

## **The complaint**

Mr R has complained about the support he received from Vauxhall Finance plc (VF) when he was in financial hardship.

When I refer to what Mr R has said, and VF have said, it should also be taken to include things said on their behalf.

## **What happened**

In April 2018, Mr R entered into a conditional sale agreement with VF to acquire a car. The total cash price of the car was around £20,288 and the total amount payable was approximately £23,110. Mr R paid a deposit of £20. The first repayment was approximately £529. There were 58 subsequent repayments of around £380 and a final repayment of around £529.

In February 2020, Mr R called VF to inform them that he may experience difficulties making his payments due to a family member being unemployed at the time. He wanted to reduce his monthly payments, so VF suggested a renewal of the agreement and asked Mr R to return certain information back to them. Mr R never returned this information but kept making his payments.

On 23 March 2020, the United Kingdom (UK) government announced that UK would enter a lockdown due to the Covid-19 pandemic. Mr R said that due to the pandemic his income and finances were affected. He missed his finance agreement payments in April and May 2020. At the beginning of June 2020, Mr R contacted VF to request financial assistance as he was furloughed. At that time VF offered him a loan extension for three months to cover his April, May and June 2020 payments. This loan extension had a charge of £181.61.

At the beginning of August 2020, Mr R called VF and explained that he was still experiencing financial hardship, and VF send Mr R a voluntary termination pack. Following this, they sent him a default notice in mid-August 2020.

Towards the end of August 2020, Mr R made a payment of £200 towards his agreement and in September 2020, he made a further payment of £150 towards his agreement. At the beginning of October 2020 Mr R paid £200 towards his agreement and paid a further £200 at the beginning of November 2020.

In January 2021, Mr R completed an income and expenditure form. A couple weeks later, he was provided with options of voluntary termination and voluntary surrender. And towards the end of January 2021, Mr R confirmed that he wanted to voluntary terminate his agreement. The car was collected and in February 2021, Mr R agreed with VF that he would be making payments of £50 a month to clear the balance, and Mr R started making payment towards this balance in April 2021.

Overall, Mr R didn't think that he got enough support from VF, when he was in financial difficulties, so he raised a complaint with them.

In January 2022, VF responded to Mr R's complaint. In this correspondence, they said in summary, that they weren't upholding his complaint. They said numerous promises to pay were broken and partial payments made, therefore charges and overdue interest were added to the agreement. They explained that later, when Mr R was back in full time employment, they couldn't accept an agreement renewal request. In this correspondence, they also said that all charges were in line with their collections' process, and that a finance liability of around £1,899 was payable by Mr R once voluntary termination was completed, as the halfway point in the agreement was not met.

Mr R was unhappy with VF's response, so he referred his complaint to our service.

One of the investigators at our service, looked at his complaint and thought that VF should've done more to help Mr R when he was experiencing financial difficulties. The investigator thought that VF should pay Mr R compensation of £350 for the unnecessary distress and inconvenience caused. The investigator thought that VF should also remove the charge for the loan extension, as well as the additional interest for missed/late payments since April 2020. She also thought that VF should amend Mr R's credit file to reflect the payments missed between April 2020 and September 2020 were due to Covid-19, so any adverse information reported on his credit file since April 2020 should be removed.

Mr R agreed with the investigator, but VF disagreed. So, the complaint has been 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.

In considering what is fair and reasonable, I need to consider the relevant rules, guidance, the law, and, where appropriate, what would be considered to have been good industry practice at the relevant time. Mr R 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 R's main complaint point is that he was not treated fairly by VF when he found himself in financial hardship due to the Covid-19 pandemic. He also feels that the car was wrongly taken from him.

VF have told us that they have acted fairly and in accordance with the guidance set out by the Financial Conduct Authority (FCA). More specifically, they feel that the interest on the agreement was added correctly and was to be paid at the end of the agreement, as agreed with Mr R. They reiterated that he was furloughed for four months and then returned to employment, plus they said that he avoided contact with them on numerous occasions.

So, I've taken the above into consideration and I've considered whether VF have done enough to support Mr R, 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. Both updates build on the previous guidance that was issued and stipulate that payment deferrals can be granted for a total period of six months. It is also important to note that within the mentioned guidance it states that: "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. 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".

I've considered that in June 2020, when Mr R informed VF that he was experiencing financial difficulties not all of the above mentioned FCA guidance on Covid-19 had been published or in force. But I've considered that before, and after, the additional Covid-19 guidance was in force, there was other guidance such as the FCA – Consumer Credit Sourcebook (CONC), and, in particular, CONC 7, titled "Arrears, default and recovery (including repossession)", which 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. And from what I've seen, it looks like VF was trying to help Mr R, by treating him with forbearance and due consideration. I say this because when Mr R had difficulties making payments towards the finance agreement, they offered Mr R a three-month extension of his agreement to cover the payment missed in April, May and June 2020. But there was a charge for this of around £182. So, I've gone on to consider whether they should've done more.

