

The complaint

Miss T complains about a Personal Contract Purchase (PCP) agreement provided by Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance ('MBFS').

Miss T says she was pressured into taking the finance rather than paying for the car outright and wasn't aware this would cost her more. She also says MBFS didn't respond to her when she enquired about paying off the finance which meant she had to pay additional interest.

What happened

In June 2018 Miss T acquired a used car. The car had done around 4,500 miles and was around eight months old. It cost £31,989 and Miss T paid a £4,000 deposit. The rest of the balance was covered by a PCP agreement provided by MBFS. The agreement had repayments of £423.51 a month over 48 months, with a balloon payment of £13,325 if Miss T wanted to keep the car at the end of the term.

Miss T says she later realised that the PCP agreement had been mis sold to her. She says she was pressured and strongly encouraged to take out the finance when she had the funds to pay for the car outright. She says she didn't know she would pay more for the car because she took the finance. She says the dealer told her she would be better off taking the finance and she would profit from it. And she says she thought she wouldn't have to pay more if she decided to pay off the finance early than if she paid for the car upfront.

Miss T also says when she tried to contact MBFS to repay her agreement around April 2020 she didn't get a response from it despite chasing several times. She thinks MBFS should pay back any interest from this period.

Miss T complained to MBFS and it issued its final response in June 2020. It explained it was not upholding the complaint. It drew Miss T's attention to the terms and conditions she signed and said this made it clear what she would have to pay if she settled the agreement early. It also said it could see Miss T attempted to contact it several times in April, May and June 2020. It explained it was experiencing a vast amount of contact at the time from customers due to the COVID-19 pandemic.

Miss T was unhappy with this response and said MBFS hadn't addressed her main point which was that she was encouraged to take out finance rather than paying for the car upfront. She then brought the complaint to our service.

In July 2020 it was confirmed the agreement had been settled and Miss T now owned the car.

Our investigator issued their opinion and explained they weren't upholding Miss T's complaint. They said, in summary, that they thought Miss T would've been aware of the details of the finance agreement including the interest. They said they didn't think she'd been pressured into taking the agreement. And they explained that while there was a delay in MBFS responding to Miss T's contact, she didn't initially ask to repay the agreement – she asked for a reduction in interest rate. Our investigator thought that this was unlikely to have been approved – so even though she said there was a delay, they didn't think this impacted Miss T.

Miss T was unhappy with this. She reiterated that she was induced into taking the finance. And said she told the dealer she had a budget of £30,000 and was told she would get money back by taking out the PCP.

The complaint has now 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.

Having done so, I don't think this complaint should be upheld. I'll explain why.

Miss T has raised an issue about the quality of the car supplied under the agreement. This is the subject of another case at this service and I will not comment on this in my decision.

Miss T complains about a PCP agreement. Providing and administering consumer credit contracts such as this is a regulated activity. So, I'm satisfied I can consider Miss T's complaint about MBFS.

When considering what I think is fair and reasonable, I have regard for relevant law and regulations. Part of Miss T's complaint is about what she was told by the dealer before entering into the contract. This means section 56 of the Consumer Credit Act 1974 is relevant here. This explains, under certain circumstances that finance providers are responsible for what is said by a credit broker before a credit agreement is entered into.

In this case, the dealer brokered the credit between Miss T and MBFS. So, MBFS are responsible for what the dealer said.

I think there are two main complaint points to consider here – so I'll think about each of these in turn.

Did anything go wrong when the credit agreement was brokered?

I need to decide if Miss T was pressured or given incorrect information about the credit agreement before she entered into it.

Miss T says she was given the impression that she would 'profit' from taking out the PCP agreement rather than paying for the car outright. She says she was told she would be better off taking the finance agreement. But, having thought about this, I don't think it's likely this was the case.

I should point out that, generally speaking, buying something on credit may cost more than buying it outright, because interest may be added. Looking at Miss T's credit agreement that she signed, I can see that the rate of interest, the APR, the total cost of the credit and the

total amount payable is set out. So, I think Miss T would've understood interest was due to be charged on the agreement when she took it.

Miss T provided an email chain that she says made it sound like PCP was the 'better' option to go for rather than paying for the car outright. But, having reviewed this, I don't agree this is the case. The dealer doesn't recommend Miss T takes out the PCP here and doesn't comment on whether one option is 'better' than the other. Miss T also doesn't ask for any guidance on this. She does ask if the dealer could do a better price for the car if she paid up front, but the dealer says it won't make a difference.

I can see on another email chain with the dealer that Miss T says "*I also thinking, it does work out much much more dearer to do a financing as apposed to owning outright (sic)*".

The dealer responded "*If you choose to pay the optional purchase payment and £10 activation fee to therefore own the car and (sic) the end of the term you will then have paid more than 'cash price' because interest has been factored in*".

