

The complaint

Mrs R complains that a car that was supplied to her under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited wasn't of satisfactory quality.

What happened

A new car was supplied to Mrs R under a hire purchase agreement with Mercedes-Benz Finance that she electronically signed in March 2021. She says that the car's dashboard screen went blank nine days after the car was supplied to her so she returned the car to the dealer. She continued to have issues with the car's dashboard and returned the car to the dealer in May 2021 and twice in June 2021. She says that the dealer performed data downloads and found a fault with the wiring on the centre console, so removed the screen and console to replace the loom. She says that the issues have continued but the dealer says that it's unable to replicate it.

Mrs R complained to Mercedes-Benz Finance about the issues with the car but it said that the car was under warranty, it hadn't failed in its obligation to provide a car that was of satisfactory quality and wouldn't support rejection of the car. It recognised that Mrs R had experienced inconvenience, for which it apologised, and it offered her £150 in recognition of her loss of enjoyment of the car. Mrs R wasn't satisfied with its response so complained to this service.

Our investigator recommended that her complaint should be upheld. She said that the car wasn't of satisfactory quality at the point of supply and she recommended that Mercedes-Benz Finance should: end the agreement and collect the car; refund Mrs R's deposit of £1,643 and 80% of her monthly payments since April 2021 for the loss of use and impaired use of the car, all with interest; pay £300 for any distress or inconvenience that's been caused; and remove any information from Mrs R's credit file in relation to the agreement.

Mrs R accepted those recommendations but Mercedes-Benz Finance hasn't provided a substantive response to them so I've been asked to issue a decision on this complaint.

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 agree with the outcome recommended by our investigator for these reasons:

- Mercedes-Benz Finance, as the supplier of the car, was responsible for ensuring that it was of satisfactory quality when it was supplied to Mrs R - whether or not it was of satisfactory quality at that time will depend on a number of factors, including the age and mileage of the car and the price that was paid for it;
- the car that was supplied to Mrs R was a new car and I consider that it was reasonable for her to expect that it would be free from even minor defects;

- satisfactory quality also covers durability which means that the components within the car must be durable and last a reasonable amount of time – but exactly how long that time is will also depend on a number of factors;
- Mrs R says that the issue with the car's dashboard screen started nine days after the car was supplied to her and she's provided photos showing the blank dashboard screen;
- she returned the car to the dealer in April 2021, May 2021 and twice in June 2021 for the issues with the screen to be rectified and says that the dealer performed data downloads and found a fault with the wiring on the centre console, so removed the screen and console to replace the loom, but she says that the issues have continued and that the dealer says that it's unable to replicate it;
- our investigator asked Mercedes-Benz Finance to arrange for the car to be inspected by an independent expert but it hasn't done so - it has provided pre-delivery information about the car but not the job-sheets from the dealer about the issues with the car;
- I consider it to be more likely than not that there is an issue with the car's dashboard screen that first happened soon after the car was supplied to Mrs R and which repairs haven't rectified – and I find that the issue with it causes the car not to have been of satisfactory quality when it was supplied to Mrs R; and
- I find that it would be fair and reasonable in these circumstances for Mercedes-Benz Finance to allow Mrs R to reject the car and to take the actions described below.

Putting things right

I find that Mercedes-Benz Finance should end the hire purchase agreement and arrange for the car to be collected from Mrs R – both at no cost to her. I find that it should also remove any information about the hire purchase agreement that it's recorded on Mr R's credit file.

The hire purchase agreement shows that Mrs R paid a deposit of £1,643 for the car. I find that it would be fair and reasonable for Mercedes-Benz Finance to refund to Mrs R the deposit that she paid for the car, with interest.

Our investigator recommended that Mercedes-Benz Finance should refund 80% of the monthly payments made by Mrs R from April 2021 to the date of settlement for the impaired use caused by the car not being of satisfactory quality. I agree with that recommendation and that Mercedes-Benz Finance should also pay interest on the amounts to be refunded. I consider that it's fair and reasonable for Mercedes-Benz Finance to keep the other 20% of Mrs R's monthly payments as payment for the use that she's had from the car.

These events have clearly caused distress and inconvenience for Mrs R. I find that it would also be fair and reasonable for Mercedes-Benz Finance to pay her £300 to compensate her for that distress and inconvenience.

My final decision

My decision is that I uphold Mrs R's complaint and I order Mercedes-Benz Financial Services UK Limited to:

1. End the hire purchase agreement and arrange for the car to be collected from Mrs R – both at no cost to her.
2. Refund to Mrs R the deposit that she paid for the car.

3. Refund to Mrs R 80% of the monthly payments that she's made under the agreement since the beginning of April 2021 as compensation for her impaired use of the car.
4. Pay interest on the amounts at 2 and 3 above at an annual rate of 8% simple from the date of each payment to the date of settlement.
5. Remove any information about the hire purchase agreement that it's recorded on Mrs R's credit file.
6. Pay £300 to Mrs R to compensate her for the distress and inconvenience that she's been caused.

HM Revenue & Customs requires Mercedes-Benz Finance to deduct tax from the interest payment referred to at 4 above. Mercedes-Benz Finance must give Mrs R a certificate showing how much tax it's deducted if she asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 1 August 2022.

Jarrold Hastings
Ombudsman