

## **The complaint**

Miss R complains that Mercedes-Benz Financial Services UK Limited (“Mercedes”) prevented her from paying the optional final payment to acquire her car by credit card on the phone when their website would not process it.

## **What happened**

A huge amount of detail has been provided here, for what is in essence a very simple issue. I intend to focus on the key issues here, and not to comment on every point raised. Similarly, I will focus on the relevant parts of the timeline.

Miss R acquired a car on a hire purchase (Personal Contract Purchase) agreement from Mercedes in May 2018. It was a four year agreement, with 47 monthly payments, followed by a final optional payment of £9,700.

In May 2022, Miss R attempted to make the optional final payment. She wanted to do this via a credit card but was unable to do this successfully on Mercedes website. When she called up to arrange it over the phone, she was told they couldn’t accept credit card payments for this over the phone. Miss R has told us that it was suggested that as a responsible lender, they weren’t prepared to accept “credit to pay off credit”.

She complained to Mercedes, who didn’t uphold her complaint. They said she could make any card payment on the website, but their processes didn’t currently allow this on the phone.

Unhappy with this, Miss R brought her complaint to our service. An investigator investigated the complaint, and initially did not uphold it. They said Mercedes’ policies were for them to not accept credit card payments for this purpose, and our service couldn’t tell them to change their policies.

However, Miss R highlighted that Mercedes would in fact take credit card payments on their website for this purpose, but their website wasn’t working. After some attempts to get this to work over the website which were unsuccessful, a second view was issued by the Investigator in October 2022, upholding the complaint. They said Mercedes should take a credit card payment from Miss R so she could pay off the final payment and pay her £100 for the distress and inconvenience caused.

Mercedes accepted this, however Miss R didn’t. She said that now, she had suffered further costs she wanted considered. She said she would have had to take a personal loan to clear the balance, which would have cost her more money and which she should be compensated for, and she also provided some details of Mortgage deals she had wanted to take, which due to the passage of time with no resolution on this issue, were no longer available, and she said she would now have to pay more for a mortgage. She wanted these considered and for an Ombudsman to make 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Miss R was supplied with a vehicle under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

Mercedes have accepted now that they need to process a credit card payment for Miss R. Their responses have been slightly unclear during this complaint, which is why I think Miss R feels they have been lying to our service. I don't agree that this has happened, however. They made clear in their original final response letter (FRL) when Miss R complained that she could make any sort of card payment on their website.

Our initial response from the investigator suggested that Mercedes had said they didn't accept credit card payments at all, which unfortunately wasn't accurate. Mercedes had said on more than one occasion that they would accept any card payment on their website. This was highlighted by Miss R, and this led to attempts to arrange for the payment to be made by credit card on the website.

When this wasn't possible, the investigator upheld the complaint, and asked Mercedes to arrange for Miss R to be able to make the card payments as she wanted to. Mercedes have already agreed that they will do this.

I agree that this is fair. Mercedes have been unclear with both Miss R and our service about the circumstances here and what the problem was. I understand the principle of not encouraging customers to repay debt with further debt, but this doesn't appear to be a Mercedes policy. As Miss R has pointed out, they said they would take a card payment on their website but wouldn't do it over the phone. This doesn't feel fair, particularly when it doesn't appear that the website would allow Miss R to make the payment.

Miss R wants me to consider further costs incurred due to this error, but I'm not persuaded by her arguments. Firstly, she has said that if they wouldn't take a card payment, she would have to take a loan, which would cost her more in interest than a 0% credit card. However, she's also not shown us that she's actually taken a personal loan and done this. Indeed, as far as I am aware, she hasn't had to make a payment yet, as Mercedes were awaiting the outcome of this complaint.

As I am instructing Mercedes to allow her to make the payment by card, her point isn't valid. She has suffered no financial loss from taking a loan, as she hasn't taken one. She wants Mercedes to be punished for lying, but my role is not to punish businesses. I will consider the impact on a consumer and compensate them accordingly, but my role is not to take punitive actions against a business for any failings.

Secondly, Miss R has provided details of mortgage rates she says she had access to and compared them to the rates available further down the line. She's said the delays and errors by Mercedes have caused her to lose out on mortgage deals she can no longer obtain.

I've looked at the evidence she's provided, and it doesn't show an application that's been checked and accepted at any point. There is a front page from an agreement in principle from June 2022, which doesn't show a mortgage product or rate. It also doesn't show what debts have or haven't been included when it was produced. It does say however that for an application, they would need "*Proof that debts have been settled to include the balance and provider*".

As well as this, Miss R has sent some screenshots of mortgage rates available, which she says show the difference from August 2022 to October 2022. But there are no dates on the documents or screen shots to show when they were from, and as they detail she was looking to buy a house, I also have to consider the difficulties with this process and the pitfalls which could ensue and prevent a purchase from going ahead.

