

The complaint

Mrs T and her representative have complained that Mercedes-Benz Financial Services UK Limited ('Mercedes-Benz') irresponsibly granted her a hire purchase agreement she couldn't afford to repay.

What happened

In May 2018 Mrs T acquired a used car financed by a hire purchase agreement from Mercedes-Benz. Mrs T was required to make 36 monthly repayments of £293.06, with the option to make an additional lump-sum payment if she wanted to own the car at the end of the agreement. The total amount of credit repayable was £20,667.50. Mrs T also paid a deposit.

The agreement was settled in September 2020.

Mrs T says that Mercedes-Benz didn't complete adequate affordability checks and that her financial situation worsened as a result of taking on the agreement. She says Mercedes-Benz ought to have seen that the agreement wasn't affordable.

Mercedes-Benz didn't agree. It said that it carried out a thorough assessment which included checking her income, credit history and that she could afford to meet the monthly repayments sustainably.

Our investigator didn't recommend the complaint be upheld. She thought that ultimately Mercedes-Benz hadn't acted unfairly or unreasonably by approving the finance agreement.

As Mrs T didn't agree, her complaint has therefore been passed to me for a final 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs T's 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.

From the information I've seen, Mercedes-Benz didn't verify Mrs T's income before approving the finance. Given the overall size of the borrowing, the monthly repayments and the term of the agreement, I think it would have been proportionate for Mercedes-Benz to have done so to ensure it was affordable. I say this given that Mrs T said she was receiving an annual income that varied between £10,000 and £16,000. This is important since she was borrowing a large sum that needed to be paid off within three years.

Mrs T's credit check didn't show any concerns. There were no defaults or other adverse markings on her credit file. She had used the majority of the available credit on the two credit card accounts she'd opened previously – so that was a potential concern. She wasn't using her bank overdraft at all.

Mercedes-Benz auto-approved Mrs T's application. That means we don't know what it found out in terms of Mrs T's regular expenditure. She said in her application that she was living with her parents, but she is still likely to have had a level of monthly committed expenditure, including contributing towards household costs. The credit check alone wasn't enough to show what her daily living expenses were. Without knowing more about Mrs T's regular committed expenditure at the time, Mercedes-Benz wouldn't have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

I can't be certain what Mrs T would have told Mercedes-Benz had it asked about her regular expenditure. I don't think Mercedes-Benz needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Mrs T's statements as an indication of what would most likely have been disclosed.

I've reviewed three months of current account bank statements prior to the application, along with statements from another account that appears to have been used for savings. I broadly agree with our investigator that the current account statements show that Mrs T was receiving an average monthly income of around £1,200 over this period. After allowing for her regular committed monthly expenditure, she was likely to have been left with around £700 each month by way of disposable income each month. In calculating that figure, I've included her existing debt commitments plus other non-discretionary living costs such as mobile phone costs. I've also seen what Mrs T was spending on food and travel costs and occasional leisure spending. I've also seen that Mrs T wasn't reliant on using an overdraft facility.

Taking all this into consideration, the agreement looks likely to have been affordable to Mrs T. I can't say that there's enough to show or suggest that Mrs T's financial circumstances were deteriorating during this time, or that they were at risk of doing so. My review of the other bank statements, provided after our investigator looked into the complaint, doesn't lead me to reach a different conclusion, other than to note that Mrs T was able to put aside some of her income each month. I'm therefore not persuaded that Mercedes-Benz acted unfairly in approving the finance.

I'm extremely grateful for all the evidence and information provided by Mrs T and her representative. Whilst I've looked through all of it, in making my decision my focus is on whether or not Mercedes-Benz made a fair lending decision, plus whether it might have let Mrs T down in some other way. Mrs T's financial situation after she took on the agreement therefore only becomes relevant to the extent of establishing whether Mercedes-Benz did enough to help and support her if she got into difficulties meeting the monthly payments. From what I've seen that wasn't a particular issue here.

I've also considered whether the relationship between Mrs T and Mercedes-Benz might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Mercedes-Benz lent irresponsibly to her or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

It follows that, whilst I'm sorry to have to disappoint Mrs T and her representative on this occasion, I don't think Mercedes-Benz acted unfairly, either when granting her the credit agreement or in some other way during the course of the agreement.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 4 June 2025.

Michael Goldberg

Ombudsman