

## **The complaint**

Mr E complains about how Volkswagen Financial Services (UK) Limited (VWFS) has recorded his account with the credit reference agencies and about additional charges applied to his account.

## **What happened**

In May 2018, Mr E took out a hire agreement for a vehicle with VWFS. The rental payments were to be made over 24 months, with the last payment due in May 2020. Mr E made an advance rental payment of £2,377.55 after which he was to make 23 monthly payments of £237.97.

Mr E says from February 2020 he started to experience financial difficulty and missed his repayments between February and May 2020, totalling four payments missed. Mr E has said the vehicle was to be collected by VWFS in June 2020 but due to Covid-19 it wasn't able to collect the vehicle from him until September 2020. Mr E states he was charged hire fees for the additional months the vehicle was in his possession, despite not being able to afford it.

In December 2021, Mr E entered into an Individual Voluntary Arrangement (IVA). The debt owed to VWFS was included in the IVA. Mr E says now that the end of the IVA is approaching, he checked his credit file and noted that VWFS has been recording missed payments on his VWFS account with the credit reference agencies from February 2020 to date.

Mr E raised a complaint to VWFS. He complained about being charged for extra months of hire between June and September 2020, and he also complained that his account should have been defaulted rather than missed payments being added to his credit file.

VWFS considered the complaint and did not find it had treated Mr E unfairly. It said the outstanding balance on the account is £1,858.80 which includes four months of missed payments totalling £951.88, £547.30 for extra days hire and £405.00 for refurbishment charges. It further said it had recorded missed payments on Mr E's credit file for February to May 2020 and this would remain on his credit file for six years. VWFS said it would be unable to change this to a default as it would only do so if the agreement was terminated.

Mr E brought his complaint to our service. He said he did not want, nor could he afford the extra days hire and does not find the extra hire charge has been applied fairly. He also said his account should have been defaulted after three missed payments rather than missed payments continually being applied to his credit file to date. Mr E is concerned that once he is discharged from the IVA, the missed payments will continue to show on his credit file for a further six years, causing him detriment.

When VWFS submitted its file to our service, it made an offer to waive the £547.30 charge for additional days' hire. It further said whilst Mr E is in an IVA, the credit file is reporting correctly.

Our investigator looked into the complaint and found VWFS' offer to waive the charge for

extra days' hire was fair. Our investigator said VWFS is required to report accurately to the credit reference agencies and in recording missed payments it had done so. Our investigator also said that VWFS had assured us that once the IVA is discharged, there would be no further credit file impact on Mr E. So, the investigator did not recommend any changes be made to the credit file.

Mr E asked for an ombudsman to consider his complaint. He said if a default had been recorded it would come off his credit file after six years. The continued application of a missed payment marker would cause significant and ongoing detriment to Mr E. This is because the last missed payment marker will not come off his credit file until well after the IVA is discharged. Mr E states this is not in keeping with what the IVA is supposed to achieve. So, the complaint was passed to me to decide.

I issued a provisional decision in which I said the following:

*"The Information Commissioner's Office (ICO) provides principles for reporting to credit reference agencies. Usually, an account is recorded as being in default when a person fails to meet their financial obligations under an agreement. The ICO says financial businesses should usually report defaults within three to six months of someone being in arrears. It's not unreasonable to delay reporting arrears if someone is in an arrangement to pay – but an arrangement to pay is meant to be a short-term measure.*

*I can see that Mr E fell into financial difficulty in February 2020 and this is the first month he missed a payment towards his account with VWFS. By April he had missed three payments and on 29 April 2020, VWFS sent Mr E a default notice. Mr E failed to meet the demands of the default notice and settle his arrears in May 2020, and he also missed that month's repayment. There was then no payment made towards the account until July 2022 when Mr E started to make nominal payments of less than £1 intermittently towards the arrears (likely as part of his IVA arrangement to pay).*

*I find it is clear Mr E did not have the ability to repay the arrears owed under this account. So, when Mr E failed to meet the demands of the first default notice by May 2020, I find that a default should have been applied to his account. I do not agree that recording over five years of missed payments would be reporting accurately as accounts would usually be defaulted much sooner than this.*

*I can see that VWFS issued a further default notice in June 2020. I note neither of the default notices contain precisely the information that they should. I can also see that both default notices and other notice of arrears letters sent by VWFS were returned unopened. This seems to be because Mr E had moved address and failed to notify VWFS of his updated address. But I don't think either of these matters affects the application of a default to Mr E's credit file, which should have been done in May 2020.*

*VWFS has said that as the contract matured it would not register a default and would only do so if it terminated an agreement. Although I understand this, three payments were missed whilst the agreement was ongoing and due to the ongoing balance owed, the account remains open past its maturity date. Recording a default on termination is a business procedure which should not affect accurate reporting to the credit reference agencies.*

*VWFS has assured us that once the IVA is discharged, the balance will be written off and there will be no further credit file impact. I find this information to be rather vague in that it is not clear whether the years of missed payments recorded will be wiped off. In the alternative, the missed payments will remain on the credit file for a further six years, but the account will show as settled. If it is the second option, I am not reassured that Mr E will not suffer ongoing detriment due to the way in which the account has been recorded and do agree with*

*Mr E that this is not in keeping with what an IVA is meant to achieve.*

*So, for the reasons outlined above, I'm minded to find that VWFS should have recorded a default in May 2020 after Mr E had missed three payments and failed to adhere to settle the outstanding debt as per the first default letter issued by VWFS. VWFS has already agreed to waive the £547.30 charged for extra days hire between June and September 2020 and I find this is also fair. Mr E was ready and willing to return the vehicle on schedule at the end of the agreement, and VWFS could not action this due to circumstances beyond both parties' control, however Mr E should not suffer financially for this."*

Mr E agreed with the provisional decision and VWFS responded to say it had nothing further to add.

### **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.

As there is no additional information or evidence for me to consider, I am reaching the same outcome as outlined in the provisional decision and for the same reasons.

### **My final decision**

I uphold this complaint and direct Volkswagen Financial Services (UK) Limited to:

1. Amend Mr E's credit file, removing the missed payment markers applied between May 2020 to date, and record a default from May 2020
2. Waive the £547.30 charge applied to Mr E's account for extra hire days.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 February 2026.

Vanisha Patel  
**Ombudsman**