

The complaint

Miss C has complained about the quality of a car she acquired using finance from Mercedes-Benz Financial Services UK Limited ('MBFS').

What happened

In September 2023, Miss C entered into a finance agreement with MBFS, for a new car. However, she's explained that the next day, she noticed a number of issues with it, so contacted the dealership. In summary, these were:

- StarGard had been applied, although she hadn't asked for this;
- scratches/swirl marks were present on the vehicle's bonnet, which she suspects was as a result of some sort of smart repair, and she received confirmation that the paint depth isn't thick enough by an independent car detailing garage;
- the wiper blades were hitting the pillar on the driver's side, and this was adjusted on two occasions, once by the supplying dealer and another time by a second dealer;
- a chip on the passenger side which is quite deep;
- a ticking/clicking type of noise coming from the driver's side around the steering wheel area when driving at speeds above 50mph; and
- the gloss interior panel has a rough feel, which she suspects was as a result of the StarGard that had been applied.

Then, in October 2023, she also reported:

- air entering the car, which she felt was coming from the windscreen area; and
- an error message appearing on the media unit in relation to the reverse camera.

In November 2023, the car was taken to the second dealership, which made a slight adjustment to the wipers, and fitted the scuttle panel back into place.

Miss C was by then quite concerned, and thought it likely the car had been involved in some sort of accident. She asked for the delivery note and pre-delivery inspection.

The supplying dealership said it had made adjustment to the wiper blades to prevent it from hitting the pillar, confirmed no previous repairs had been carried out on the vehicle; the StarGard had been applied as a gesture of goodwill; and it would assist with the chip.

Miss C complained to MBFS. It said that as no warranty repairs had been carried out, and the majority of the reported faults couldn't be replicated, it wouldn't accept rejection of the car. It also said it was entitled to an opportunity to repair the car.

Unhappy with this, Miss C brought her complaint to our service. One of our investigators looked into what had happened. He noted that the car was brand new when supplied, and it would be reasonable to expect it to be free from defects for a considerable period of time. And, he was satisfied that the car wasn't of satisfactory quality when it was supplied. He explained that: he had seen photos of the chip; there had been an issue with the wiper blades, which had been corrected by the second dealership; the scuttle panel had been

adjusted; and a third-party garage that has advised that the paint depth on the bonnet is low, and seems to have had some sort of repair carried out previously. He considered it unlikely that the damage would have been caused for the short time the car was in her possession after being supplied. And he didn't think that any reasonable person would expect misaligned wiper blades to be present, a chip on the passenger's pillar side and the depth of the paint to be of lower depth than normal.

Our investigator explained that both Miss C and MBFS have given varying and contradictory reasons for the paint depth dispute. Miss C has provided a report from a third-party detailing specialist, saying previous repairs attempts had been attempted, and the microns weren't within the required standard. MBFS have said their expert had advised that the microns would have been considerably higher if this was the case.

Further, he didn't think the pre-delivery checklist was reliable, given it had missed defects, that needed intervention on two separate occasions for the wiper blade misalignment, and once on the scuttle panel. And the checklist shows that the car passed the check for paintwork damage, even though the photos clearly show paintwork damage. He also queried why StarGard had been applied, when this wasn't requested or paid for by Miss C.

Our investigator also thought it important that Miss C had requested a rejection of the car before any of these repair attempts had been made. She raised the issues with the supplying dealership the day after getting the car, and asked to reject it. This was within the time limit for the short-term right to reject. The car has also had repairs carried out.

Given all of the above, he thought Miss C should be able to reject the car. This would mean the car should be collected, and her deposit returned. He also thought she should receive a refund of 10% of each of the monthly repayments, to reflect her loss of enjoyment of the car.

He was also satisfied that Miss C had suffered distress and inconvenience, and that £200 compensation was appropriate to address this aspect of the complaint.

Our investigator also considered whether Miss C should be refunded for her service plan, tyre and alloy cover, and GAP insurance. But he was satisfied she had the benefit of these policies while she was using the car, and any reimbursement should be sought from the providers of these policies.

