

The complaint

Miss S and Mr W complain that some charges imposed at the end of a hire purchase agreement by Mercedes-Benz Financial Services UK Limited ("MBFS") are unfair.

What happened

In March 2022 Miss S and Mr W were supplied with a used car through a hire purchase agreement with MBFS. I understand that Mr W says that the intention was for Miss S, who is a family member, to simply act as guarantor to the agreement. But the agreement was actually taken out in joint names so it is appropriate that I consider a complaint from both Miss S and Mr W. In this decision, for ease, I will often simply refer to Mr W as he has been the user of the car and has dealt with MBFS and the complaint. But when I do so it is on the basis that he was also acting on behalf of Miss S.

The hire purchase agreement provided credit of £13,609 to be repaid by 24 monthly repayments of £221.02 plus an optional final repayment of £10,625. The agreement also shows the payment of a deposit of £4,000. At the time it was sold, the car was over four years old and had done 45,062 miles.

Mr W returned the car to a local dealer nominated by MBFS at the end of the agreement in March 2024. He says that he wasn't asked to sign any paperwork relating to the condition of the car at that time. But when MBFS completed its inspection of the car it found a number of areas of damage. So it asked Mr W to pay for the repairs in accordance with the terms of the agreement. In addition, Mr W had exceeded the permitted mileage on the agreement so MBFS also asked him to pay the excess mileage charge that had been set out.

Mr W complained to MBFS about the charges. MBFS noted that it had incorrectly charged for a missing V5 document so it removed that amount from Mr W's invoice. But it told Mr W that it thought the remaining charges were correct. It said that the final amount owing was £1,743.92. Unhappy with that response Mr W brought the complaint to us.

This complaint has been assessed by one of our investigators. She thought that the end of agreement charges that MBFS had asked Mr W to pay were fair. She said that the evidence MBFS had provided clearly showed the damage that it was asking Mr W to pay for. And she thought that the excess mileage charges had been calculated correctly.

Mr W didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that

have been made by Mr W and by MBFS. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Miss S and Mr W were supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

When Miss S and Mr W first entered into the hire purchase agreement in 2022, it set out some terms that are applicable to the matters forming his complaint. It said that after the two years of the agreement had passed they could either make a final repayment of £10,625 or they could return the car. But if they chose to return the car they agreed to some terms about its condition. Miss S and Mr W agreed that the mileage the car had done during the agreement period wouldn't exceed 10,000 miles per annum – or if it did that they would need to pay the excess mileage charge of 8p + VAT per mile. And the agreement set out what damage or wear and tear would and wouldn't be acceptable when the car was returned.

When the car was collected at the end of the agreement its mileage was recorded as 70,832. That is in excess of the mileage that was set out as part of the hire purchase agreement that Miss S and Mr W signed. So I think it is fair that MBFS should ask Mr W to pay the relevant excess mileage charge. The excess mileage was 5,770 meaning that the charge for Mr W to pay comes to £553.92.

Mr W returned his car to a local main dealer at the request of MBFS. I understand that Mr W has concerns over the experience of the staff at that dealership in performing end of agreement checks on his car. But, as I will go on to explain, the hire purchase agreement that was signed provided Miss S and Mr W with a relatively comprehensive description of what damage would be considered acceptable, and MBFS' website provides information about what the likely costs of repair might be. I am satisfied that the photographs provided by MBFS of the damage to the car match the descriptions in the invoice provided to Mr W.

I appreciate that Mr W is disappointed that he wasn't given the opportunity to sign off the assessment made by the dealer. I have seen that he says he was relatively young and had no experience of how returning a car on a hire purchase agreement would normally proceed. And I accept that it is possible he might have disputed some of the damage assessment that was undertaken. But I am satisfied that any protests would be unlikely to have been successful – the images of the damage clearly show that recorded by the dealer.

Mr W is correct that we haven't been able to physically inspect the car, and the damage MBFS recorded. And given the time that has passed the car will now have been sold, and potentially any damage will have been repaired. But as I've said earlier, I am satisfied that the photographs show the damage claimed by MBFS. And importantly Mr W hasn't provided any alternative evidence to show the damage wasn't present, or less severe than that MBFS recorded.

MBFS set out for Mr W in some detail the damage for which it was claiming. And our investigator has also repeated that information in her assessment. In summary, MBFS has

claimed for damage to the front bumper, the left-hand front door, the left and right hand rear quarter panels, the left hand front wing, and two of the alloy wheels. I am satisfied that each of those pieces of damage are shown on the photographs MBFS provided. And I think the repair costs being charged are reasonable and in line with the estimates shown on MBFS' website.

So whilst I understand how disappointing this decision will be for Miss S and Mr W, my conclusion is that the charges MBFS is applying at the end of the agreement are fair. The car exceeded the mileage Miss S and Mr W agreed when they signed the hire purchase agreement. And the damage that MBFS has reported is supported by the photographs it has provided. So I don't think this complaint should be upheld.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Mercedes-Benz Financial Services UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S and Mr W to accept or reject my decision before 7 January 2025.

Paul Reilly
Ombudsman