I've thought very carefully about this. I've considered everything Miss T has said. But, I don't think it's most likely Miss T was told she would be better off taking the PCP rather than paying for the car outright or that she would profit from taking out the finance agreement. It follows I don't think it's most likely the dealer gave Miss T incorrect information about the finance.

Miss T also says she was pressured into taking out the finance agreement.

Thinking about the timescales here, I can see Miss T was emailing the dealer about options for the finance around 17 May 2018. On contact notes provided by MBFS, on 20 May 2018 it says "*Test drove, likes car and fully understands finance. Wanted to run through figures with family before committing*". Miss T signed the credit agreement on 4 June 2018, which was 18 days later. So, it appears Miss T had a reasonable amount of time to consider her options.

Having reviewed the emails between Miss T and the dealer I can see she mentions having seen lower interest rates elsewhere, so it appears she was looking at other options to finance the agreement at this point. She also discusses different options for the finance over different terms.

I can also see in the email chain that Miss T raises a concern about some damage that she was worried about being charged for when the car was inspected at the end of the agreement. So, it appears at this point Miss T was considering using the option with the PCP of handing the car back at some point rather than taking ownership of it.

Thinking about everything here, I don't think it's most likely Miss T was pressured into taking out the finance.

I also appreciate Miss T said she was given information and advice about the PCP over the phone with the dealer. It's been confirmed that call recordings of these conversations are not available. I've thought very carefully about this. But, given the lack of evidence here, on balance I haven't seen enough to make me think Miss T was told over the phone that it would cost less to take the PCP rather than buying the car outright, or was pressured or misled on the phone about the finance.

I've also considered that Miss T says she told the dealer her maximum budget was £30,000 for the car and that she wouldn't cover many miles. But, thinking about this, I think it was made clear to Miss T what the price of the car was. And I can see on the credit agreement

she signed that there was an annual mileage allowance of 10,000 a year. So, I don't think Miss T was misled here.

Did MBFS act reasonably when Miss T contacted it?

I've reviewed the emails between Miss T and MBFS.

I can see Miss T emailed MBFS on 17 April 2020. She asks if her interest rate could be reduced on a permanent basis as her payments are higher than other providers. And she asks if MBFS are offering any 'concessions' on car finance as she says she isn't using the car. I should point out that Miss T doesn't mention she is in any financial difficulty. She also doesn't mention anything about repaying the agreement early.

Miss T chased MBFS but it didn't reply until 24 April 2020. MBFS explained in order to review Miss T's request it needs various bits of information from her, including her full name, her phone number, the agreement number or registration number and details of any financial difficulty Miss T was experiencing. MBFS said it would be in touch within ten working days. Miss T replied the same day, but she only gave her mobile number and none of the other information requested.

Miss T chased MBFS on 5 and 7 May 2020 but didn't get a response. On 20 May 2020, she emailed again and asked to speak to someone about her options to pay off the finance. Miss T chased this on 26 May 2020 and 2 June 2020. MBFS responded on 10 June 2020 and explained Miss T could either pay off the agreement online or call it to discuss. Miss T was given a settlement figure later in June 2020.

I've thought very carefully about this. I understand Miss T says she should be refunded any interest from April 2020 until she repaid the agreement. But, I have to consider that she didn't ask to repay the agreement in April and this wasn't raised until later.

The timescale between Miss T asking for information about how to repay the agreement and MBFS sending her the link and phone number to do so was three weeks. I do think this timescale is longer than Miss T could've expected.

I have considered the overall service MBFS provided here. MBFS took longer than I would expect, under normal circumstances, to respond to Miss T in April. But I also do need to take into account that Miss T didn't reply to MBFS with the details it requested. So, I can see why there was an issue with it looking into things further for her. But, that being said, I ideally think it should've contacted Miss T to explain she hadn't given it enough details. And, I don't think it's reasonable that the next contact MBFS had with Miss T was some time later, despite it being chased.

I've thought very carefully about whether MBFS needs to do anything to put these issues right. But, I need to consider that at this time the country was in a national lockdown due to COVID-19. This had a knock on effect to businesses, including MBFS, who were dealing with an unprecedented situation. So, while I think the service fell below what I would expect, given the circumstances and thinking about the wider picture I don't think MBFS needs to take any further action here.

Finally, I have considered if Miss T has lost out because of the initial delay in MBFS responding to her. But, I don't she has. I say this as Miss T asked for a permanent reduction to her interest rate as she thought it was too expensive. And she asked if any concessions could be made as she wasn't using the car. While Miss T does mention financial uncertainty, she doesn't say she's in financial difficulty. And, I'm satisfied this likely wasn't the case, given a short time later she paid off the finance outright.

Thinking about all of this, I'm satisfied on balance even if it had responded in a timelier manner its very unlikely MBFS would've agreed to a reduction in interest rate or any 'concessions' given Miss T's circumstances. So, it follows I'm satisfied it's likely Miss T hasn't lost out as a result of this.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 30 September 2021.

John Bower
Ombudsman