MBFS disagreed with the investigator's recommendations. In summary, it said that:

- the second adjustment to the wipers was carried out as part of a vehicle health check. The vehicle was not taken in solely for this minor adjustment to the windscreen wipers, and as adjustments to the wiper blades are not significant faults, rejection for these is unreasonable; and
- Star Gard would only be applied to a vehicle free of any damage and blemishes. Completing the application of Star Gard with any damage to the bodywork would be counter-productive, as this would then essentially 'lock in' the damage.

The complaint was then passed to me. Although I agreed with the outcome reached by our investigator, I was inclined to award further redress than he proposed. Accordingly, I issued a provisional decision explaining why, and giving both parties the opportunity to respond with anything further. My provisional decision was as follows.

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

Having done so, I'm intending to uphold it. This is for the same reasons as given by our investigator. It's clear that a brand new car should be free from even minor defects. And whilst the wipers may be considered minor, they still constitute a defect. But in any event, I'm mindful that there are clearly issues with the paintwork, and a chip. I've considered MBFS's comment that StarGard wouldn't be applied over damage. But I don't think this is persuasive, given that there are visible defects, and that StarGard has been applied. And it seems highly unlikely something happened to the car in the one day Miss C had it.

Whether the car was involved in an accident, I cannot know. But it's clear there were a number of issues with it, and the issues with the chip and paint remain. This isn't acceptable for a brand new car. Accordingly, I agree that rejection is appropriate. I'm also satisfied that this matter has been very inconvenient and upsetting, and £200 compensation is fair to reflect this.

I've also considered consequential losses. I don't think Miss C should be reimbursed for the GAP insurance. This is because she did have the benefit of this policy. Had something happened, regardless of the fact the car wasn't of satisfactory quality, she'd have needed to indemnify MBFS. The same reasoning applies to the tyre and alloy cover. However, I do think Miss C should be refunded in full for the monthly service plan. The reason I think this, is that the purpose of a service plan is largely to keep the car well-maintained, thus helping to maintain its value and longevity. And Miss C will not have any benefit of this.

I think it likely Miss C also paid for a warranty. If so, she should be refunded for this in full, given that MBFS has said that no warranty repairs were carried out.

I'm also satisfied that Miss C will likely need to pay admin fees for cancelling/transferring her motor insurance, her GAP insurance and possibly her tyre and alloy cover. If so, she should be reimbursed for these consequential losses, upon providing MBFS with reasonable proof of having incurred them. For the avoidance of doubt, I refer here to admin fees only, not to premiums.

Finally, I'm aware that Miss C had an independent report carried out. I think this was entirely reasonable of her, given her concerns. If she paid for this, she should be reimbursed for it, upon providing proof of the cost.

Miss C agreed with my provisional decision. MBFS did not, but didn't provide any new information.

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 no information was provided that I hadn't previously considered, I see no reason to depart from my provisional decision. Accordingly, my provisional decision now forms part of this final decision.

Putting things right

To put things right, MBFS should:

- end the agreement with nothing further to pay;
- collect the car at no cost to Miss C;

- refund Miss C's deposit in full, adding 8% simple interest a year, from the date of payment to the date of settlement;
- refund 10% of each of Miss C's monthly repayments, adding 8% simple interest a year, from the date of each repayment to the date of settlement;
- pay Miss C a total of £200 compensation for the distress and inconvenience caused (it may deduct any sum already paid, which I understand was £150);
- refund Miss C in full for her monthly service plan, adding 8% simple interest a year, from the date of each payment to the date of settlement;
- refund Miss C in full for any warranty payments, adding 8% simple interest a year, from the date of each payment to the date of settlement;
- reimburse Miss C for any admin fees she incurs for cancelling/transferring her motor insurance, GAP insurance and tyres/alloys cover, upon receipt of evidence of this cost;
- reimburse Miss C for the independent report, adding 8% simple interest a year, from the date of payment to the date of settlement, upon receipt of evidence of this cost; and
- mark the agreement as satisfied on Miss C's credit report, and ensure there's no adverse information recorded in relation to it.

My final decision

It's my final decision to uphold this complaint. I require Mercedes-Benz Financial Services UK Limited to take the actions set out above, in the section entitled 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 8 April 2025.

Elspeth Wood
Ombudsman