

## **The complaint**

Miss G complains that Mercedes-Benz Financial Services UK Limited ("MBFS") have treated her unfairly in relation to a hire purchase agreement.

## **What happened**

In February 2017, Miss G acquired a new car using a hire purchase agreement from MBFS. The cash price of the car was around £41,000 and Miss G paid a deposit of around £3,500 with the remainder being financed by the hire purchase agreement. She was required to pay 36 monthly payments of around £600, followed by an optional final payment of £20,350 if she wanted to own the car.

The agreement was due to end in March 2020 with the final payment falling due then. However, due to the national lockdown as a result of the global coronavirus pandemic, Miss G was unable to source an alternative car by part-exchanging the one she had under this finance agreement. MBFS therefore agreed to extend her agreement by three months in order to allow Miss G more time to make suitable arrangements.

The extension to the agreement ended in June 2020, but Miss G had still not been able to source finance arrangements to settle the MBFS hire purchase agreement. In October 2020 the dealership Miss G had been in discussion with informed MBFS that it couldn't offer finance to Miss G.

MBFS therefore informed Miss G that she needed to return that car if she couldn't pay off the final optional payment. It said she would also need to make payments for the months that she'd had use of the car since March 2020.

Miss G complained to MBFS to say it had treated her unfairly. She wanted MBFS to allow her to keep the car and write-off any remaining balance. She said that MBFS' attempts to collect payments and the car from her had caused her mental health to deteriorate. MBFS didn't agree it had acted unfairly towards her.

Our investigator recommended the complaint be upheld in part. She didn't think it was unreasonable for MBFS to seek recovery of the car and any payments that Miss G had failed to make. However, she didn't think MBFS had communicated clearly enough with Miss G concerning the three month extension to her agreement and this had caused her avoidable upset and confusion about what was happening. She recommended MBFS pay her £75 compensation.

MBFS accepted what the investigator had said, but Miss G didn't. She thought MBFS should be paying her significantly more compensation. She also made an offer of paying £10,000 to settle the finance. However, MBFS didn't agree to this as she owed in excess of double that figure.

The complaint has been passed to me for a final decision.

## **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.

The hire purchase agreement was due to come to an end in March 2020 and Miss G was seeking to enter into a new agreement by way of part-exchanging the car. Given the unprecedented circumstances that were created by the global coronavirus pandemic, it was understandable that she wasn't able to do this at that time. I note MBFS offered to extend her agreement by three months to assist Miss G in recognition of the unusual circumstances. I think it acted fairly in doing this.

However, as highlighted by our investigator, I think MBFS could have communicated this decision more clearly with Miss G. I say this because it seems it only properly confirmed its acceptance of a three month extension a few days before it was due to end. This understandably gave Miss G the impression that MBFS had agreed a *further* three month extension (for a total of six months), when it hadn't. Although MBFS' communication made it clear the extension would end in June, I can understand why the timing of the confirmation might have caused confusion. MBFS had instructed collections agents to recover the car from Miss G at around the same time and this contributed to the confusion and upset for her.

However, once the confusion was cleared up, MBFS still agreed to hold off collections activity, despite the extension of three months having expired. It continued to allow Miss G the opportunity to try and arrange settlement of the hire purchase agreement by seeking an alternative car and finance. However, it became clear in October 2020 that Miss G wasn't going to be able to settle the agreement. I therefore don't think MBFS has acted unreasonably since that date in seeking to recover the car and missed payments from Miss G. Our investigator recommended that MBFS pay her £75 compensation for the upset MBFS' communication about the three month extension caused. In the circumstances, I'm satisfied that amount is fair and reasonable.

Miss G feels that significantly more compensation should be paid and that she should be allowed to keep the car, have ownership of it transferred to her and for her not to have to pay all of the outstanding balance on the hire purchase agreement. While I've taken onboard everything Miss G has told us about her mental health and the impact MBFS's communications and actions have had on her, I can't agree it would be fair and reasonable for me to direct MBFS to do as she has asked.

The initial cash price of the car was significantly more than what Miss G has paid to MBFS. Further, she's had access to and use of that car for more than an additional two years after the agreement should have ended without making payments for that use. To now say she should be entitled to keep the car, without having paid the original cash price nor any amount of interest to MBFS wouldn't be reasonable or proportionate for the communication failures of MBFS.

Overall, I consider MBFS gave Miss G a reasonable amount of time to make arrangements to settle the finance agreement. Other than its communication around the three month extension, I consider MBFS has acted fairly towards Miss G. I understand Miss G is now trying to arrange an affordable repayment plan with MBFS for the outstanding balance. Any issues she may have with this arrangement would need to be raised separately with MBFS as it doesn't form part of the issues raised in this complaint.

## **My final decision**

For the reasons given above, I uphold this complaint in part and direct

Mercedes-Benz Financial Services UK Limited to:

- Pay Miss G £75 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 19 August 2022.

Tero Hiltunen  
**Ombudsman**