

The complaint

Mr W complains about the amount that he's been charged by Mercedes-Benz Financial Services UK Limited, trading as Mercedes-Benz Finance, for damage to a car that he returned when he ended his hire purchase agreement.

What happened

I issued a provisional decision on this complaint in July 2022 in which I described what had happened as follows:

"A used car was supplied to Mr W under a hire purchase agreement with Mercedes-Benz Finance that he electronically signed in July 2018. The car was collected from him in August 2021, when the agreement ended, by a third party on behalf of Mercedes-Benz Finance. The third party inspected the car and completed a vehicle condition report. The report said that a second inspection was required but identified some damage to the car.

The car was inspected again four days later and further damage was identified. A second vehicle condition report was completed which said that the total cost for twelve itemised issues was £1,244.01. Mercedes-Benz Finance charged that amount to Mr W but he complained to it about the charges. It confirmed that £1,244.01 worth of damage had been identified and set out the reasons for the charges under its vehicle return standards – but it included a charge of £110 for damage to the left rear alloy wheel which hadn't been included on the second vehicle condition report and which increased the total cost to £1,354.01. Mr W wasn't satisfied with its response so complained to this service.

Our investigator recommended that his complaint should be upheld in part. He said that it was reasonable for Mercedes-Benz Finance to charge Mr W for the damage to the bonnet, front bumper, seat base cover, rear wiper blade, steering column shrouds and right front wing. Mercedes-Benz Finance provided further evidence about some of the other damage charges and Mr W said that the damage to the front bumper and seat base cover hadn't been identified on the second vehicle condition report and hadn't been included in the invoice or Mercedes-Benz Finance's response to his complaint. Our investigator then said that it was fair and reasonable for Mercedes-Benz Finance to charge for damage to three alloy wheels and the left rear door shut (in addition to damage the bonnet, rear wiper blade, steering column shrouds and right front wing). The total cost for that damage was £953.61.

Mercedes-Benz Finance has accepted that recommendation but Mr D has asked for his complaint to be considered by an ombudsman. He discussed his complaint with our investigator and said that he wouldn't pay for the charge for the left rear alloy and he'd also like to raise an issue about the sales commission model that was used by Mercedes-Benz Finance but not communicated to him at the point of supply. Our investigator said that that would be considered to be a separate complaint so should be raised with Mercedes-Benz Finance".

I set out my provisional findings in that provisional decision which were that: *"I consider that Mr W's complaint should be upheld in part for these reasons:*

- *the vehicle return standards which were part of the hire purchase agreement say: "When it is time to return your vehicle ... you must return the vehicle in line with the Vehicle Return Standards ... When the vehicle is returned to us a Vehicle Return Standard Inspection will be carried out by trained technicians at the nominated Defleet Centre. The vehicle must be: free from any broken or damaged items ...; free from any defects or condition that would be in breach of statutory requirements; free from accident damage; and in good, clean and marketable condition" – the standards then explain what would be acceptable and unacceptable;*
- *the car was collected from Mr W in August 2021 by a third party on behalf of Mercedes-Benz Finance and a vehicle condition report was completed which identified some issues with the car but it said that the repair method was "to be advised" and no repair value was specified – the report also said that a second inspection was required;*
- *a second inspection took place four days later at an inspection compound and a second vehicle condition report was completed which said that the total cost for twelve itemised issues was £1,244.01 - Mercedes-Benz Finance charged that amount to Mr W but he complained to it about the charges;*
- *I consider that it was consistent with the vehicle return standards for the second inspection to take place and I don't consider that Mercedes-Benz Finance acted incorrectly when it relied on the second vehicle condition report for the damage charges;*
- *Mercedes-Benz Finance confirmed to Mr W that £1,244.01 worth of damages had been identified and set out the reasons for those charges under its vehicle return standards – but it included a charge of £110 for damage to the left rear alloy wheel which hadn't been included on the second vehicle condition report and which increased the total cost to £1,354.01;*
- *the first vehicle condition report said that there was "no visible damage" to the left rear wheel, the photo of the wheel included with that report doesn't show any damage to the alloy wheel and the second vehicle condition report didn't identify any damage to the left rear alloy so no charge for that damage was included on the invoice that was sent to Mr W – Mercedes-Benz Finance has provided a photo showing some damage to that wheel but I don't consider that it was fair or reasonable for Mercedes-Benz Finance to add a charge of £110 for damage to that wheel after Mr W had complained to it;*
- *I consider that the evidence that Mercedes-Benz Finance has provided (including the two vehicle condition reports and photos of the damage) shows that there was damage to the left and right front alloy wheels, the bonnet, the left rear door shut, the upper and lower steering column shrouds and the right front wing – and I consider that that damage was unacceptable damage in accordance with the vehicle return standards and was more than would reasonably be considered to be fair wear and tear;*
- *the car's mileage when it was collected from Mr W was 45,092 miles and it's mileage at the time of the second inspection was 45,177 miles and I'm not persuaded that it's likely that the damage was caused after the car was collected from Mr W - I consider it to be more likely than not that the damage was present when the car was collected from him;*
- *I consider that it's fair and reasonable for Mercedes-Benz Finance to charge Mr W for that damage and I consider that the charges for that damage that were included in*

the second vehicle condition report and which total £843.61 are fair and reasonable in these circumstances;

- *our investigator didn't consider that the other charges included on the invoice were fair or reasonable and Mercedes-Benz has accepted his recommendation – and I also don't consider that it would be fair or reasonable for Mercedes-Benz Finance to charge Mr W for those items;*
- *Mr W says that he'd also like to raise an issue about the sales commission model that was used by Mercedes-Benz Finance but not communicated to him at the point of supply, but that wasn't included in his complaint to Mercedes-Benz Finance (or this service) so I'm unable to consider it as part of this complaint – if Mr W wants to complain about that he should first complain to Mercedes-Benz Finance and then, if he's not satisfied with its response, he may be able to make a separate complaint to this service; and*
- *I find that it would be fair and reasonable in these circumstances for Mercedes-Benz Finance to reduce the amount that it's charged Mr W for damage to the car to £843.61”.*

Subject to any further representations by Mr W or Mercedes-Benz Finance, my provisional decision was that I intended to uphold this complaint in part. Mercedes-Benz Finance says that it's happy with my provisional decision and Mr W has confirmed that he's received it.

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 see no reason to change the findings that I set out in my provisional decision.

Putting things right

I find that it would be fair and reasonable in these circumstances for Mercedes-Benz Finance to reduce the amount that it's charged Mr W for damage to the car to £843.61.

My final decision

My decision is that I uphold Mr W's complaint in part and I order Mercedes-Benz Financial Services UK Limited, trading as Mercedes-Benz Finance, to reduce the amount that it's charged Mr W for damage to the car to £843.61.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 October 2022.

Jarrold Hastings
Ombudsman