

The complaint

Mr P complains that a car acquired under a personal contract plan (PCP) with Mercedes-Benz Financial Services UK Limited ("MBFS") wasn't of satisfactory quality when it was supplied to him.

Mr P has been represented throughout this complaint. But for ease of reading, I will refer to Mr P only within this decision.

What happened

The parties are familiar with the background of this complaint so I will only summarise what happened briefly here.

In April 2023 Mr P acquired a brand-new car from a dealership (C). He paid a deposit for the car, with the balance being provided under a PCP with MBFS. The agreement was for 48 months, with monthly payments of approximately £939 per month and an optional purchase payment due at the end of the agreement if Mr P wanted to keep the car. The cash price of the car was £62,594.99.

Mr P has said that the engine management light was illuminated when he got the car, but C fixed this. The car also had to be returned to C a couple of weeks after collection as there was a problem with the electrics that operated the seats, meaning they got jammed and it made driving the car difficult. C repaired this under warranty.

In April 2024, the car had to go back to C again. It had been recalled for a fault with the fuse box and wishbone. Mr P also told C he was having problems with the lights on the car, and that the car activated the emergency braking system at times, even when it wasn't needed. C said they would look into these issues.

Having collected the car, Mr P continued to experience the same problems with the lights and the braking system. He got in touch with MBFS to explain he'd like to reject the car and end the finance agreement. MBFS responded to say they wouldn't allow Mr P to reject the car and all repairs had been completed, and he had accepted those repairs. They did offer Mr P £200 compensation to recognise the inconvenience of having to return the car for repairs.

Mr P brought his complaint to our service. Our investigator upheld it and said he thought it was fair for Mr P to be able to reject the car. He asked MBFS to end the agreement, collect the car, refund Mr P's deposit, and pay him a further £200 compensation, bringing this to £400 in total.

MBFS didn't agree to this. They said all repairs had been completed under warranty and they couldn't guarantee a car would be fault-free as there were many factors that could influence this. They didn't think rejection of the car was an appropriate remedy in this case.

As MBFS didn't agree, it's been passed to me to decide.

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.

Mr P has provided a lot of information here. I'd like to reassure him that I've read and considered everything that's been sent, although I haven't commented on it all within this decision. I will be focussing on what I consider to be the key points of this complaint.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice.

As the PCP entered by Mr P is a regulated consumer credit agreement this service is able to consider complaints relating to it. MBFS are the supplier of the goods under this type of agreement and are responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) covers agreements like the one Mr P entered. Because MBFS supplied the car under a PCP, there's an implied term that it is of a 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 – amongst other things – the age and mileage of the car and the price paid.

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

But, on the other hand, 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 Mr P's case, the car was brand-new, and it wouldn't be expected to have any quality or durability concerns.

Our investigator has explained that he thinks the car wasn't of satisfactory quality when it was supplied to Mr P. I agree in this case. There is no doubt the car has had faults – and seems to continue to have them – and the evidence provided by both parties confirms the car has been back for repairs since it was supplied. And I'm persuaded, from what I've seen, that the car wasn't of satisfactory quality when it was supplied to Mr P. I'll explain why.

MBFS has provided information from C that shows when the car has been back in for repair. This information shows an electrical fault occurred shortly after supply – in April 2023, and with only approximately 400 miles covered – and then further electrical faults were investigated and repaired in April 2024, with the mileage recorded at approximately 12,300. Mr P has also provided evidence to show the faults continue to happen with the off-side lights and the warning system within the car, with the mileage showing approximately 14,700. In total there appear to have been at least three occasions when repairs have been necessary. I appreciate that these have been repaired at no cost to Mr P but at least some of them appear to be significant faults.

Considering this was a brand-new car and cost £62,594.99, it seems unlikely that needing at least three repairs before it had driven 15,000 miles is a matter of wear and tear or, as MBFS have suggested, a result of outside influences or the daily use of the car. It suggests something more fundamental was wrong with the car. I've not seen anything to persuade me that the faults can be attributed to poor maintenance from Mr P.

Satisfactory quality also covers durability, which means that the components within the car must be durable and last a reasonable amount of time – but exactly how long will also

depend on a number of factors. As I've mentioned previously, the car supplied to Mr P was brand-new so I wouldn't expect it have any problems with the components after such a short period of time in his possession.

I have to reach a decision on the available evidence and sometimes the issues aren't clear cut. In this case I think that on the balance of probabilities the problems were inherent in the car and as such they would have been present at the point of supply. So, I'm satisfied the car was not of satisfactory quality at the point of supply because it wasn't sufficiently durable.

MBFS's main argument seems to relate to what needs to be done to put things right. It has said that repairs had been made under the warranty at no cost to Mr P and he had been provided with a courtesy car to keep him mobile throughout any repairs. It felt its offer of compensation was enough to rectify the situation. MBFS said that it felt that rejection of the car wouldn't be an appropriate remedy.

I can understand MBFS's position, but I have to say I disagree. The CRA sets out that (outside the first 30 days) if the car isn't of satisfactory quality, there's been a repair attempt, and the car still doesn't conform to the contract, Mr P should be able to reject it. Mr P has tried to reject the car with MBFS, even when it's been back to C for further repair. I think it would be unfair for Mr P to have to accept the repairs, even if covered by the warranty, so it follows that my decision is that Mr P should have been and should now be able to exercise his final right to reject the car. MBFS should end the agreement with nothing further for Mr P to pay and plan to collect the car at no cost to Mr P. It should also refund the deposit and apply 8% simple interest to that amount from the date it was paid until the date of settlement.

Mr P has had use of the car, so I think it's reasonable for MBFS to retain the monthly payments Mr P has made towards the agreement. I'm not aware that Mr P has missed any payments, or any adverse information has been recorded on his credit file, but if it has then MBFS should take steps to remove it if in relation to this agreement.

Mr P has explained in some detail the effect having a car of unsatisfactory quality has had on him, not just personally and for his family, but also financially. I'm aware that MBFS have offered £200 as compensation for any upset caused to Mr P, but I'm asking MBFS to pay a further £200 to Mr P – bringing the compensation to £400 in total. It's clearly been a difficult time for Mr P, but I hope this decision allows him to now move forward.

My final decision

For the reasons above, I uphold this complaint. Mercedes-Benz Financial Services UK Limited must:

- end the agreement with nothing further for Mr P to pay.
- collect the car at no further cost to Mr P.
- refund the deposit/part exchange contribution of £5,000.
- pay 8% simple interest on that refund, from the date of payment in April 2023 until the date of settlement.*
- pay Mr P a total of £400 compensation to reflect the distress and upset he's been caused due to the car not being of satisfactory quality when it was supplied to him.
- if any has been recorded, remove any adverse information from Mr P's credit file in relation to this agreement.

*If Mercedes-Benz Financial Services UK Limited consider that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr P how much

they've taken off. They should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

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

Kevin Parmenter
Ombudsman