

The complaint

Mr S complains about Mercedes-Benz Financial Services UK Limited ('MBFS'). Mr S says that MBFS made an offer to provide a car on certain terms but withdrew this offer later. He says this has disadvantaged him as he is now paying significantly more for the car he has.

What happened

In September 2023 Mr S was supplied with a vehicle from MBFS. The model of this car was an SL43 and it had a cash price of £112,966. Mr S started a hire purchase agreement with MBFS to acquire the car. I won't reproduce all the detail about the finance agreement as the complaint mainly concerns the monthly payment amounts. This was £1,004.56 over a term of 48 months for this car.

Mr S complained about the quality of the first car due to the quality of the paintwork, some door handle problems, and some issues with the interior. MBFS agreed that the car wasn't of satisfactory quality and allowed Mr S to reject it. It returned Mr S' deposit and any payments he had made to the finance agreement. It paid him £1,000 compensation for any inconvenience this had caused him.

MBFS also tried to source another car for Mr S, but the same specification and model wasn't available. However, MBFS said that Mr S could obtain another car, a SL55, for a similar monthly price as he would have been able to obtain the SL43. In the email it sent to him in October 2023 it said that:

'the replacement SL55 can be provided on a new agility (PCP) with a discount applied by Mercedes-Benz cars of £3,800. This means the new deal with the existing deposit, term and mileage allowance would mean new monthly payments of £1,100.57.

Mr S agreed that MBFS should provide the SL55 to him on this basis.

However, the subsequent correspondence shows that MBFS provided incorrect information to Mr S when it said it could supply the SL55 for £1,100.57 a month. This is because the SL55 has a significantly higher price. The SL55 had a price of £142,707, a difference of around £30,000. Because of this the correct monthly payment amount Mr S should have been quoted was much higher for a finance agreement with similar terms to the car he had rejected.

MBFS told Mr S about the mistake it had made around a month after Mr S agreed that he would look at acquiring the SL55. Mr S initially said he would proceed in any event if the interest rate was the same on both agreements, which was later agreed. Mr S went ahead with a subsequent hire purchase agreement for the SL55 and he is now paying £1,466.90 a month over a 48 month term. Mr S remains unhappy about the higher monthly amount he is now paying.

I have noted the differences in both finance agreements such as deposit amounts and final payments. But again, the monthly payment is the most important information in these agreements. As the dispute is about this amount.

Mr S has complained to MBFS about the incorrect information he was provided by it. He thinks that when it provided the incorrect lower payment information, and that it would supply an SL55 for this amount, a contract was formed. And so, it should provide the SL55 at this lower cost.

He's said that he was left with no alternative but to take the car with the higher monthly payments as MBFS could not source a car with a similar specification to the one he had rejected. And if he had been made aware of this, and the increase in price, then he may not have rejected the SL43.

MBFS has considered Mr S' complaint and it has upheld it. It acknowledged that as a finance company it would not normally become involved in a new vehicle purchase, and it did provide incorrect information to Mr S. It offered £100 compensation due to any distress this mistake has caused him.

Mr S didn't agree with MBFS' view of his complaint, and he brought it to the Financial Ombudsman Service.

One of our Investigators considered Mr S' complaint and didn't uphold it. Our Investigator recognised that MBFS had misinformed Mr S about the potential monthly price of the SL55. But it wasn't fair, or reasonable, to say that it should provide the car on the basis of this mistake, and so the compensation MBFS had already paid was fair and reasonable.

Mr S didn't agree with our Investigator, the main areas of disagreement were:

- He has been provided with misleading information and so he wanted the costs of the SL55 reduced to the initial offer amount. It was within MBFS' power to do this by reducing the finance interest to zero.
- Mr S didn't request a repair of the original vehicle because he was assured that he could have a new vehicle on acceptable terms. This right was removed when he accepted the offer.
- The cost of this error will be significant to him over time.

As no agreement was reached the complaint has been passed to me to consider.

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 I've said above, MBFS and Mr S agreed that Mr S could reject the SL43 and unwind the finance agreement Mr S had started to acquire this car. It also agreed to source a new car with a similar specification. It's been established that it wasn't able to do this, and it ended up offering Mr S a significantly more expensive car and told him that it would cost only a modest amount more than the car he had rejected. Mr S agreed to MBFS sourcing a new car on this basis.

But the payment information MBFS gave to Mr S was incorrect as it wouldn't supply the car at these lower payments. The crux of this complaint is that Mr S thinks the offer of the SL55 at the lower payments formed a contract and so MBFS should have supplied the car and allowed him to pay the incorrect monthly repayments.

But Mr S was given this information at an early point in the supply of the new car and Mr S was given an indication of the monthly payments only. He wasn't provided with any other relevant details such as the amount of deposit, the term and the interest rate and he hadn't finally decided on whether the car met his needs. Mr S needed to have been made aware of the full terms of the finance agreement before he entered into a second agreement with MBFS and he didn't have this information. So, I don't think the provision of the monthly repayments to obtain an agreement to go ahead with sourcing the car represented a contract. It was an offer, as both parties have referred to it, but it wasn't a contract until all the terms were known and agreed which didn't happen till later and the mistake was rectified.

MBFS made a mistake in the amount of monthly repayment that it provided. It isn't reasonable to say that it should have supplied the car and allowed Mr S to make these repayments, as they are incorrect. It is reasonable that it corrected this mistake and gave Mr S an opportunity to pay the correct price for the car or look elsewhere. It's worth noting that if MBFS had quoted a monthly repayment that was too high, it would be equally not right to have expected Mr S to pay the higher incorrect amount for the same reasons.

Mr S says that MBFS could have reduced the monthly price to nearer what it originally quoted by, for example, reducing the interest rate. I can accept this is possible and of course other parameters could be changed such as the term of the agreement that could also lower the monthly repayment. But this doesn't really alter that it was reasonable for MBFS to correct the mistake that it had made as I've said above. And I don't think this is changed as the new car was being sourced due to faults with a previous car.

Mr S says that he may not have rejected the earlier car if he had been informed that he could not get a new car for a similar price. But, as far as I can see, the earlier car had significant problems, and these would be expensive and costly to resolve. And Mr S did not have to enter into an agreement with MBFS for a new car at all. He remained free to look elsewhere or wait until a suitable car became available. I don't think it's right to say that his only option was to pay the higher price of the new car. He did ultimately agree to the finance agreement for the SL55 when he was fully aware of the terms of it.

And Mr S has acquired a car with a higher value. And the correspondence does indicate that the agreement has a lower interest rate than it ordinarily would have. So, I think he is paying a reasonable amount for this car. It follows I don't think it's established that Mr S has suffered a loss here in respect of the car finance agreement and car. He is paying more to acquire a more expensive product.

MBFS has paid £100 compensation for the error in communicating an incorrect monthly repayment it made. And this is in addition to the £1,000 it has already paid when he returned the SL43. I think this is reasonable given all the circumstances of this complaint.

My final decision

For the reasons set out above, I don't uphold Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 December 2024.

Andy Burlinson
Ombudsman