

The complaint

Mr D complains about charges applied at the end of his hire agreement with Mercedes-Benz Financial Services UK Limited, trading as Mercedes Benz Finance ("Mercedes").

What happened

In June 2019 Mr D took out a hire agreement for a new van. The agreement was to last for three years, with an annual permitted mileage of 12,000 miles.

On 13 June 2022 the van was inspected and returned to Mercedes. Mr D has told us that the inspector said he could see no damage to the vehicle – inside or out. Mr D said he was given documentation confirming this.

On 30 June 2022 Mercedes sent Mr D an invoice for charges totalling £1,424.23. The breakdown of these charges was as follows:

• MOT	£54.95
• Front bonnet chipped	£178.60
• Nearside front door chipped	£22.40
• Nearside front mirror cover scratched	£15.27
• Nearside rear quarter panel poor previous	£178.60
• Offside front door chipped	£22.40
• Offside front door dented	£19.61
• Offside rear quarter panel poor previous	£178.60
• Offside sliding door chipped	£178.60
• Rear bumper damaged	£15.27
• Nearside rear light cluster cracked	£101.66
• Nearside rear door handle light damaged	£69.31
• Nearside rear door poor previous	£178.60
• Nearside rear door lower hinge missing	£210.36

Mr D disputed these charges. He said he wasn't happy that the van had been inspected so long after it was returned to Mercedes – and that some of the damage could have happened after it was collected. He said he felt he was being charged almost as much as if he'd bought the van outright, and that its low mileage should have been taken into consideration.

Mercedes said all the charges they'd applied were fair. They said they didn't offer incentives for customers returning vehicles with less than the full contracted mileage, so they were unable to take the van's lower mileage into consideration.

Dissatisfied with this response, Mr D brought his complaint to us. He said he'd had the front bumper replaced because it had been scuffed - and that he'd had two rear panels professionally repainted by a reputable body repair workshop. He felt these had been repainted to 'as-new' condition.

Mr D said he had no reason to remove the fixing from the door hinge – and that this must have been missing when the van was supplied to him. He said the damage to the door

handle and brake light hadn't happened during the time he'd had the van. He felt chips in the paintwork should be considered general wear and tear. He said the van was returned with very low mileage and that it hadn't been due for MOT-testing.

Our investigator noted that Mercedes' Vehicle Return Standards (VRS) were explained in the hire agreement. He compared the photos of the items detailed in the inspection report to the VRS, as well as the industry standard - the fair wear and tear guidelines published by the British Vehicle Rental and Leasing Association (BVRLA).

The investigator said he thought most of the charges had been raised fairly, in line with the VRS and BVRLA guidance. But he didn't think it was fair for Mercedes to charge for the previous repairs to the rear quarter panels, or for the dents to the offside front door. He said he thought Mercedes should remove those charges.

The investigator asked both parties whether they agreed with his recommendations as to how the complaint should be resolved. As neither party responded, the case has come 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.

Mr D complains about a hire agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider this complaint.

Mr D feels it wasn't fair for Mercedes to invoice him for damage discovered some time after the van was collected from him. He's told us that no damage was noted by the agent who collected it. I've considered this point.

Mercedes have provided a copy of the hire agreement Mr D signed on 12 June 2019. I've read this carefully. I've seen that it includes a section headed "*Vehicle Return Standards*", which sets out the standard Mercedes expect the vehicle to be in when it's returned at the end of the hire period. It states:

"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."

"If you fail to take reasonable care of the vehicle and fail to maintain the vehicle in accordance with the manufacturer's guidelines and/or the Vehicle Return Standards, you will have to pay our costs of repairing and/or refurbishing the vehicle, or the cost of the consequent reduction in the sale value of the vehicle, as compensation."

So, I'm satisfied that Mercedes had provided Mr D with a clear explanation of how they'd assess any damage to the van at the end of the hire period.

Mr D has shown us a copy of the document he was given when the van was collected, which I've reviewed. I've seen that this document comments on basic features that would affect the safety and legality of the van, such as the driver's seatbelt, windscreen, mirrors, and tyres. But I've seen nothing in that document about the condition of the bodywork, mirror housing, light housing, or other fittings. I've seen that it says at the bottom of the document:

"All vehicles are inspected on return to the owner and additional damage will be promptly notified."

