

## **Complaint**

Mr B is unhappy with what Mercedes Benz Financial Services UK Limited ("MBFS") has agreed to do to put things right for him after it agreed that it supplied him with a car that it accepts wasn't of satisfactory quality through a hire-purchase agreement.

## **Background**

In November 2023, MBFS provided Mr B with finance for a brand-new car. The cash price of the vehicle was £54,635.00. Mr B paid a deposit of £7,999.96 and applied for finance to cover the remaining £46,635.04 required to complete the purchase.

MBFS accepted Mr B's application and entered into a 48-month 'personal contract purchase' hire-purchase agreement with him. The loan was interest free and the total amount to be repaid of £46,635.04 (not including Mr B's deposit) was due to be repaid in 48 monthly instalments of £444.48 and then an optional final payment of £25,300.00, which Mr B had to pay if he wished to keep the car.

It's fair to say that Mr B began to experience a number of issues with the vehicle almost immediately after taking delivery of it. After three repairs proved unsuccessful, MBFS accepted Mr B's rejection of the car in February 2024. It agreed that Mr B's deposit and monthly payments under the agreement would be returned to him with interest, it would refund a delivery charge of £368 that Mr B paid and finally it agreed to pay him £250 for any distress and inconvenience he experienced.

Mr B was happy with most of what MBFS had agreed to do. And these parts of the complaint are effectively settled. However, Mr B was unhappy that MBFS hadn't agreed to cover the cost he had to pay to insure the car, for the period the agreement was in force and asked for this to be reimbursed. MBFS did not agree to reimburse Mr B for the cover itself, but it agreed that it would reimburse Mr B the £42.50 cancellation fee his insurer charged for cancelling the policy early. Mr B didn't think that this went far enough and referred his complaint to our service.

One of our investigators reviewed everything provided and concluded that what MBFS had already done to put things right for Mr B was fair and reasonable in the circumstances. Mr B disagreed with the investigator and asked for an ombudsman to consider his case.

## **My provisional decision of 1 November 2024**

I issued a provisional decision – on 1 November 2024 - setting out why I was intending to uphold Mr B's complaint.

In summary, I was intending to conclude that MBFS needed to refund Mr B the costs he paid to insure the car that it accepted wasn't of satisfactory quality.

## **MBFS's response to my provisional decision**

MBFS asked for evidence of the costs of Mr B's policy. It did not provide any further arguments for me to consider or ask for any additional time to do so.

### **Mr B's response to my provisional decision**

Mr B didn't respond to my provisional decision or provide anything further for me to consider.

### **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having considered the available evidence, including the events since my provisional decision, I remain satisfied that MBFS needs to do a bit more to put things right for Mr B. I'll now proceed to explain why I think that this is the case in a bit more detail.

I've read and considered everything provided. I accept and acknowledge that Mr B has referred to a number of different issues which extend to comments regarding the manufacturer of the car. However, I've focused on what I think is important in order to for me to reach what I think is the right outcome.

I want to reassure Mr B that where I haven't commented on a specific issue that he has raised, it's not because I've failed to take it on board and think about it. The reason I will not have commented on the issue is because I don't think I need to do so. For the sake of completeness, I would add that our complaint handling rules, which I'm required to follow, permit me to adopt such an approach.

The finance agreement in this case is a regulated hire-purchase agreement, which we are able to consider complaints about. Under the hire-purchase agreement, MBFS purchased the vehicle from the dealership Mr B visited. Mr B then hired the vehicle from MBFS and paid a monthly amount to it in return.

MBFS remained the legal owner of the vehicle under the agreement until Mr B's loan was repaid. This arrangement resulted in MBFS being the supplier of Mr B's vehicle and so it is also responsible for answering a complaint about its quality.

Having carefully considered matters, I'm satisfied that, as the parties are in agreement that it wasn't, I don't need to decide whether the car MBFS supplied to Mr B was of satisfactory quality. All I need to decide here is whether what MBFS has agreed to do to put things right for Mr B is fair and reasonable in all the circumstances of his complaint.

I think it's worth me starting by saying that when putting things right the idea is to seek to ensure the customer doesn't suffer any losses. Given the circumstances here, I think that insurance costs that Mr B paid are a loss that that he incurred as a result of the fact that MBFS supplied him with a car that wasn't of satisfactory quality. Indeed, while I would generally expect a consumer to be responsible for the associated costs of a vehicle for the period that they had the use of it, I'm mindful of the particular circumstances in this case.

MBFS says it isn't prepared to refund Mr B's insurance costs as it was a legal requirement for the car to be insured up to the point it was collected from him. I accept that there is a legal requirement for a car to be insured while it is in the possession of a customer. However, as Mr B has quite rightly pointed out, this legal requirement only extends to third party cover.

It is the terms and conditions of Mr B's hire purchase agreement with MBFS which require him to have purchased fully comprehensive cover. So as a matter of common sense it's fair to say that the reason for the full amount of Mr B's loss isn't simply down to legal requirements, in the way that MBFS says.

In any event, from what I've seen, it appears as though Mr B hasn't been required to simply pay for insurance for the period that he had the cover. Having reviewed a copy of Mr B's policy schedule, I can see that he had to make an advance payment of £361.50 followed by ten payments of around £206.32.

Mr B appears to have paid a higher amount, on a proportionate basis, because he had to cancel the policy early. And there is no dispute that the reason he cancelled the policy early was down to the car having to be returned, as MBFS supplied him with a vehicle that was not of satisfactory quality.

I'm also concerned that the car only covered around 150 miles in the total period that Mr B had it. So it's fair to say that Mr B had very little use of the car, rather than impaired use of it, particularly as a large part of this mileage would have been incurred as a result of taking it to and from repairs.

I can't see how and why it is fair and reasonable to expect Mr B to bear the costs of insuring the vehicle for the period that he had it, when a significant part of this cost is down to the policy being cancelled early and Mr B, in any event, had almost no use of car in the period that it was in his custody. In these circumstances, I'm satisfied that it would be fair and reasonable for MBFS to reimburse Mr B the £531.34 he paid to insure the car.

I now turn to any distress and inconvenience Mr B may have experienced. It's clear that Mr B had to deal with the stress of arranging and getting to and from garages for repairs to be carried out. And it is clear that Mr B will have suffered a degree of distress and inconvenience as a result.

However, as I've explained MBFS has already paid Mr B £250 for this. I'm also mindful that awards for distress and inconvenience are typically modest. In these circumstances, I'm satisfied that what MBFS has already paid is fair and reasonable in the circumstances and I'm not awarding Mr B additional compensation for distress and inconvenience.

### **Fair compensation – what MBFS needs to do to put things right for Mr B**

Overall and having considered everything, I'm satisfied that it would be fair and reasonable for MBFS to put things right for Mr B by:

- reimbursing him the £531.34, he was not refunded by his insurer, when he cancelled the insurance policy for the vehicle MBFS supplied to him and wasn't of satisfactory quality, plus interest at 8% a year simple from the point this payment was made to the point this complaint is settled†.

† HM Revenue & Customs requires MBFS to take off tax from this interest. MBFS must give Mr B a certificate showing how much tax it has taken off if he asks for one.

**My final decision**

For the reasons I've explained and in my provisional decision of 1 November 2024, I'm upholding Mr B's complaint. Mercedes Benz Financial Services UK Limited should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 December 2024.

Jeshen Narayanan  
**Ombudsman**