

The complaint

Mrs B complains about the application of end of contract damage charges by Mercedes-Benz Financial Services UK Limited ('MBFS').

What happened

Mrs B took out a hire agreement with MBFS in May 2019 and returned the car at the end. When she did MBFS inspected it more than once and applied damage charges of £1,160.40 which were later reduced to £690.40.

Mrs B is unhappy with MBFS and the charges. In summary she says:

- It only identified three items of damage in the initial inspection when the car was collected so it shouldn't be charging her for more than this.
- MBFS did not tell her there would be a follow up inspection – and the extra damage could have been caused after the car was collected – which wouldn't be her fault.
- The charges MBFS has applied are excessive and the repairs to the door scratches could have been completed for less (she says a body-shop told her this would cost less than £100).
- During the initial inspection she was told by the collection agent the car was going straight to auction and that the charges (if any) would be minimal.
- She has been stressed out by initially getting such a high invoice for damages which was then reduced substantially – she feels she was misled and taken advantage of.

Mrs B complained to MBFS. It confirmed the charges would stand and did not believe these were caused in transit. It said it wrote off the prior charges because it did not have sufficient evidence to show these were present on collection of the car.

Our investigator looked into things. In summary, she concluded that it was right for MBFS to remove the charges it did. Of the outstanding charges she concluded:

- The scuff damage to the quarter panel arch extension RH was present on collection and is fairly chargeable under the MBFS return standards.
- The door LHR and RHF scratches were present on collection and are fairly chargeable under the return standards – except the level of these seemed excessive so should be reduced by 50%.
- The spoke damage to the wheel LHF is fairly chargeable but the spoke damage to the wheel RHF is not as it wasn't clearly shown on the first inspection, and she wasn't confident it hadn't been caused in transit in the particular circumstances here.

The investigator also noted the customer journey Mrs B had been through had caused her

unnecessary aggravation and upset. So she felt it fair MBFS reduce the outstanding charges by another £100 to reflect this. She told MBFS to amend the outstanding charges as directed and remove any adverse information in relation to the payment of these from Mrs W's credit file if applicable.

Mrs B agreed with the investigator. MBFS broadly agreed too – however, it said it could not presently accept the direction to reduce the cost of the repairs to the doors – it says its pricing matrix outlines these costs and allows the customer to come to an informed decision about them. It wants more evidence as to how our investigator had decided the proposed reduction was fair.

As the parties have not agreed the matter has come to me for 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.

As MBFS has not agreed with the reduction in repair costs for the scratched doors I am doing a final decision on this case. Because the parties have broadly agreed with our investigator I don't consider it necessary to focus on all aspects of this complaint in detail. However, in the interest of completeness I will cover my findings on some key matters.

The basis for MBFS charging for damage is contained within the terms and conditions of the hire agreement which Mrs B agreed to. In it there is an expectation that the car will be returned in a particular condition and that any damage beyond fair wear and tear will be chargeable.

I have considered the MBFS return standards which Mrs B agreed to. Where relevant I have considered the updated standards (for example where they differ from those in the agreement) in order to decide what is fair.

I have also taken into account the relevant industry standards from the British Vehicle Rental and Leasing Association (BVRLA) where necessary to do so (for example where the MBFS return standards are unclear).

Damage charges

In considering the application of damage charges I have noted that two inspections were carried out on the car by MBFS and additional chargeable damage was identified in the second.

I also take into account that the second inspection was carried out around five days after the first and with the car having travelled an additional 500 miles. With this in mind I think where chargeable damage has been identified in the second inspection that was not clear in the first there needs to be particular scrutiny in this case as to whether it might (as Mrs B says) been caused in transit. As it wouldn't be fair for Mrs B to pay for damage which occurred while the car was not in her possession.

Firstly, and in the interest of completeness I have broadly considered the damage charges which MBFS has written off already and agree that it was fair and reasonable for it to do so in the circumstances because either the nature or cause of said damage was not clear.

I turn, briefly to the revised damage charges which MBFS had said Mrs B should pay and whether these are fair and reasonable.

Quarter panel arch right – scuffed

The MBFS return standards state that gouged bumpers which require replacement, plastic welding or painting are not acceptable. I can see from the second inspection that the plastic looks gouged/scuffed requiring repair and I note the damage was present from the photos in the first inspection. So I am satisfied this damage is chargeable and note that Mrs B has accepted this.

