

## **The complaint**

Mrs G has complained to us about the way in which Volkswagen Financial Services (UK) Limited trading as VWFS Financial Services ('VWFS') administered an agreement she entered into with it. And she told us VWFS also recorded incorrect information on her credit file.

## **What happened**

In August 2022 Mrs G was supplied with a used car using a hire purchase agreement provided by VWFS. Mrs G paid an advance payment of £4,000. This was to be followed by monthly payments of £250.77. The final payment is set out in the agreement as £13,275.

The monthly payments were to be taken by direct debit from Mrs G's bank account. It is not in dispute between the parties that Mrs G's sort code was incorrectly recorded on the direct debit mandate. So when VWFS tried to take the agreed payments, the direct debit was rejected.

Mrs G told us that she received a reminder letter in September 2022 from VWFS. She told us she ignored this because she knew she had signed the direct debit mandate authorising VWFS to take payments from her account.

The next direct debits due in October and November were also rejected. Mrs G told us that she received letters about these from VWFS, which she ignored. However when she received a further letter in November she telephoned VWFS. This was on 16th November 2022. Mrs G and the representative from VWFS discussed the incorrect sort code. It was corrected and they agreed an additional monthly payment of £83.59 to clear her arrears.

In early December 2022 VWFS wrote to Mrs G to say that her account was still three month's worth in arrears and there was an outstanding amount of £752.31. This communication to Mrs G seemed to be made with no knowledge of the 16th November conversation. Unhappy with this, Mrs G complained to VWFS on 12th December 2022. There followed an apology from VWFS to say the correspondence had been sent by mistake.

VWFS investigated and on 12th January 2023 they sent Mrs G their final response. It said, in summary that it had looked at her complaint and found an administration error which meant that the September payment hadn't been taken. VWFS said it had amended adverse information on her credit file about this payment. It noted that she was now in arrears in the amount of £1003.08. It stated that she was required to clear the arrears immediately. It said she had remained in arrears from November, and it would continue to notify that information to credit reference agencies ("CRAs").

Mrs G was unhappy and brought her complaint to our service. She told us that VWFS caused a lot of stress and she was unhappy that missed payments had been recorded on her credit file. She told us it made it more difficult to get other loans and had made credit less affordable for her. She told us the whole scenario was not her fault. And she told us she now had to find £1000 which she thought had been already taken out of her account. She was also unhappy with the errors VWFS made when it communicated with her.

VWFS then conducted an internal review of its handling of Mrs G's complaint. It sent a follow-up saying that it had found it made an error in December 2022. As a result of this, the December direct debits were rejected. It apologised for this and said it would remove all adverse information on Mrs G's credit file up to and including December 2022. It also said Mrs G was still in arrears on the account, but it would monitor this on a monthly basis and remove the adverse information.

VWFS said as it had failed to recognise this error in its initial final response, it wished to offer Mrs G a goodwill gesture of £150 as an apology.

Mrs G said she was unhappy with the offer, and was still unhappy about the situation and that adverse information remained on her credit file for January and February 2023. Mrs G remained unhappy about VWFS's overall handling of the situation. She said she had been declined a loan elsewhere because of what happened. And she said she thought VWFS should pay her £3,000 to reflect what happened.

Our investigator considered all the evidence and issued an opinion. She said, in summary, that she didn't think the complaint should be upheld. She said it was reasonable to say that because Mrs G signed the direct debit mandate, she agreed with the information entered on it. She also said that VWFS was correct to notify the missed payments information to the CRAs. And she said she thought the offer made by VWFS of £150 was reasonable.

Mrs G remained unhappy, so the complaint has been passed to me to decide.

### **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.

Mrs G complains about a hire purchase agreement. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity, so I'm satisfied I can consider Mrs G's complaint against VWFS.

I've reached my decision on the balance of probabilities – that is, what I consider is most likely to have happened in light of the available evidence. Where I haven't mentioned something above, this doesn't mean I haven't looked at it. Rather I've summarised the main evidence above which reflects the informal nature of our service. I want to reassure Mrs G and VWFS that I have carefully considered all of the points raised and all of the evidence provided.

### Arrears

Mrs G has told us that she regards the current situation as being caused by VWFS. She has explained fully, that in her view, this is because VWFS failed to take payments when it should have done. She told us:

*“as far as I'm concerned as to the best of my knowledge I set up a direct debit with the firm at the beginning of the contract and it is their responsibility to ensure all the information was correct.”*

She also told us that the direct debit:

*“... was recorded inaccurately and I signed this assuming it was correct.”*

Having considered the paperwork in this case, the incorrect direct debit details were recorded on both the credit agreement and the direct debit mandate. Based on the information available, it's impossible to determine precisely how the error in the sort code was made. But significantly, both the direct debit mandate and the agreement were signed by Mrs G. In particular, I've noted that the bank account details were set out clearly in the finance agreement at the top of page two.