I can't reasonably say therefore that Miss R has suffered any losses on a mortgage based on the evidence she's provided. She doesn't appear to have taken out a mortgage or had a formal offer of a mortgage, or a mortgage application declined, at any point. With no clear evidence of her suffering any "loss", I can't reasonably expect Mercedes to pay to compensate her.

However, to ensure fairness, I have gone on to consider the further details she's provided about the application process, to ensure I have considered all potential issues here.

Miss R has said that the mortgage lender confirmed to her in August 2022 that if she had to take a personal loan to pay the final payment on the car, her mortgage application would be declined based on affordability.

Miss R gave us some of the details of the loan she would have to take and said it was offered in late August 2022 at 3.7% APR over five years. That equates to a monthly payment of around £150 per month.

However, if she put or intended to put the final payment on a credit card, that information would also have to be disclosed in a mortgage interview and would appear on her credit file and would be considered as a debt needing regular monthly payments to service it. The money owing for the final car payment would need to be disclosed in a mortgage application.

Generally, mortgage applications will use an assumed figure to work out the percentage of a credit card balance which needs paying monthly, not the actual figure. I am aware that the particular card Miss R intended to use might have had a minimum payment figure of 1% per month. However, in my experience, a mortgage lender will often use an assumed figure of around 5%. 5% of an £8,000 credit card balance would equate to the lender noting down minimum payments needed to service the credit card of around £400 per month.

Whilst I accept that the actual rate or the assumed rate by the mortgage lender could potentially have been lower than 5%, I'm not persuaded that the payment a mortgage lender considered was required to service an £8,000 credit card debt is likely to be lower than the payment required to service an £8,000 personal loan.

A mortgage lender will take into account that credit card minimum payments can be altered at any point by the card provider, so will usually be cautious and use an assumed minimum payment figure, such as the 5% I've highlighted above.

So even if the mortgage application had assumed only 2% a month needed repaying as a minimum monthly payment on the credit card, it would still have cost more per month than the personal loan for the purposes of the mortgage application. As such, the application would have remained unaffordable and been declined. Whenever and however the final

payment for the car had been made, this affordability issue for the mortgage application would have remained.

Miss R seems to believe that the fact this credit limit was already available to her on her credit card would mean using some or all of it wouldn't impact her mortgage application. I'm afraid that wouldn't be how the affordability of her mortgage was assessed.

I haven't seen evidence of any particular mortgage being formally offered to Miss R, and from the evidence provided, I don't believe that a mortgage application would have been shown to be affordable in one scenario (putting the car payment on a credit card) but not in the other (taking a personal loan). So, I can't reasonably say that errors made by Mercedes here have caused any financial loss to Miss R.

But fundamentally, I don't have any evidence of a mortgage application being accepted or declined at any point in any circumstances. With only limited evidence about mortgage quotes provided, and if I consider the details provided by Miss R, I can't say that there is any ensuing loss to her here from the delays in her making the final payment on the car.

Finally, Miss R has talked about costs for a mortgage broker. I'm unclear exactly what she means here, as she says that the lender had confirmed to her directly that the application would fail an affordability check if she took the personal loan to pay for the final car payment, and this meant she had to employ a broker and pay a fee to "mitigate further losses".

The only reason I can see that she would need to do this would be to use a broker to find other deals for her, perhaps from different lenders. But I've seen no evidence of any other mortgage deals she has been offered or has taken out, and even if I had, these deals would have been required based on particular mortgage lender affordability checks, and not linked in any way to Mercedes actions.

I'm not persuaded that any error by Mercedes has had any impact on any mortgage application Miss R has made, and as such, I don't agree that Mercedes are liable for any mortgage broker fees Miss R may or may not have paid, or any difference in mortgage payments.

I am unclear whether the issue is still outstanding, or whether Miss R has now paid off the balance. As she didn't accept the Investigator's view, I don't believe things have been resolved yet. I agree with the investigator view issued previously, that Mercedes should allow Miss R to pay some or all of the final payment via a personal credit card, and if their website won't process this, they should arrange it with Miss R over the telephone, or via another suitable way (there was mention of making the payment face to face in a dealership potentially).

Miss R has said that the offer of £100 doesn't reflect the distress and inconvenience that she's suffered. I'm sorry that this issue has caused her distress. But as I can't see any evidence of the issues having any significant financial impact on her, I'm not persuaded this payment should be higher than £100. She doesn't appear to have paid the final payment yet, which was due in May 2022. As such, I don't think she's been caused any more significant inconvenience by what's happened. I am satisfied that £100 reflects her distress and inconvenience in this case.

I am upholding the complaint but won't be asking Mercedes to do more than they have already agreed to do.

## **Putting things right**

I instruct Mercedes-Benz Financial Services UK Limited to do the following:

- Arrange for Miss R to be able to make some or all of her optional final payment (as required) via a personal credit card, by another means (e.g. on the telephone, in a dealership) if it cannot be done on their website.
- Pay Miss R £100 for the distress and inconvenience caused.

## **My final decision**

I am upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 21 April 2023.

Paul Cronin  
**Ombudsman**