I find this to be clear - I'm not persuaded that Mercedes treated Mr D unfairly here.

I've seen a copy of the estimate for damages prepared at the time the van was inspected by Mercedes' agent, dated 28 June 2022, which includes photos of each area of damage. I've considered whether it was fair and reasonable for Mercedes to apply each charge, in line with the VRS set out in the hire agreement.

I've also taken into account the BVRLA fair wear and tear guide for light commercial vehicles, which I consider set out good industry practice when a hire vehicle is returned.

MOT

The BVRLA guide says:

"The period remaining on the vehicle's relevant test certificate... at end of lease may be stipulated in the lease."

The VRS say:

"The vehicle must... have a valid test certificate, which has at least 6 months unexpired cover."

Mr D told us that the van wasn't due for MOT-testing until after it was collected. I've seen evidence showing it was first registered on 13 June 2019, which means it was legally required to have an MOT test by the third anniversary of that date. So, when the van was collected from Mr D on 13 June 2022, I'm satisfied that it had already become due for MOT-testing.

For these reasons, I consider it fair and reasonable for Mercedes to charge Mr D for the MOT test.

Chipped paintwork

The VRS say:

"all cab and body exterior panels and interior trims to be free of damage."

I don't think it would be reasonable to expect this three-year old commercial vehicle to be completely free of any damage. So, I've also considered what the BVRLA guide says about this:

"Chips of 8mm and less in diameter are acceptable provided the base metal or material is not exposed or rusted."

"Maximum of four chips on any panel, six chips per door edge, and eight chips on any forward-facing panel."

"Repaired chips... outside the fair wear and tear tolerance are acceptable provided the work is completed to a professional standard by repairers who can provide full warranty on their work."

(i) Bonnet

I've seen two photos of the bonnet, which clearly show more than eight chips in the paintwork. It appears some attempt has been made to touch these up. But I don't consider this repair to have been completed to a professional standard, because I can see the touched-up areas of paint aren't smooth and overlap the edges of the damaged areas.

(i) Doors

I've seen a photo of the nearside front door showing a chip on the edge, close to the swage line.

I've seen a photo of the offside front door showing a larger chipped area, again on the edge of the door close to the swage line.

I've seen a photo of the offside sliding door, showing a chip near to the edge of the door.

I've seen nothing in the photos to give any indication of the size of these chips. But I don't consider the size to be relevant because I can see that the base metal is exposed on all three doors.

I'm satisfied that the chips to the paintwork on the bonnet and doors fall outside the BVRLA guidelines for fair wear and tear on a light commercial vehicle such as this one. So, I think it was fair and reasonable for Mercedes to charge Mr D for this damage.

Dented bodywork – offside front door

I've examined the two photos of the offside front door carefully. One of these photos includes a striped card positioned next to the door. I'm unable to see any evidence of a dent. So, I'm not persuaded that it was fair for Mercedes to charge Mr D for this.

Poor previous repairs

The VRS say the body and paint should be:

"Returned in the same colour as originally supplied or white (to a good industry standard)."

The BVRLA guide says:

"Obvious evidence of poor repair such as flaking paint, preparation marks, paint contamination, rippled finish and ill-matched paint is not acceptable."

(i) Rear quarter panels

I've seen seven photos of the rear quarter panels, which I've examined closely. I found it difficult to assess the condition of the paintwork due to reflections on the bodywork.

I haven't seen evidence of a previous poor repair in these areas. So, I'm not persuaded that it was fair for Mercedes to charge Mr D for this.

(ii) Nearside rear door

I've seen photos showing this vehicle has a pair of rear doors. I can clearly see a difference in the paintwork on the left-hand door - it doesn't match the one on the right. I consider there to be obvious evidence of a poor repair.

I'm satisfied that the standard of this repair falls outside the BVRLA guidelines. So, I think it was fair and reasonable for Mercedes to charge Mr D for this.

Other damage

The VRS say the vehicle must be:

"Free from any broken or damaged items and with no missing components or parts which were fitted as standard equipment..."

I've considered each of the other areas of damage with this in mind.

