

The complaint

Ms S is unhappy with how Moneybarn No. 1 Limited trading as Moneybarn dealt with her when she was in financial difficulty as a result of the Coronavirus (Covid-19) pandemic.

What happened

In May 2019, Ms S was supplied with a used car through a conditional sale agreement with Moneybarn. The agreement was for a period of five years; with an initial payment of £400 followed by 59 monthly repayments of £218.36.

Ms S said she agreed a payment arrangement with Moneybarn in December 2021. She said she was unable to keep to this arrangement because she had been ill. She was unhappy because Moneybarn told her they were going to terminate the agreement and they had repossessed the car and sold it.

Moneybarn said that Ms S had complained to them that they hadn't taken account of her mental and physical health conditions, and that they refused to accept an offer to pay two months payments in March 2022 after missing the payment due in February 2022.

Moneybarn said they were aware of Ms S' health conditions and reviewed her account every month. They said they'd offered support including a payment plan. They said Ms S had not kept to the agreed plan and arrears had accrued on the account. Ms S failed to make the first payment due under the plan in February 2022. They said Ms S told them she had been off work due to illness. They said they couldn't agree a further payment plan due to the amount of arrears now owed by Ms S.

They said they advised Ms S to contact a money advice agency for debt advice as they didn't think she could afford to make a double payment in one month. They said she should discuss her income and expenditure with the money advice agency, and they would consider whether or not a payment plan proposal from that agency was acceptable.

They said Ms S contacted them in April 2022 and told them she wanted to exit the agreement early. Ms S agreed to terminate the agreement early. She said she did so reluctantly, and only because Moneybarn wouldn't agree a monthly payment she could afford.

Unhappy with this, Ms S brought her complaint to this service.

Our investigator didn't uphold Ms S's complaint. She was satisfied that Moneybarn had provided appropriate support and forbearance to Ms S. She said they had worked with Ms S regarding the arrears over a significant period of time, and that Ms S's proposal would have meant that the arrears on the account would become too big to manage.

She also said that Moneybarn had treated Ms S reasonably when it reduced the amount owed after voluntary termination based on the loss of auction value rather than the damages charges.

Ms S disagreed and asked for an ombudsman's 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've 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 (if appropriate) what I consider was good industry practice at the time. Ms S 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.

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 can also see that Ms S' income was affected by the Covid 19 pandemic. The industry regulator, the Financial Conduct Authority (FCA) issued temporary guidance, that came into effect on 27 April 2020, for customers who were faced with payment difficulties as a result of Covid-19. That guidance said:

"This guidance applies where customers are already experiencing or reasonably expect to experience temporary payment difficulties as a result of coronavirus. Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC would continue to apply."

And in November 2020 the FCA issued 'tailored support guidance' – this provided an update on the earlier guidance and applied to firms dealing with customers, like Ms S, who were still facing payment difficulties due to circumstances arising out of coronavirus and who had already received payment deferrals under the Payment Deferral Guidance.

So I've considered whether or not Moneybarn provided Ms S with forbearance and due consideration as expected in the Handbook and the guidance. I think they did. I'll explain why. Before I do, I've seen the notes of Ms S's health condition in the information supplied by Moneybarn. This also includes information that she is helped by a support worker. I'm satisfied that Moneybarn took this into account in their dealings with Ms S.

Arrears

Ms S entered into the agreement in May 2019. She went into arrears within six months of the first payment due under the agreement. Moneybarn considered her income and expenditure and agreed a payment plan that allowed her to clear these arrears over a period of eight months.

When Ms S told Moneybarn in May 2020 that she had been furloughed they granted her a payment deferral covering June 2020, July 2020, and August 2020 – in line with the guidance. A further payment holiday was granted in September 2020 and October 2020. Ms

S told Moneybarn she'd be able to make payments and agree payment plan from November 2020 as she was going on night shift which would increase her wages.

Moneybarn granted another payment holiday for November 2020 when Ms S told them she hadn't been able to return to work.

