

The complaint

Ms A complains Volkswagen Financial Services (UK) Limited (“VWFS”) didn’t treat her fairly when her income was impacted by the pandemic.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them again here. Instead, I will focus on the reasons for my 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.

Ms A had a hire purchase agreement with VWFS for a car. It was for a four-year term and the monthly payments were £425.84. To maintain the account, Ms A needed to make her payments on time and in full each month, otherwise arrears would accrue and be reported to the credit reference agencies. The agreement also set out Ms A could return the car early in certain circumstances.

In March 2020, about three years into the agreement, Ms A asked VWFS for some support as her income had been impacted by the pandemic. VWFS applied 60-days’ breathing space, meaning she didn’t need to make any payments while she considered her finances. Ms A, however, thought she had been given a Covid-related payment deferral. I find VWFS treated Ms A fairly here. At this time the Financial Conduct Authority hadn’t issued guidance for payment deferrals, so these weren’t available. VWFS however, still needed to treat Ms A fairly and that is what it did by giving her breathing space.

In June 2020 Ms A contacted VWFS as she’d received an arrears letter. She found she hadn’t been in a payment deferral and so proceeded to apply for one – payment deferrals were in effect by this time. VWFS declined her request on the basis she was in arrears. I don’t find VWFS treated Ms A fairly here. The arrears had come about as a direct impact of the pandemic on Ms A’s income. VWFS therefore ought reasonably to have accepted Ms A’s request and put in place a payment deferral. Ms A then wouldn’t have needed to make payments for three months and her credit file wouldn’t have been adversely impacted.

Ms A says VWFS has caused her a financial loss. She says, in summary, she should have been given the option to return the car early and if this had happened, she wouldn’t owe VWFS anything – she says following the return of the car VWFS was asking her to pay it about £3,000. I’m not persuaded this matter has caused Ms A to lose out in the way she says. I’ll explain why.

Returning the car early, otherwise known as voluntary termination (VT), required Ms A to have paid half the total amount payable under the agreement (£20,375.16) plus any overdue payments, to avoid still owing VWFS money – assuming the car’s condition and mileage didn’t incur further charges.

Ms A paid a deposit and her monthly payments were about £425, but she didn't reach the necessary amount payable to return the car early at no additional cost until around August 2020. And by this point, Ms A was in arrears, which she would always have needed to pay regardless of whether she was in a payment deferral or not. Ms A also had the benefit of the car until its eventual return, something VWFS can fairly expect her to pay for. I'm also aware Ms A obtained VT settlement figures in July and September 2020 but didn't act on them, instead waiting until October 2020, at which point VWFS facilitated the return. This makes me think Ms A wasn't as keen on returning the car early as she has suggested. By the time the car was returned, Ms A hadn't paid the arrears and my understanding is that's the amount Ms A has been asked to pay. I find that fair and reasonable for the reasons set out above.

When VWFS responded to Ms A's complaint in October 2020 it said it had amended her credit file to show no adverse data related to this matter up until that point. That went some way to putting things right because, as set out above, a payment deferral would have avoided some adverse data, had one been put in place. I do, however, consider VWFS' decision to decline her June 2020 request for a payment deferral caused Ms A unnecessary distress and inconvenience at an already difficult time. Ms A was also understandably frustrated with VWFS' level customer service more generally. Like the investigator, I consider VWFS should pay Ms A compensation for the impact its actions had on her. And like the investigator, I consider £250 fairly reflects said impact.

The investigator also recommended VWFS contact Ms A to set up a payment arrangement for the repayment of the outstanding balance. If there still is an outstanding balance, and if a payment arrangement isn't in place, I consider it would be appropriate for VWFS to contact Ms A about her payment options.

Putting things right

Volkswagen Financial Services (UK) Limited should:

- pay Ms A £250 compensation in recognition of the distress and inconvenience she was caused; and
- contact Ms A to discuss a payment arrangement if one is still necessary.

My final decision

I uphold this complaint and require Volkswagen Financial Services (UK) Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 5 July 2022.

James Langford
Ombudsman