

The complaint

Mr O has complained to us about a credit agreement with MI Vehicle Finance Limited trading as Mann Island ("Mann").

What happened

In January 2023 Mr O entered into a hire purchase agreement for a used car. During the course of the agreement Mr O missed two payments; these fell due on 6 June and 6 July 2023. The direct debits from his account were returned unpaid.

Mr O made manual payments to make up the missed amounts. Mr O's understanding of the situation was that his credit report would not be affected provided he made the payments within 30 days of the scheduled payment dates. Later he was surprised to learn that Mann had notified credit reporting agencies ("CRAs") that he had missed two payments.

Mr O was unhappy with this and complained to Mann. It sent him its final response letter on 26 February 2024. It said that it had investigated both of the missed payments. It said he had made manual payments to cover the missed payments. He'd done this on 22 June and 31 July 2024. It said it had tried to contact him through emails, telephone calls, and by sending letters. It apologised for any confusion about its credit reporting processes, but it said that it was required to report accurately what had happened, and its reports were accurate.

Mr O remained unhappy with this and complained to this service.

Our investigator looked at the complaint and sent Mr O their opinion. They said they didn't think the complaint should be upheld. They said the terms and conditions of the credit agreement said that payments had to be made by the due date. They said the terms also said that if Mr O was in difficulty he should contact Mann and they might be able to help. But there was no evidence that Mr O had done that. In the view of our investigator Mann hadn't done anything wrong.

Mr O remained unhappy so the complaint was passed to me to decide. I issued a provisional decision on this complaint on 17 October 2024. In this I said:

I've looked at this complaint on the balance of probabilities – that is, what I consider is most likely to have happened in light of the available evidence. Mr O's complaint is about a hire purchase agreement. Entering into this type of consumer credit contract is a regulated activity, so I'm satisfied I can look into this. Having done so, I don't intend to uphold this complaint and I'll explain why.

First of all, I have looked at the available documents. In a document headed "Pre-contract credit information" it states:

"Missing payments could have severe consequences. For example, we may terminate the agreement, report your default to credit reference agencies and bring legal proceedings against you. If we do so, there is a possibility your home may be repossessed (although this action would only be taken as a last resort). It may also make it more difficult for you to obtain credit in the future."

Next I've looked at a document titled "Your Agreement Explained." Under the heading, "Not keeping up repayments" it states:

If you don't make payments when they are due, the following may apply:

...

Your credit record may be affected in a way that makes it harder or more expensive to borrow in the future."

Next I've looked at the terms and conditions to which Mr O agreed. Under the heading "Your repayments" these stated:

"2. 1 You must pay us the repayments shown on page 1 of this agreement in full and on time. Failure to do so will be a serious breach of this agreement.

Overall I think this information made it clear that if Mr O didn't make a payment on the due date, it was likely to impact his credit record and credit score. In the end, Mr O missed two payments and so, Mann notified the CRAs.

After the two missed payments, Mr O contacted Mann and altered his payment date. This seems to have worked much better for him and he didn't miss payments after this. The change of payment date was permitted under section 2.2 of the agreement. I've set it out here:

"2.2 We will use any payments you make first to pay any overdue sums and any charges and fees before we pay any current repayment due. Your First repayment date is one month after the date of this agreement. Once your First repayment has been made, you can change your repayment date free of charge provided the new payment date falls within the same month. Strictly, this will not alter the date on which your payment falls due: however, as long as the payment is in fact made by you on or before the new payment date, we will treat it as having been made on the contractual date. You may only change your payment date in this way once in any 12 month period."

So, Mr O changed his payment date in line with this. But he'd already missed two payments, so it doesn't change the fact that Mann had to notify that to the CRAs.

One of the main issues of Mr O's complaint is that he is unhappy about the way in which Mann notified the CRAs. Specifically Mr O has told us that he objected to Mann notifying the CRAs that his payments were made "one month" late. He pointed out that he had made the payments within one month of the due date. So he said it wasn't accurate to describe them as "one month late."