Wheel spoke damage – LHF+RHF

I can see from both inspection reports there is damage identified to the rim and spoke on the LHF wheel. In the return standards in the hire agreement scuffs/damage above 25mm to the alloy/rim or wheel face are not acceptable. The marks appear to exceed this. I also note the updated return standards allow 50mm however they also say that damage to the spokes is not acceptable. While I note the pictures could be clearer Mrs B appears to accept this damage was present on collection and has agreed it is fair she pays for this. Overall I consider this damage is fairly chargeable.

The damage to the RHF wheel in the second inspection does not appear to have been picked up in the first inspection. Given the concerns noted above regarding the time and mileage between the two inspections I consider it fair and reasonable to write this charge off. I note that MBFS has agreed with this.

Door LHR+RHF scratched

The MBFS return standards state that scratches which go through the basecoat of paint are not acceptable. It isn't clear if the mark on the LHR door goes through the basecoat of paint. However, it appears to be between 50mm and 75mm on a body panel. Looking at the MBFS return standards in the agreement and those updated more recently (which specify a scratch length of 25mm being acceptable) I think this is fairly chargeable as more than fair wear and tear.

The second scratch on the RHF does look like it goes down to the bare metal, so this is fairly chargeable too.

From the evidence I have seen (photos and video) the damage to the doors was present during the first inspection even if it might not have been initially focused on. I note that Mrs B appears to now accept this damage was present and is fairly chargeable too.

Customer journey

All parties have agreed that £100 additional compensation is fair to reflect some of the customer service experience that Mrs B has had from MBFS in respect of the damage charges. In my mind this is a fair amount, particularly considering what MBFS initially told Mrs B she had to pay (later significantly reduced) in the context of the mileage and time from first inspection to the second. This has understandably caused Mrs B unnecessary upset and stress.

I note that although Mrs B was unhappy with the collection agent and how she felt she was led to believe there was no second inspection for further charges to be determined – MBFS has provided examples of its earlier communication which clearly state there will be a second inspection. So I don't think this is a reason to write off further charges.

The cost of the repair to the doors

This is the issue which MBFS has not fully agreed with our investigator on. Mrs B has said the charges which MBFS has applied are excessive and much more than she could have paid to get the repairs done herself. However, MBFS has indicated that Mrs B would have known its pricing matrix for charges for damage and could make an informed choice to have repairs done herself.

I note Mrs B wasn't necessarily aware of chargeable scratches to the doors in order to get them fixed in advance of collection by MBFS. However, more saliently regardless of whether she left it to MBFS to have repairs done or arranged these herself MBFS should still act fairly in respect of the charges. While there will naturally be some variability in charges between providers those charges need to be proportionate to the loss MBFS has likely suffered as a result of said damage.

In this case there are two apparently similar and relatively minor (although in excess of the return standards) marks on the same colour bodywork which on the face of it do not appear to warrant two separate charges for scratch touch up totalling £420. I also note the possible economies of scale in doing both of these repairs at the same time.

Our investigator has questioned this and given MBFS the opportunity to explain more about how it has justified the application of two separate charges of £210 here. However, it has come back without doing so and simply said these are its charges as outlined in the pricing matrix. It has also asked our investigator to justify a reduction, but I think it would have been fair for it to show more persuasively why it considers the charge of £420 reflects its loss/likely losses in light of the individual circumstances here. So overall (and noting this is not an exact science) I consider it fair to ask MBFS to reduce the charge by half as our investigator has done.

Putting things right

MBFS should write off the charge for the RHF wheel (£110) and reduce the charges to repair the LHR+RHF door by 50% (to £210 rather than £420). It should also reduce the overall charges by another £100 to reflect the customer services issues identified. It should then produce a revised bill for Mrs B to show what she now owes (I am not sure why MBFS has indicated it can't produce a revised bill – but this seems like a reasonable request to me).

I don't believe that MBFS has added adverse information to Mrs B's credit file in relation to the outstanding charges to date – but if it has done it should remove these.

My final decision

I uphold this complaint and direct Mercedes-Benz Financial Services UK Limited to reduce Mrs B's current bill for damages by £420.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 19 June 2023.

Mark Lancod
Ombudsman