They told her at the time that any further held payments (payment deferrals) would be due at the end of the agreement. They advised her payments would restart in December 2020, and she'd need to agree a payment plan to cover the arrears on the agreement.

I'm satisfied that by granting the payment deferrals, they treated Ms S in line with expectations set out by the FCA.

Ms S informed Moneybarn at the end of December 2020 that she couldn't make the payment due to an injury that prevented her from working. At the end of January 2021 she told Moneybarn she'd been in an accident and had to pay for repairs to the car. On both these occasions Moneybarn allowed Ms S breathing space to allow her to resolve her financial situation.

I can see that a payment plan was agreed where Ms S would pay £20 a month from April 2021 in addition to her contractual payment. But this failed. In May 2021 Ms S told Moneybarn she was unable to work due to family circumstances. Moneybarn agreed to put the account on hold until June 2021. At this point she told Moneybarn she'd been assaulted at work, and due to her family circumstances, she only received half pay.

In August 2021 she told Moneybarn she'd left her job because of the assault and was starting a new job in a few weeks' time. But in September 2021 she told Moneybarn the job offer had been withdrawn. They agreed to put the account on hold until Ms S was able to confirm her income.

In November 2021 she told Moneybarn about an injury she had sustained in her new job, and tests had uncovered further illness. The account was put on hold again as Ms S said she was starting a new job in December 2021.

In December 2021 Ms S supplied details of her income and expenditure, after receiving an email from Moneybarn informing her they were about to issue a default notice giving her 20 days to clear the arrears, to avoid termination of the agreement.

Moneybarn said they needed an extra £160 each month to clear the arrears, but Ms S said she could only afford an extra £72 each month. Moneybarn agreed to allow another hold on the account until middle of January 2022. This was because Ms S told them she was increasing her hours to full time and would provide an update income and expenditure statement.

In January 2022 a payment plan was agreed following a review of income and expenditure. Ms S would pay an additional £41.64 from February 2022 on top of her normal monthly payment.

In March 2022 Ms S told Moneybarn she hadn't made the payment as she'd been unwell but had now returned to work. Moneybarn advised Ms S that they needed her to discuss her financial status with a money advice agency. It's clear that they were now doubting Ms S' ability to keep to any payment plan. She hadn't made a payment since April 2021. I think referring her to an advice agency was a fair and reasonable step to take.

I'm satisfied that Moneybarn have treated Ms S fairly. They offered her a number of payment arrangements to help her pay the arrears, they kept her account under review, and put the account 'on hold' when she told them her circumstances would improve. And when she was still unable to pay the strongly advised her to obtain support from an external money advice body. The tailored support guidance says that customers should be allowed time to consider their options and, if necessary, seek debt advice before making a decision on the support they take. This is exactly what Moneybarn did for Ms S.

Termination

I appreciate that Ms S wanted to keep her car. But Moneybarn has a responsibility to ensure that payment arrangements didn't put Ms S in further financial difficulty. They also had to avoid the arrears increasing to an unmanageable level. So it was reasonable that they reached the point where they had to explain the options that would allow Ms S to exit the agreement early – and this is what they did in March 2022, and again in April 2022.

I'm also satisfied that they took steps to keep the amount owed following the early termination of the agreement to a minimum. The amount outstanding on the agreement was £3,243 plus damage charges of £1,658 – these charges have not been disputed. Moneybarn have reduced the amount to £3,763 based on the loss of value at auction as this was lower than the damage charges. I'm satisfied this was the fair and reasonable approach to take given Ms S's financial difficulties.

I'm satisfied that Moneybarn treated Ms S fairly and in line with the expectations set by the FCA. I appreciate that she says she was ill, and she wanted to make the payments and keep the car. But Moneybarn provided her with payment deferrals for six months, and gave her several opportunities to agree an affordable payment plan. So I won't be asking them to do anymore.

My final decision

For the reasons explained, I don't uphold Ms S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 22 March 2023.

Gordon Ramsay
Ombudsman