I've considered what Mr O has said about this; but as our investigator has stated in their letter, the CRAs report on a monthly basis. The reasons for this are set out in a document published by the Information Commissioner's Office titled "PRINCIPLES FOR THE REPORTING OF ARREARS, ARRANGEMENTS AND DEFAULTS AT CREDIT REFERENCE AGENCIES." I've arranged for a copy of this document to be sent to Mr O along with this decision. The background and reasons are explained as follows:

"The types of product that are reported all relate to forms of credit, but the features of one product type may be very different to another. Rules are in place to ensure that arrears information from different providers, but on the same product type, has the same or a similar meaning.

Rules are also in place to require that the reporting of information on different products is provided in such a way as to mean the same, irrespective of type.

For each product type there are required levels of data (mandatory fields) that must be supplied in order for the data to be loaded and/or updated."

And:

“Arrears should generally only increase by one month at a time e.g. status code 1 to 2, 2 to 3 etc.”

So, a degree of uniformity is what’s aimed for among the reporting of products to the CRAs. This is understandable as there are large amounts of data involved and many consumers and businesses need to use it. The information needs to be clear and accessible. So Mr O will have been recorded as missing two monthly payments as opposed to missing two monthly payments by “X” number of days. But this is the normal way the system operates, not – as Mr O thought – an error by Mann.

Significantly, the record will also show clearly that Mr O made up the missed payments and did not continue to stay in arrears. By taking this step he minimised the negative impact on the credit report. I hope that Mr O can take some reassurance from this.

I’ve carefully considered what Mr O has told us, but having looked at all the available information in this complaint I don’t think Mann has done anything wrong. So on that basis I won’t be asking it to put anything right.

I asked the parties for their comments in response to the provisional decision. Mann didn’t send us a reply. Mr O disagreed with the decision and sent us a letter setting out his 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.

I’ve summarised the events surrounding this complaint in less detail than the submissions from the parties. No discourtesy is intended by my approach which reflects the informal nature of this service. Where I have not commented on something, it’s not because I’ve not considered it. It’s because I’ve focused on what I’ve identified as the key issues. This approach is in line with the rules under which we operate.

Mann didn’t reply to the provisional decision and Mr O sent us a letter setting out his response to it. In his letter Mr O repeated his submissions. Moreover he further explained his contentions including that he didn’t miss any payments. He told us it was more accurate to say he had been late. He told us again he had made the payments in question during the relevant billing cycle, and emphasised the significance of this. He told us he did not agree that Mann’s reporting to CRAs was accurate.

Mr O also told us that he thought the wording of the credit agreement drew a distinction between late payments and missed payments. Having weighed this I don’t agree that there is any useful interpretative guidance to be gained from constructing a distinction between “late” versus “missed” payments. Moreover assuming I did agree that this was a useful exercise; I wouldn’t be able to find the meaning for which Mr O contends. The two sections of the agreement Mr O quoted deal with different issues flowing from the same scenario; one is about charging interest on “late payments,” one is about consequences of “missing payments.” But both are applicable to a payment that isn’t made by the due date. On balance I’m satisfied the agreement is clear that the due date is the significant issue as I set out in my provisional decision, and is quoted above.

In addition, Mr O highlighted the procedure under ICO guidance for reporting defaults if/when a customer has three months of arrears. I’ve carefully considered this and overall this doesn’t assist in terms of interpreting what is fair and reasonable in this complaint, as it’s relevant to situations where someone has been reported having accrued three months of

arrears as being in default. This complaint involves missed payments not the reporting of a default.

Overall the agreement made it clear that if Mr O didn't make a payment on the due date, it was likely to impact his credit record and credit score. On balance I'm satisfied Mr O didn't make two payments when they were due, so Mann reported to the CRAs in line with their obligations. So it wouldn't be fair or reasonable to require Mann to put anything right.

My final decision

For the reasons given above I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 December 2024.

Katrina Hyde
Ombudsman