

The complaint

Mrs J complains Mercedes-Benz Financial Services UK Limited (MBFS) unfairly applied end of contract charges to her car finance agreement.

What happened

In November 2018, Mrs J entered into a 24 month personal contract purchase (PCP) agreement for a new car. The car's cash price was around £56,800. Mrs J was required to pay monthly instalments of £635 followed by an optional final payment of £34,300. The agreement was due to end in November 2020.

The car was returned in December 2020 and in line with MBFS' returns process it was inspected. Damage was found to the wheels, bumper, bonnet, door, and the spare key was missing. MBFS said Mrs J needed to pay £2,475 for the damages and £457 for 17 days of extra hire. Meaning Mrs J was required to pay a total of £2,932.

Mrs J complained that the damages charged had been unfairly applied. She also said she had an insurance policy that covered damage to the car and she had booked for it to be repaired in November 2020. However that appointment had been cancelled due to the Covid-19 pandemic. She said she was advised by a technician at a manufacturer approved dealership to return the car and the repairs would be carried out by them meaning Mrs J would avoid having to pay increased extra days hire.

MBFS said the charges had been fairly applied and Mrs J would have to complain to the dealership directly concerning the information she was told by the technician.

Unhappy with their response, Mrs J referred the complaint to our service. Our investigator recommended the case was partially upheld. With the exception of the charge for the quarter panel, they found all other charges for the damage and extra days hire had been fairly applied.

MBFS accepted the opinion. Mrs J disagreed. In summary, she said:

- There were delays in getting the car repaired under the insurance due to the pandemic because garages were closed;
- She was advised to return the car by a technician at the dealership in the condition it was in;
- Not all damage to the car was mentioned on the collection report.

As an agreement couldn't be reached, the complaint has been referred 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've decided to partially uphold Mrs J's complaint. I'll explain why.

Damage charges

The terms of the agreement outline that in the event the car is returned, it will be inspected and in the event it doesn't meet MBFS' return standards, they are entitled to apply a charge. Mrs J signed this agreement in November 2020 so I'm satisfied she was aware of the same. I've reviewed MBFS' return standards which sets out what is considered acceptable damage. In addition to this, I've considered the guidance of the British Vehicle Rental & Leasing Association (BVRLA). It is used industry wide to assess damage when new cars have been returned as part of a car finance agreement. In this case, the car was new when supplied so I believe it's fair to also take this guidance into account.

MBFS has applied the following damage charges:

Bonnet	Dented	£260
Right hand front door	Dented	£260
Quarter panel	Dented	£260
Spare key	Missing	£360
Wheel left hand front	Rim damaged	£557
Wheel left right front	Rim damaged	£557
Wheel left hand rear	Spoke damaged	£110
Wheel left right rear	Rim damaged	£110
	Total (excluding VAT)	£2,475

The wheels – Having considered the collection report, I can see damage to the wheels were noted at the time of collection. MBFS' return standards say "minor scuffing or damage under 25mm to the vehicle alloy or steel rim edge or wheel face" is acceptable". The BVLRA guidance says up to 50mm is acceptable. Having looked at the pictures of the four wheels, it's clear there was significant damage and this exceeded what MBFS and the BVLRA would consider to be acceptable so they were entitled to charge for this.

The bonnet – MBFS's return standards say dents on high profile panels such as bonnets aren't acceptable. Based on the pictures, I can see there's a dent on the bonnet so MBFS were entitled to charge for this.

The right hand door- the return standards say dents to the bodywork up to 13mm are acceptable, the BVRLA say up to 10mm. Based on the picture and the measuring tool shown next to the dent, I'm satisfied the dent exceeds this amount therefore MBFS can charge for it.

The quarter panel – As MBFS has accepted the investigator's findings that they shouldn't charge for this damage, I won't comment on this further. This charge should be removed.

The spare key – I understand Mrs J accepts the spare key was missing. Therefore I won't make any further comment about this. I'm satisfied it has been charged correctly and from my understanding she has already paid this charge.

I note Mrs J's comments that with the exception of the wheels the other damage wasn't noted on the report when the car was collected. While I accept that, the terms outline once the car is collected it would be thoroughly inspected so it's not unreasonable not all damages were listed on the collection report. Given the car was in Mrs J's possession for over two years, I believe it's more likely than not the damage was caused while it was in her possession as opposed to being damaged while in the care of MBFS' agents after collection. Overall, with the exception of the charge for the quarter panel, I consider MBFS were entitled to charge for all other areas of damage.

Insurance

I've carefully thought about Mrs J's comments regarding the insurance she had. Based on the information I've seen, this policy covered damage to the wheels only, not any other damage to the car. Evidence shows Mrs J made a claim in December 2020, she received confirmation the claim was being processed and she would be contacted to arrange a repair but this may be delayed due to the pandemic. However she said she was told by a technician at a dealership that the repairs would be carried out when the car was returned and any repairs to the wheels would be claimed under the insurance.

Having looked at the agreement, I can't see this insurance policy formed a part of this agreement. It was a separate contract and not with MBFS. I also note the technician was from a dealership, not MBFS itself. On that basis, it wouldn't be fair to hold MBFS responsible for the delays by the insurance company nor the information provided by the technician. I appreciate Mrs J will be frustrated by this and I'm sorry this is the situation she finds herself in. As per the terms of the agreement, the car had to be returned in line with MBFS' standards otherwise charges would apply. In this case, for the reasons already explained, I'm not satisfied it was therefore MBFS were entitled to apply the damage charges (with the exception of the damage to the quarter panel).

Extra days hire

The agreement was due to end in November 2020 but the car wasn't returned until December 2020. According to MBFS, Mrs J had the car for an additional 17 days. For this, they said she needed to pay £475. As Mrs J had use of the car for longer than the agreement allows, I find it was fair for MBFS to apply this charge. From my understanding, Mrs J doesn't dispute this charge and she's paid it.

My final decision

For the reasons set out above, I've decided to partially uphold Mrs J's complaint.

To put things right, Mercedes-Benz Financial Services UK Limited (MBFS) must remove the damage charge for the dent to the quarter panel from the balance owed by Mrs J.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 December 2022.

Simona Charles
Ombudsman