Given that Mrs G signed both these documents I think it's reasonable that she would have read them before doing so, and I think it would have been reasonable for her to have noticed that her sort code wasn't right. So no matter how the sort code came to be recorded wrongly, I don't think it automatically follows that the build-up of arrears is solely a result of VWFS's errors.

Mrs G has told us that she ignored four letters from VWFS. She told us she received one letter in September, saying she had missed a payment. Then she got another letter in October and two letters in November. It was then (in November) that she contacted VWFS.

I'm satisfied that it would have been reasonable for Mrs G to take notice of these letters. It follows that if Mrs G hadn't ignored the letters the arrears could have been lessened or avoided entirely.

VWFS has admitted it made administrative errors in September and December 2022, and in terms of the distress and inconvenience this caused Mrs G, I've covered that below.

Whatever happened, it isn't in dispute that Mrs G didn't make the payments as detailed above, but she did have use of the car. So I think it's fair and reasonable that this amount is owed to VWFS. It's also worth pointing out that Mrs G hasn't lost out financially here – as the funds weren't taken these will either be available to her, or she will have had the use of them.

### Credit file

Next, I've looked at Mrs G's complaint that VWFS incorrectly notified information about her arrears to the CRAs.

VWFS recently told us it would be happy to remove all adverse information on the account up till December 2022. I think this is reasonable to reflect the administrative errors VWFS made.

I think there may be some confusion between VWFS recording late payments and recording arrears on Mrs G's account. VWFS has explained Mrs G's credit file will show that the account is in arrears until these are paid off. As above, I'm satisfied it's reasonable these arrears are due.

In looking at this issue we asked Mrs G to provide us with her full credit report. She told us she didn't wish to do so. Instead she provided us with some screenshots of a summary from a credit scoring app.

This states:

"You have 1 account with at least 2 unsettled debts.

### **ACCOUNTS IN ARREARS**

#### *Volkswagen*

14th Feb 2023"

Mrs G told us that she thinks the arrears shouldn't have been notified. I don't agree that this is correct for the following reason. The Information Commissioner's Office issues guidance and principles for the reporting of arrears, arrangements and defaults (PRAAD) at CRAs. I've carefully considered these principles and in this case I'm satisfied VWFS has acted in accordance with them. They indicate:

*"Depending on the period and amount of the arrangement, arrears may continue to be reported. Such temporary arrangements may last for some time but are generally expected to revert to the contracted terms at some future point. For such accounts arrears may continue to be calculated in accordance with the contracted terms."*

So in this case according to best practice VWFS was correct to give the information to the CRAs.

### New matters

Mrs G has also raised questions about wanting a new financial arrangement to make it manageable for her to pay her arrears, and about an email VWFS sent her saying she'd recently missed a payment. These appear to be new matters that have not been considered by VWFS in its final response to Mrs G, nor investigated as part of this complaint. Under the rules I must follow, this would have needed to have happened in order for me to look at these issues too. It follows that I am unable to look at these matters in this decision.

### Distress and inconvenience

Mrs G has told us that she wishes us to award her £3000 to reflect the errors made by VWFS, the impact on her credit file and the distress and inconvenience she's been caused. But as I've explained above, I'm satisfied that it's likely that most or all of the arrears, and the associated distress, could have been avoided if Mrs G hadn't ignored the letters she was sent. Secondly, having looked at everything, I think that VWFS acted correctly in giving the information it gave to CRA's.

In looking at the mistakes that VWFS has made, it admitted that it made administrative errors in September and December 2022. In addition, I've noted that the final response letter that VWFS sent Mrs G also contained an error. It said she was expected to repay the arrears immediately. However, I can see from her statement of account sent to us by VWFS that a direct debit had already been set up for the additional monthly payment to clear the arrears, which was the amount I referred to above, of £83.59.

### **Putting things right**

Thinking about all of this, I'm satisfied that the errors by VWFS caused Mrs G distress and inconvenience. And overall, I'm satisfied the £150 already offered by VWFS is the right amount to reflect this. So considering everything here, I don't think that VWFS has acted unfairly or unreasonably in Mrs G's case.

### **My final decision**

My final decision is that I uphold this complaint. I instruct VWFS to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 8 August 2023.

Katrina Hyde  
**Ombudsman**