I think the FCA Covid-19 guidance, mentioned above, was intended for customers in situations like the one Mr R found himself in, and it was in force at the time. So, I think VF should've given Mr R the benefit of a three-month payment deferral as per the FCA Covid-19 guidance. I think it would be fair if this was applied retrospectively for the payments missed in April, May and June 2020. I think, had VF done this then, Mr R's account wouldn't have been in arrears. I've also thought about what should've happened after, when at the beginning of August 2020, Mr R called VF and explained that he was still experiencing financial hardship.

I know that VF at that time sent him a voluntary termination pack, but I think during that time he was still impacted by Covid-19. So, I think it would've been fair for VF to apply the FCA Covid-19 guidance mentioned above. As per the guidance, a payment deferral could've been extended for a further three months. This would've covered the July, August and September 2020 payment. Overall, together, I think the payment deferrals should've been applied for a total of six months from April 2020 to September 2020. And at that point in time VF and Mr R could've had further discussions of how the further repayments should be paid back.

Especially given that the above mentioned FCA guidance states that where a customer can resume full repayments after the payment deferrals, but is unable to pay the deferred

amounts immediately, the firm should allow them to repay the deferred amounts over the remaining term of the agreement or allow a longer period for the repayment. It also says that the firm should consider what is most in the customer's interests. And, if Mr R was still experiencing financial difficulties, then FCA expected firms to offer tailored support to customers who were still facing financial difficulties after taking out the maximum six-months' payment deferrals. The Tailored Support Guidance, issued by the FCA in January 2021, which originally came into force in October 2020 and was updated in November 2020, indicated that the FCA expected firms to be flexible and employ a range of short-term and long-term forbearance options.

I think VF haven't applied all the FCA guidance mentioned, which forced Mr R to keep attempting to clear the arrears by making certain payment towards the agreement, as seen by August 2020 payment of £200, September 2020 payment of £150, £200 payment in October 2020, and a further £200 at the beginning of November 2020. The first two of these payments were made while Mr R would've been in a six-month deferral period, had VF followed the FCA guidance mentioned above. Also, Mr R told us that he tried to make a payment arrangement with VF's agents, but as no agreement was reached, I think most likely this may have made him feel that the only option was to voluntary surrender. Obviously, it is difficult to say in what state Mr R's account would've been if six-months' worth of deferrals had been granted, and whether the account would've been in the same position as it was when Mr R decided to voluntary terminate. But definitely Mr R's account would've been in a better position had the above FCA guidance been followed. So overall, I think VF have to take some steps to put things right for Mr R.

I think it wasn't reasonable for VF not to grant the deferrals to Mr R, and I think had they done this he most likely wouldn't have incurred the £181.61 charge for extending his agreement for three months, so I think they need to remove this charge. As mentioned above, the guidance states that firms should allow consumers to repay the deferred amounts over the remaining term of the agreement or allow a longer period for the repayment. But these options were not available at the time as VF never offered a six-month deferral to Mr R. Also, the guidance says that the firm should consider what is in the customer's best interests at the time. And I don't think VF considered Mr R's interests fully as at the time, without the six months' deferral, his financial situation seemed a lot different than it would've been had he been granted the deferral.

VF should also remove any additional interest for missed/late payments they charged Mr R from April 2020 onwards, as he wouldn't have incurred these had VF granted him a six-month payment deferral. After the deferral, VF should've followed The Tailored Support Guidance which says they would've needed to employ a range of short-term and long-term forbearance options. Even though it is now difficult to say what avenues would've been agreed between Mr R and VF sometime after September 2020, I think, had Mr R initially been given the six-months' breathing space, his situation would've been much better than it was. And, considering that Mr R was making ad hoc payments towards his agreement, such as the four payments mentioned above, I don't think it would be fair or reasonable for Mr R's credit file to have any adverse information recorded on it from April 2020 onwards.

Also, I think it is only fair and reasonable that they compensate Mr R £350 for the stress and inconvenience that this situation caused him. I say this because during this time Mr R had additional financial pressure which he wouldn't have had, if the payment deferral been granted, and he wouldn't have needed to make the August 2020 payment of £200 or the September 2020 payment of £150.

Mr R has mentioned that the car was taken away when it shouldn't have been. But as the agreement ended and the car has been collected and sold, I can't ask VF to reinstate the agreement and return the car to him. Also, I've considered that Mr R confirmed to VF that he

wanted to exercise this option. This was after VF explained this option to him on more than one occasion. So, I don't think it was unreasonable for VF to collect and sell the car.

To repay the remainder of the amount due under the voluntary termination, Mr R and VF have agreed a repayment plan of £50 a month. Considering this amount works for both parties, I think this is reasonable. If Mr R's circumstances change at any point in time, he should discuss this with VF at that time.

### **My final decision**

For the reasons given above, I require Vauxhall Finance plc to:

- Remove the £181.61 charge for extending his agreement for three months;
- Treat the April to September 2020 missed payments as a six-month payment deferral;
- Remove any additional interest charged for missed/late payments since April 2020;
- Remove any adverse information recorded on Mr R's credit file from April 2020 onwards; and
- Pay Mr R £350 compensation for 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 9 January 2023.

Mike Kozbial  
**Ombudsman**