

The complaint

Miss K complains that Mercedes-Benz Financial Services UK Limited (MBFS) has unfairly charged her for damage to a car she returned when her contract hire agreement came to an end.

What happened

In April 2017 Miss K entered into a three-year contract hire agreement for a new car. The agreement required Miss K to return the car in a good state of repair. It set out in some detail what levels of damage would be acceptable as fair wear and tear and what would not be acceptable. That included information about wheels; minor scuffing was acceptable, for example, but cracked or distorted rims were not.

The hire agreement also said that, if the car was not returned in a satisfactory condition, Miss K would have to pay the costs of repair or refurbishment or the cost of the consequent reduction in value.

Miss K returned the car in March 2020 and it was inspected on behalf of MBFS. Amongst other things, the inspection report said that both left hand wheels were poorly shaped and needed to be replaced. The cost would be £530.90 for each wheel. The report noted that all four wheels had been the subject of an unsatisfactory repair.

Miss K did not think this was fair. She said that the wheels had been professionally repaired before she returned the car and that they could be repaired for very much less than the replacement price quoted.

MBFS did not accept what Miss K said. The wheels could not, it said, be repaired and the replacement price was fair and realistic.

Miss K referred the matter to this service, where one of our investigators considered what had happened. He thought that the inspection report and the photos supplied with it did show that the wheels were distorted and accepted that they needed to be replaced. The charges were therefore fair. He noted however that Miss K had given authority for her father to act on her behalf, but that MBFS had been slow to act on those instructions. He recommended that MBFS £100 in recognition of that.

MBFS did not respond to the investigator's assessment, but Miss K did not accept it. She suggested, through her father, that MBFS should return the damaged wheels and that any losses to MBFS were less than claimed because it could reclaim the VAT on replacements. Further, there was no evidence that MBFS had in fact replaced the wheels.

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.

Like the investigator, I have considered carefully the contents of the inspection report and, in particular, the photographs that accompany it. I agree that they do show damage to both wheels. More specifically, I am satisfied that the photographs show that both wheels are distorted. I accept the inspector's view that they cannot be properly repaired.

I have also considered therefore whether the charge is fair. Having looked at the price of replacement like-for-like wheels, I am satisfied that the charge levied by MBFS is not unreasonable.

I do not believe that MBFS was or is under a duty to return the damaged wheels to Miss K. She did not own them, since the car was leased to her by MBFS, which remained the owner. And the hire agreement did not provide for that.

Nor do I think that I can fairly conclude that MBFS should deduct VAT from the charge. It may be right that any VAT charged will be taken into account as part of MBFS's tax arrangements, but Miss K was liable to pay VAT on all her payments under the hire agreement. There is no reason in my view to treat this payment any differently.

I note that the investigator suggested a payment of £100 because MBFS did not deal with Miss K's father as she asked. I believe that is fair.

My final decision

My final decision is that, to resolve Miss K's complaint in full, Mercedes-Benz Financial Services UK Limited should pay her £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 9 August 2022.

Mike Ingram
Ombudsman