

The complaint

Mr M and Mrs R complain that Mercedes-Benz Financial Services UK Limited ("MBFS") reported an outstanding sum to credit reference agencies in error. They also complain that MBFS declined to provide them with a new finance agreement.

What happened

In February 2017, Mr M and Mrs R had taken out a hire purchase car finance agreement with MBFS that ended in April 2020. They didn't wish to exercise their option keep the car. Due to the pandemic the car wasn't collected until October 2020.

In March 2022 Mr M and Mrs R were turned down when they applied for a new finance agreement with MBFS. They discovered that an outstanding balance of £29,652 relating to the earlier agreement was still showing on Mr M's credit file. MBFS agreed to correct the credit file the same day.

Mr M and Mrs R say that as a result their credit status for other borrowing was damaged and that also meant they had to pay more to borrow.

Mr M and Mrs R also say that due to the outstanding balance that was still being shown on their credit record, MBFS had turned them down when they applied for a new finance agreement.

MBFS says the outstanding sum mistakenly showing on their credit file wasn't a factor in their being turned down.

Our investigator thought that MBFS had taken the necessary action to corrected the wrong reporting of the outstanding sum and that it had done so within a reasonable timeframe. She also thought that MBFS should pay Mr M and Mrs R a total of £75 compensation for the distress and inconvenience it had caused them.

Our investigator also didn't think that MBFS was wrong to decline Mr M and Mrs R's application for a further car finance agreement.

MBFS has accepted our investigator's finding and award of compensation.

But, because Mr M and Mrs R disagree with our investigator's findings, the complaint has been passed to me for an ombudsman's 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.

In considering the complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Mr M and Mrs R's car finance agreement was a regulated consumer credit agreement which means we're able to look into complaints about it.

I'm sorry to hear about the frustration Mr M and Mrs R have experienced in relation to the failure of MBFS to promptly amend their credit file when their agreement ended.

I've also looked at what happened in order to decide if something MBFS did wrong caused Mr M and Mrs R to lose out financially - and, if so, what MBFS should do to put things right.

I will consider each of these two complaint issues in turn.

Credit file reporting error

Given that it's not in dispute that MBFS made an error in reporting the balance of £29,652 to credit reference agencies, I don't need to review the facts of what happened.

So, having fully reviewed all the available evidence and information, including looking at what MBFS has provided, I think MBFS took the necessary steps to ensure that the incorrect information was removed as soon as Mr M and Mrs R told them about it.

Also, I've not seen anything to show or suggest that they have suffered a financial or other loss as a result.

I also consider that the £75 compensation recommended by our investigator for the distress and inconvenience Mr M and Mrs R have experienced as a result of its error is a fair and reasonable sum in the particular circumstances of this complaint. I am pleased to note that MBFS agrees this is a fair outcome.

As I am satisfied that MBFS has rectified Mr M's credit file, I therefore don't consider that I can reasonably require MBFS to pay more compensation or do anything else on this issue.

Declined lending

Mr M told our investigator that he ended up taking out borrowing that cost him more with a new agreement. Mrs R considers that incorrect reporting led to MBFS turning him down for further credit.

I think the key issue to keep in mind here is that it was always open to MBFS to decide whether or not to grant Mr M and Mrs R further finance. I haven't seen anything to show or suggest that they weren't treated fairly during the course of the application process. In particular, I've not seen any suggestion that MBFS's failure to remove the outstanding debt sum from their credit file when it should have done was responsible for the new lending being declined.

It follows that unfortunately I am not able to make a finding that MBFS's actions led to Mr M and Mrs R taking out a new finance agreement elsewhere, with additional cost and other inconvenience.

I've seen that Mr M says he has been turned down for other lending, such as a mobile phone rental contract, over the past two years. In particular, he says he was turned down for

finance relating to funeral costs which caused him personal distress. I am sorry to hear of that. But unfortunately, I haven't seen evidence or information to demonstrate that he was turned down to credit due to MBFS's error in not arranging for the outstanding sum to be removed from his credit file.

I realise this decision is likely to come as a disappointment to Mr M and Mrs R. But I think this outcome is fair in all the circumstances.

Putting things right – what Mercedes-Benz Financial Services UK Limited needs to do

It follows that the only compensation I think it's fair and reasonable to pay to Mr M and Mrs R is in relation to distress and inconvenience due to the incorrect recording of the outstanding sum with credit reference agencies.

That means MBFS must pay them £75, if it has not done so already.

My final decision

For the reasons I've explained, my decision is to uphold this complaint in part and require Mercedes-Benz Financial Services UK Limited to compensate Mr M and Mrs R in the way I've set out above for distress and inconvenience (if it hasn't done so already).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs R to accept or reject my decision before 22 December 2023.

Michael Goldberg
Ombudsman