

The complaint

Ms D complains that Volvo Car Financial Services UK Limited (“Volvo”) didn’t support her fairly when she needed support making payments on her car finance agreement.

What happened

Ms D entered into a conditional sale finance agreement in January 2023 for a new car. The agreement was for 36 months. In October 2024 her circumstances changed, and she contacted Volvo on 25 October 2024 to request a payment holiday. The request was declined, and she was initially told this was due to it being too close to the direct debit date to make a change.

She then recontacted Volvo shortly afterwards to look to set a payment holiday up for following months but was told that this wasn’t available as she was on an interest free loan. Volvo said that if she was in arrears, they could discuss payment plans and options with her, but only if she was in arrears.

Ms D complained, and Volvo didn’t uphold her complaint. Ms D cleared the balance of her finance before the November payment was due, by transferring it to other lending, and brought her complaint to our service. She told us that she doesn’t think Volvo have complied with Consumer Duty principles.

An investigator here investigated the complaint, and didn’t uphold it. They explained that it isn’t the role of our service to regulate or punish businesses, we can only deal with the individual complaint in front of us, and how to put that right if required. They explained that not offering payment holidays is a commercial decision made by Volvo, so we can’t say they should offer that option on their agreements.

They confirmed that Volvo are required to treat customers fairly if they are having financial difficulties, and that Volvo offered to do this were Ms D to fall into arrears on the agreement. They explained that this support could have taken several forms but would have involved assessing Ms D’s income and expenditure to ensure they treated her fairly before agreeing suitable support or payment plans.

As Ms D had not gone into arrears and then chosen to clear the balance and transfer the lending to another lender, they didn’t think there was any more that Volvo could or should have done.

Ms D didn’t agree with this and sent us in further details whilst asking for an Ombudsman to make a final decision on the case. She highlighted areas of Consumer Duty she felt that that Volvo were not meeting. Therefore the case has come to me for 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.

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. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

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 D was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

I'd firstly like to apologise for any confusion here, as I suspect some of the concerns Ms D has have been answered correctly, but that answer hasn't been clarified in a way she's been able to understand. She feels it's unfair of Volvo to not offer her a payment holiday just because her agreement is an interest free one. I'd like to clarify this firstly.

A payment holiday means a customer can defer payments for a period of time, usually up to three months. Then, they will either make up these payments through increased future monthly payments, or occasionally, be able to defer these payments to the end of the agreement and make them then. This was a popular option during the Covid pandemic, where people were furloughed, and their pay was reduced for a period of time.

However, it would mean usually that interest would accrue on these payments for longer, so on interest bearing lending, it would cost a customer more in the long run to pay this interest. The part of Volvo's decision that is a commercial decision is that for this type of interest free lending, no payment holidays are available. This wasn't a payment feature available on this type of loan. To be clear, on this type of loan, there is no option for anyone to have a payment holiday.

I'm satisfied that is a fair choice by Volvo, for two reasons. Firstly, after offering an interest free loan to a customer, I wouldn't then expect Volvo to have to "lose" money on that agreement by allowing payments to be deferred, without interest chargeable to make up for those delays.

And secondly, and more importantly, a payment holiday is not a feature designed to be used to help customers in financial difficulties. This has almost certainly become confused due to what happened during the Covid pandemic. I suspect the reason payment holidays were so extensively used during the pandemic was because they just deferred things until hopefully the pandemic ended and people went back to full pay and could make up these payments.

But it's important to emphasise, that now, if a customer called up a business saying they had lost their job and wanted a payment holiday, it could be potentially unfair for a business to give them a payment holiday. When losing a job, unless we already have another job lined up to go to, none of us know when we will be back in work and earning money to pay for things like lending. Deferring payments just builds up debt, without a plan to sort this out, so I would have concerns about a payment holiday being used for someone who had lost their job.

I suspect some of the confusion here has been when Ms D has been told it's too close to her direct debit date to make any changes like payment holidays. I suspect this wasn't correct, and in fact the call handler hasn't noticed that she's on an interest free agreement so wouldn't have the option of a payment holiday anyway. I can see how this might confuse Ms D; she feels originally, she's been told she can't have one just due to it being too close to her payment date, but then this has changed when she's called back a few days later, to them

refusing to give her a payment holiday because her agreement is interest only. I'm sorry if this has confused things, but that doesn't mean Volvo should have to offer her a payment holiday, a feature which wasn't available for this type of lending.