The VRS and BVRLA guide set out more specific guidelines for some parts of the vehicle. Where appropriate, I've also considered those more specific guidelines.

1. Nearside front mirror cover

In respect of mirror housings, the BVRLA guide says:

"The housing unit should not be damaged or cracked."

I've seen two photos clearly showing a number of scuffs and gouges in the mirror housing. I'm satisfied this damage falls outside the VRS and BVRLA guidelines for fair wear and tear, so I think it was fair and reasonable for Mercedes to charge Mr D the cost of repairing it.

2. Rear bumper

The BVRLA guide says:

"The vehicle's exterior bodywork and any fittings should be free of damage subject to the fair wear and tear tolerances...."

"scuffs and scratches of 50mm or less are acceptable provided the moulding or trim is not broken, cracked or deformed."

I've seen a photo of the rear bumper showing an area that's been scuffed and slightly deformed. I'm satisfied this damage falls outside the BVRLA guidelines for fair wear and tear. So, I consider it fair and reasonable for Mercedes to charge Mr D for this.

3. Nearside rear door

The BVRLA guide says:

"The vehicle's exterior bodywork and any fittings should be free of damage subject to the fair wear and tear tolerances...."

"scuffs and scratches of 50mm or less are acceptable provided the moulding or trim is not broken, cracked or deformed."

"...doors should be secure, free from structural damage".

(i) Hinge

Mercedes said they applied a charge for replacement of the hinge because it was bent and had been secured with an incorrect bolt.

I've seen two photos of this hinge, the lower edge of which appears slightly misshapen. I've seen that it's secured with three bolts, one of which is clearly different from the other two.

(ii) Door handle/light

I've seen photos of the handle/light fitting located above the registration plate on the nearside rear door. I can see an obvious area of damage on the lower edge of this fitting.

I've seen nothing in the photos to give any indication of the size of the damaged area. But I don't consider the size to be relevant because I've seen that this fitting is clearly deformed - the bottom edge no longer being straight.

(iii) Light cluster

The VRS and BVRLA guide both say:

"...cracks in the glass or plastic covers of lamp units are not acceptable..."

I've seen photos of the nearside rear light cluster, showing a crack in the cover over the reversing lamp.

Mr D doesn't accept that this damage was caused during the time he had the van. He said the door hinge must have been like that when the van was supplied to him, because he had no reason to interfere with it. He believes some damage may have happened after the van was collected from him. I've thought about this.

The evidence I've seen shows Mr D had this van from new. As I'm satisfied that there's obvious evidence of the nearside rear door having been repainted to a poor standard, I find it most likely that all the damage to this door has happened since the van was supplied to Mr D.

I'm satisfied that the nearside rear door has suffered more damage than would be considered acceptable as fair wear and tear. So, I think it was fair and reasonable for Mercedes to charge Mr D for each of these items.

I've gone on to consider whether there was any other reason why it would be unfair for Mercedes to apply these charges. Mr D has told us that he returned the van with much lower than expected mileage. But I've seen nothing in the agreement terms that would allow for him to receive a discount for utilising less than the maximum permitted mileage. So, I wouldn't expect Mercedes to offer Mr D any rebate for this.

Putting things right

For the reasons I've explained, I consider the following charges to have been fairly applied:

- MOT
- Front bonnet chipped
- Nearside front door chipped
- Nearside front mirror cover scratched
- Offside front door chipped

- Offside sliding door chipped
- Rear bumper damaged
- Nearside rear light cluster cracked
- Nearside rear door handle light damaged
- Nearside rear door poor previous
- Nearside rear door lower hinge missing.

But I'm not persuaded that it was fair to charge Mr D for the following:

- Offside front door dented
- Offside rear quarter panel poor previous
- Nearside rear quarter panel poor previous.

So, I think Mercedes should remove these three charges from their invoice.

My final decision

For the reasons I've explained, I uphold this complaint and direct Mercedes-Benz Financial Services UK Limited to remove the following charges from their invoice to Mr D:

- Offside front door dented £19.61,
- Offside rear quarter panel poor previous £178.60,
- Nearside rear quarter panel poor previous £178.60.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 January 2023.

Corinne Brown
Ombudsman