

The complaint

Mr M complains about the way in which Mercedes-Benz Financial Services UK Limited (MBFS) handled the end of a hire purchase agreement.

What happened

In August 2018 Mr M entered into a three-year hire purchase agreement for a new car. At the end of the three-year term he had the option of keeping the car and taking ownership on payment of a lump sum of over £25,000. In the meantime, he made monthly payments, taken by direct debit.

Towards the end of the hire purchase period, Mr M indicated that he wanted to make the lump sum payment and take ownership of the car. He discussed the options with MBFS which indicated that he should make the lump sum payment by direct transfer but keep the direct debit instruction in place so that the final monthly payment could be taken.

In the event, the lump sum payment was requested twice under the direct debit instruction, the second time successfully. MBFS admits that this was the result of a manual error on its part. The payment was refunded almost immediately. MBFS apologised and offered Mr M compensation of £25. Mr M did not accept MBFS's offer and referred the matter to this service. He said he wanted £1,000 to settle the complaint.

Our investigator considered what had happened and recommended that MBFS increase its offer to £50, which it agreed to do. Mr M did not accept the investigator's view and asked that an ombudsman review the case.

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.

There is no dispute about the facts here, and for that reason I have not felt it necessary to set them out in any great detail. Nor is it in dispute that the confusion around the final monthly payment and the lump sum payment was the result of an error on the part of MBFS. The only issue I have to consider is whether the increased offer of £50 – prompted by the investigator's preliminary assessment – is fair and reasonable in all the circumstances.

I have no doubt that Mr M was caused some concern by the confusion over the payments. It's clear as well that dealing with the end of the finance agreement took more of his time than it should have done. It's right that he should receive some compensation for those matters. I also think that the original offer of £25 was not enough in the circumstances.

MBFS did however acknowledge its mistake and apologised for it promptly. And it took action to ensure that Mr M was not left out of pocket. In the circumstances, I do not think that a payment of £1,000 – which is what Mr M is seeking – would be fair. I agree with the investigator that £50 is appropriate.

My final decision

My final decision is that, to resolve Mr M's complaint in full, Mercedes-Benz Financial Services UK Limited should pay him £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 March 2022.

Mike Ingram
Ombudsman