

The complaint

Miss I complains Mercedes-Benz Financial Services UK Limited ("MBFS") supplied her with a car that was that wasn't of satisfactory quality.

What happened

The details of this case are well known to both parties, so I won't repeat them. The facts are not in dispute so instead I'll focus on giving the reasons for my 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.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Miss I acquired her car under a hire purchase agreement. This is a regulated consumer credit agreement and as a result our service is able to look at complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements like the one Miss I entered. Because MBFS supplied the car under a financial agreement, there's an implied term that it is of satisfactory quality at the point of supply. Cars are of satisfactory quality if they are of a standard that a reasonable person would find acceptable, taking into account factors such as the age and mileage of the car and the price paid.

The CRA also says that the quality of goods includes the general state and condition, and other things such as its fitness for purpose, appearance and finish, freedom from minor defects and safety can be aspects of the quality of the goods.

Satisfactory quality also covers durability. For cars, this means the components must last a reasonable amount of time. Of course, durability will depend on various factors. In Miss I's case the car was used and covered approximately 22,000 miles when she acquired it. So, I'd have different expectations of it compared to a brand-new car; I think it's likely there would be some wear and tear present. Having said that, the car's condition should have met the standard a reasonable person would consider satisfactory, given its age, mileage, and price.

So, if I thought the car was faulty when Miss I took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask MBFS to put things right.

Having carefully considered matters I'm satisfied that both parties are in agreement that the car supplied to Miss I wasn't of satisfactory quality. So all I need to decide here is whether what MBFS has agreed to do to put things right for Miss I is fair and reasonable in all the circumstances of her complaint.

Having considered the available evidence, I'm in agreement with our Investigator that MBFS needs to do a bit more to put things right for Miss I. I'll now proceed to explain why I think that this is the case.

It is my understanding that MBFS has already agreed to support rejection of the vehicle and end the hire purchase agreement with Miss I. It also recognised the distress and inconvenience this would've caused Miss I and offered to pay £250 compensation. I think this is fair and reasonable given the impact being supplied with a car that wasn't of satisfactory quality would've had on Miss I. It also confirmed it had arranged to refund two repayments which were taken in error.

But it only offered to refund part of Miss I's deposit and I don't consider this to be fair or reasonable under the circumstances.

In my view MBFS should refund the deposit made by Miss I in full, I do not agree with MBFS's position that the refund should be issued on a pro-rata basis. MBFS should, by now, be fully aware of our established approach to the refunding of deposits under hire purchase agreements like the one Miss I entered into. The advance payment made under the agreement constitutes a deposit; it is not equivalent to an advance rental paid under a hire purchase agreement, which we would typically consider for a pro-rata refunding.

Furthermore, it must be acknowledged that Miss I will now be required to begin the process anew with a different agreement. In light of this, I believe that a full refund of her deposit would place her in a fair and reasonable position. Additionally, simple interest at a rate of 8% per annum should be applied to the refunded amount, calculated from the date of payment to the date of settlement.

My final decision

I uphold this complaint and direct Mercedes-Benz Financial Services UK Limited to put things right as outlined in my findings above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 4 August 2025.

Rajvinder Pnaiser
Ombudsman