

The complaint

Miss G complains about how Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance (MBFS) handled the end of her hire purchase agreement.

What happened

Miss G entered into a hire purchase agreement for a new vehicle with MBFS in March 2018. The agreement required Miss G to make 36 monthly payments, followed by an optional final payment (OFP). It was due to end in March 2021.

In January 2021 Miss G agreed with MBFS to extend the agreement for three months, she agreed new monthly rentals, which reduced the value of the OFP, and the agreement's new end date was June 2021. Miss G says MBFS told her she could only extend the agreement for three months at a time, but she'd be able to continue to extend in three month increments for up to 12 months.

Miss G asked to extend the agreement again in June 2021. MBFS told Miss G she could only extend for one month and would then need to make a decision about whether to buy the car or hand it back.

Miss G told MBFS she didn't think they'd calculated the OFP correctly, and so she didn't sign the documents for the one-month extension. Miss G cancelled her direct debit after making her last monthly payment and says that MBFS told her the OFP wouldn't be taken from her account.

Miss G complained to MBFS in June 2021 when the OFP was taken from her account. She was unhappy that more than £14,000 had been taken without her consent, and she complained that the calculation for the OFP was incorrect. MBFS returned the OFP to Miss G on the same day it was taken.

MBFS sent Miss G their final response to her complaint. They said the OFP figure was correct but apologised that the balance was taken from her account. They said they should've blocked this payment temporarily whilst the extension was agreed. They offered Miss G £100 compensation for the distress and inconvenience caused.

Unhappy with this, Miss G brought her complaint to this service for investigation. She said she received conflicting information from MBFS over the phone and by email about extending the agreement and making payments whilst the OFP was reviewed. Miss G says the OFP isn't right because she paid a deposit for the vehicle, and this hasn't been considered.

Our investigator gave her view that the extension of the agreement was a commercial decision for MBFS to make, so whilst it was disappointing that Miss G was unable to extend the agreement as she'd been told she could, this wasn't something we could ask them to do. She said she was satisfied that Miss G's deposit wasn't considered, and so the OFP was wrong. She recommended that MBFS allow Miss G to purchase the vehicle for the correct

OFP without making any additional payments and remove any adverse information from Miss G's credit file.

Our investigator said Miss G wasn't deprived of the funds for long when the OFP was taken from her account, but MBFS should pay Miss G an additional £100 compensation to fairly reflect the distress and inconvenience caused in having such a large amount taken from her account.

MBFS didn't respond to our investigator's recommendations.

Miss G didn't agree. She said it's not fair that MBFS changed their mind about how and when she could extend the agreement. Miss G said she was told she could continue to make monthly payments without signing to extend the agreement whilst the OFP was reviewed, but she was then told she had to sign for the extension. Miss G said the compensation for the funds being taken from her account should be higher.

As an agreement can't be reached, the case has been passed to me for a 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.

Miss G was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

Extension of the agreement and information provided

The hire purchase agreement that Miss G entered was for a period of 36 months. I've reviewed the agreement, and it doesn't contain a provision for extending it. So, whilst Miss G wanted to extend the agreement for a longer period of time at its new end date in June 2021, MBFS weren't required to offer any period of extension to the agreement.

I appreciate that it must've been disappointing for Miss G to be told she couldn't continue to extend the agreement as she'd been led to believe. But, under the terms of the agreement MBFS were able to ask Miss G to either return the vehicle or pay the OFP once the original end date of the agreement had passed. It was a business decision for MBFS about whether to extend and how long any extension might be.

Miss G has said she was frequently told one thing on the phone, and another in writing. As I've set out above, MBFS were under no obligation to agree to an extension or continuing payments outside of the terms of the agreement. They were able to ask for return of the vehicle or payment of the OFP at any time once the agreement had ended. So, whilst I appreciate that it must've been frustrating for Miss G to believe the payments or extensions were allowed, I can't say that MBFS did anything wrong when they ultimately asked Miss G to pay the OFP or hand the car back.

OFP calculation

I've seen evidence that Miss G made a £1,000 payment to the dealership when acquiring the vehicle, and she's described this as a deposit.

I've also seen evidence of the invoice for the vehicle, which sets out the sale price of the vehicle as £29,000 and confirms a £1,000 deposit has been received from Miss G. The net total due is £28,000.

The agreement sets out a finance payment of £29,000 and doesn't contain a deposit. Our investigator asked MBFS to provide evidence of what the £1,000 Miss G paid was used for, but no information has been received.

On the balance of probabilities and based on the evidence provided, I'm satisfied that Miss G paid a £1,000 deposit for the vehicle, and that this should've been reflected on the agreement with MBFS. So, I'm satisfied that this deposit wasn't considered when the OFP was calculated and therefore MBFS need to recalculate the OFP with the deposit included.

Miss G has retained use of the vehicle and hasn't made a payment since June 2021. Miss G didn't sign the extension documents that MBFS provided in June 2021 because she didn't think the OFP was correct. Based on the evidence, I think if the OFP had been corrected in June 2021, Miss G likely would've arranged to pay it and purchase the vehicle. So, MBFS should recalculate the correct OFP and allow Miss G to purchase the vehicle without making any additional monthly payments.

If Miss G now doesn't wish to purchase the vehicle, she will need to pay for the months that she's had use of it until it's returned.

Our investigator said that MBFS should remove any adverse information from Miss G's credit file relating to the end of the agreement. Miss G has questioned whether there was any adverse information recorded on her credit file.

Miss G's agreement ended some time ago, and she's retained use of the vehicle without making any payments. For the reasons outlined above I'm satisfied that Miss G is able to either purchase the vehicle or return it and pay for the time she's had use of it. I haven't been provided with a copy of Miss G's credit file. But, if MBFS have recorded any adverse information about the end of Miss G's agreement, I'm satisfied that it would be fair for them to remove such records.

Collection of the OFP

In their final response to Miss G's complaint, MBFS accepted that they'd made a mistake in taking the OFP from Miss G's account when they'd told her they wouldn't. They offered Miss G £100 compensation for this error, and our investigator thought this should be increased to a total of £200. Miss G said the amount should be higher.

I appreciate it was a shock for Miss G to have more than £14,000 taken from her account unexpectedly. I note that it was returned to her the same day, so she was without the funds for a short period of time. All things considered, I think £200 fairly reflects the distress and inconvenience caused to Miss G in the circumstances.

My final decision

My final decision is that I uphold this complaint, and Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance must:

- If Miss G wishes to purchase the vehicle, recalculate the optional final payment considering the £1,000 deposit and provide this to Miss G. If Miss G doesn't wish to

purchase the vehicle, calculate the payment for use of the vehicle and arrange its collection.

- Remove any adverse information that's been reported to Miss G's credit file about the end of the agreement
- Pay Miss G a total of £200 compensation to reflect 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 29 September 2022.

Zoe Merriman
Ombudsman