

The complaint

Mr S' complaint is about a credit agreement with Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services ("VWFS").

What happened

In April 2023 Mr S entered into a hire purchase agreement with VWFS to acquire a car.

In January 2024 Mr S went online to change his direct debit to a different bank account. This didn't work, so he tried entering details of a second account. It seemed that the details of this account were accepted and that the direct debit was properly set up. However Mr S was notified at the end of the month that the January direct debit had not been taken.

Mr S was unhappy and complained to VWFS. VWFS looked at the complaint and said they had reinstated the direct debit. They told him there would be no adverse report on his credit file. VWFS sent Mr S two final response letters; in summary they said they were upholding his complaint. They initially offered Mr S £100 for the trouble and upset caused to him, then increased this to £200.

However the direct debits failed again and were not taken when next scheduled, at the end of February and March 2024. Mr S found that a negative report had in fact been made on his credit file. VWFS said they would arrange for this to be corrected manually while the direct debit problem persisted.

Mr S was unhappy with what had happened and he complained to this Service.

Following Mr S' complaint to us, each month the direct debit wasn't taken. So he continued to keep in touch with VWFS about what was happening and continued to make manual payments.

Next, our investigator looked at the complaint. He said Mr S had been caused inconvenience and worry. He said there were things that VWFS could have done better such as provide alternative options, and he said he was satisfied they had let Mr S down. He noted Mr S had not been caused financial loss but said the matter had had an impact on him. He said having analysed everything, he thought £200 was the correct amount to compensate Mr S for what had happened, and it was a fair and reasonable outcome.

Mr S remained unhappy so the complaint has been passed to me to decide. I pause here to note that the direct debit failed to work until and including the payment in July 2024; in August the direct debit started to work. For the avoidance of doubt this decision deals with events to August 2024, because these ongoing issues are a continuation of what Mr S already complained about.

Mr S remained unhappy with our investigator's view, so the complaint was passed to me to decide. On 10 December 2024 I issued a provisional decision. 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 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 intend to uphold this complaint and I'll explain why.

First of all, I've looked at the finance agreement. It states:

"You must pay the Advance Payment to us when you sign this Agreement. You must then make one repayment of £335.28 on a date set by us (which will be at least one month after the date of this Agreement); followed by 46 monthly repayments of £335.28, on the same date of each successive month; followed by a final payment..."

And:

"2.1 You agree to make the Advance Payment and Repayments on the dates specified on page 1 of this Agreement and/or notified to you under clause 2.2 and 2.3, and to promptly pay us any other sums which fall due. The timing of all these payments, and your compliance with other terms, is of the essence of this agreement."

Mr S told us that he was unhappy because VWFS didn't inform him of the problems with the direct debit, and because he had to continue making manual payments. He told us he found the situation stressful and was worried his credit score would be badly affected. He estimated he had to contact VWFS ten to twenty times.

VWFS gave us information that in January 2024, when Mr S first tried to change his direct debit the reason it was unsuccessful was due to it being a particular type of card from a particular financial institution. I've looked up this institution and can see reasons why the card might have been unsuitable. VWFS also said the details of that card were on their system for some time and they told us that even when Mr S used a different card, this affected the attempt to take the direct debit at the end of January 2024.

I understand that Mr S is frustrated about the way in which VWFS has handled this direct debit issue. However I pause here to observe I wouldn't necessarily expect VWFS to have been able to sort out a problem of this nature immediately. But in this complaint things have taken much longer than that, so I've looked carefully at what happened.

VWFS didn't reply to our investigator when he asked them why the direct debit wasn't being taken. But on balance I'm satisfied that it was most likely to have been an issue with the VWFS side of the transaction. When Mr S complained to his bank a member of staff wrote to him and said:

"I've contacted our direct debit team, they've advised that the direct debit is active....I've checked, there are no blocks or issues with your account which would prevent VWFS UK collecting payment..."

Having taken all the available information into account, I'm satisfied it's clear there are things that VWFS could have done better. I can see from the information that's been provided to us that VWFS didn't ask their banking department to start investigating until the middle of April 2024. In addition they didn't involve their IT department until July 2024. I think that it would have been reasonable for VWFS to have escalated this problem sooner. So overall I think it's likely VWFS could have acted more promptly and could have done more to try to solve this problem.

Next I've considered that, although the direct debit wouldn't work properly, Mr S was still required to make payments under the agreement. Looking at this I note that Mr S was trying to improve the situation; he made sure that he made manual payments when they were needed. In addition, VWFS told Mr S that his bank was at fault. So Mr S then made a

complaint to his bank in order that they would investigate. So on balance I'm satisfied that Mr S took appropriate steps to mitigate the problem.

Distress and inconvenience

There appears to have been some confusion on the part of VWFS as to what amount they were offering to Mr S by way of compensation. From the information sent to us, they first offered him £100. Then they increased this to £200. However in their submission to this Service they told us they thought £100 was the appropriate amount. So I asked Mr S to confirm how much, if anything, VWFS had paid him and he confirmed they have already paid him £200.

I've considered the overall impact on Mr S. He told us about how he had to call VWFS repeatedly and spend hours on hold. I've listened to the recordings of these calls. Mr S told us he was frustrated by the misinformation VWFS gave him and the lack of progress. I pause here to note that this Service is not able to direct VWFS to change its way of handling calls or improve its call-handling. We are not the regulator of financial businesses; that is the Financial Conduct Authority ("FCA").

However I've taken into account the inconvenience of the calls. I've also borne in mind that in addition, Mr S had to go through the inconvenience of making a complaint to his bank, and I've also taken account of how long the situation lasted. Mr S also told us his mental health had been affected. And looking at the information that's been provided, I consider that even though VWFS was correcting the negative marking on Mr S' credit file every time, I think this repeated reporting is likely to have caused Mr S stress.

I've looked at our published guidelines about how we approach compensation of this kind. In this complaint I think Mr S was caused a significant amount of frustration and inconvenience, and as I've explained above I'm satisfied it was caused by VWFS. So on balance I think the appropriate amount to reflect what has happened is £300 in total. For the avoidance of doubt, as VWFS has already paid Mr S £200, then the amount they owe Mr S is an additional £100."

We asked Mr S and VWFS for their comments on the provisional decision and they both replied to say they agreed with it.

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 looked at the available information again, I'm satisfied that the complaint should be upheld for the reasons set out in the provisional decision.

Putting things right

VWFS should put things right as set out below.

My final decision

For the reasons set out above I uphold this complaint and direct Volkswagen Financial Services (UK) Limited to pay Mr S a total of £300 for distress and inconvenience. For the

avoidance of doubt, as they have already paid Mr S £200, then the amount they now need to pay Mr S is an additional £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 February 2025.

Katrina Hyde
Ombudsman