers' needs and that debt burden would be clearly unsustainable"...

and

"There is no expectation under this guidance that the firm makes enquiries with each customer to determine the circumstances surrounding a request for a payment deferral, or whether this is not in the customer's interests"....

and

"Firms can, however, choose to make the enquiries they consider necessary in order to satisfy themselves that the customer is eligible for support and to identify whether the customer would benefit from any additional support, provided that this does not delay the provision of timely support".

and

"Where a 3 month full payment deferral is not considered appropriate, firms should without unreasonable delay, offer other ways to provide temporary relief to customers in accordance with treating customers fairly".

Based on the above, I'm not persuaded Startline acted fairly nor in line with under the FCA's guidance.

Startline has argued because the agreement was less than six months old, the guidance wouldn't apply. However this would appear to be Startline's internal policy decision and not one set by the FCA. There is no suggestion the provision of a payment deferral was dependent on how long the agreement had been running for.

I accept Startline intended to determine whether it was in Ms G' interest to agree to the payment deferral. However I don't believe the requirement to complete the open banking

resource was a prerequisite for providing such assistance nor necessary to understand her circumstances. Moreover, it shouldn't hinder support being provided.

Startline argues there was insufficient evidence the payment deferral would be in Ms G's interest but in my opinion, there is equally no suggestion it was '*obviously*' not in her interest to do so. I say this because she had been temporarily furloughed and she was expecting to return to her employment in the near future. Therefore on balance, I find it's fair to say the expectation was she would be able to resume paying the contractual payments and pay back the arrears in a reasonable time frame.

Even if I was to accept the FCA's guidance wouldn't apply, there is no indication Startline applied the pre-existing guidance relating to those in financial difficulty. This guidance can be found in CONC of the FCA's handbook. In such circumstances, the expectation is firms treat consumers in financial difficulty with forbearance and due consideration. In this case, despite Ms G making it clear she couldn't afford the payments she was told she had to pay at least half in October 2020 and £239 thereafter (which was higher than her normal contractual amount). I don't consider that fair nor reasonable so I can't say in the absence of applying the FCA's guidance, Startline treated Ms G with forbearance and due consideration.

Ms G said due to the back and forth communication with Startline and them not providing adequate support in terms of what she could afford, she lost confidence in them and decided to borrow money from friends and family instead. Given what had happened, I can understand why she would feel this way.

Ms G said her credit file has been negatively impacted by this situation. Based on the guidance, had Startline agreed to the payment deferral, the missed payments wouldn't have reported to the credit reference agencies. I'm satisfied Startline should've agreed to a three month payment deferral initially. So to put things right, I believe they should remove any adverse information recorded between October and December 2020.

I've also considered the impact of this situation on Ms G. She turned to Startline during a time of financial hardship and rather than assisting her, I believe they made what was already a difficulty time, more worrying. Given the level of communication with Startline, it's clear it was causing her upset. She borrowed money from friends and family to bring the account back up to date and at the time she was also caring for her ill husband. Based on these circumstances, I find it's reasonable for Startline to pay £100 compensation for the trouble and upset caused.

My final decision

For the reasons set out above, I've decided to uphold Ms G's complaint.

To put things right Startline Motor Finance Limited must:

- Remove any adverse information recorded on Ms G's credit file between October 2020 and December 2020;
- Pay £100 compensation to Ms G for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask x to accept or reject my decision before xxxxx.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 10 October 2022.

Simona Charles
Ombudsman