Fundamentally, Volvo are entitled to not offer payment holidays on interest free agreements, and I have no concerns with this. This isn't something that any legislation or consumer duty would impact, as a payment holiday is not designed to be a support mechanism for consumers who are struggling financially. It's more designed for consumers who perhaps have seasonal work and have periods where they earn more and other periods where they earn less.

It's a feature that businesses can offer, or not, as they choose, on any lending. Many agreements don't have this option, and that's also perfectly fair. It wasn't outlined on the agreement she signed when taking the lending as an available feature.

Ms D has said its not fair that she would have to go into arrears, potentially damaging her credit file, in order to get support from Volvo. Volvo confirmed that if she went into arrears, they would be able to look at payment plans and supporting her, and the first step in this would have been to complete an income and expenditure to see what if anything she could afford to pay.

Ms D was keen to avoid any impact on her credit file, and therefore she made the October payment, and ended the agreement and cleared the debt before her November payment was due. Whilst I understand her feelings on this, I also wouldn't expect a business to have to agree to reduced payments or deferred payments on an agreement, without that customer actually having missed any payments or being in arrears. Its understandable Ms D didn't want to impact her credit file. But it's also fair that if she can't make her payments as per her original agreement, because of financial difficulties, this should be reported to credit reference agencies.

No part of consumer duty or legislation would expect a business to change Ms D's payment schedule for the lending due to financial difficulties without needing to report this to a credit reference agency. Unfortunately, this is the reality of a finance agreement. A customer agrees a payment plan to repay the money, and if they can't do this for any reason, it's fair for the credit reference agencies to be informed of this. It might be that if Ms D had fallen into arrears and been able to agree a plan with Volvo to clear those debts quickly, perhaps if she had got a new job quickly, this may have minimised the impact on her credit file, but she didn't want to take that chance. I completely understand that choice, but equally, it wouldn't be fair to expect a business to agree any form of payment deferral or plan that didn't impact her credit file, if she was failing to stick to her original payment schedule agreement.

Ms D has listed areas of Consumer Duty she feels Volvo have failed to meet. These talk about customers in "financial difficulty". She talks about wanting "breathing space". But it requires more than someone saying they are in financial difficulty for them to show they are in difficulty. If she couldn't make a contracted payment, and went into arrears, that would show she was having difficulty. Volvo explained that if this happened, they would discuss her circumstances and how they can help.

Ms D has also said she was entitled to support options tailored to her needs. But Volvo did not get the chance to provide these, as she didn't go into arrears, and then cleared the agreement to end it. She's likened this to issues seen within the industry recently where finance providers haven't tailored support to customers needs. But this all boils back to the same issue; she's not missed any payments at the point she wants support. I wouldn't expect, where a customer is up to date with payments, for a business to tailor support options for them.

Alongside this, any support which involved reducing or deferring payments would require Volvo to report to credit reference agencies that the payments on the agreement weren't up to date, and Ms D has been clear, she didn't want this to happen. No part of legislation or Consumer Duty expects or should expect a business to accept reduced payments without needing to report this to someone's credit file. So, the reality is, even if Volvo had been prepared to amend her payments required before she was in arrears, Ms D wouldn't have accepted this, as it would have meant reporting missed payments to her credit file.

Whilst I understand her feelings on this, my role is to treat all parties fairly in a dispute. If Ms D couldn't keep up with the payments on her agreement, it would be unfair for this not to be reported to credit reference agencies. It would also not be fair to Volvo for her to just defer payments on the agreement, or reduce them, with no clear way she was going to be able to make these payments up, just because she told them she needed this change. I am satisfied that Ms D was treated fairly by Volvo, and in line with all legislation and Consumer Duty requirements.

The final point Ms D makes is about Volvo's complaint handling not being to the standard she'd expect. As our investigator explained to her, we as a service have no remit to investigate or make any findings about complaint handling as an activity. If she has concerns about this, they would be better directed to the regulator, the FCA, who's remit it is to ensure in a wider sense that businesses treat consumers fairly and provide an adequate level of service.

I'm sorry for the circumstances Ms D found herself in after losing her job, and the stress this caused her. I hope that she's now back in work and over these issues. But with regards to this complaint, I am satisfied that Volvo treated her fairly, and in line with legislation and other guidance such as Consumer Duty. And I won't be asking them to do anything more.

My final decision

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 6 June 2025.

Paul Cronin
Ombudsman