

The complaint

Mr W has complained about the redress he's received from Mercedes-Benz Financial Services UK Limited ('MBFS'), following the rejection of his car.

What happened

In August 2024, Mr W took out a finance agreement with MBFS. Unfortunately, the car wasn't fit for purpose, and rejection was agreed on 6 November 2024.

To resolve matters, MBFS proposed the following:

- the agreement to be cancelled with no negative impact on Mr W's credit file;
- the monthly rentals reimbursed;
- a refund of the partial settlement made;
- the deposit returned;
- the equity used from the previous vehicle returned;
- simple interest for the deposit and rentals paid; and
- £250 for the distress and inconvenience caused.

Mr W had concerns about this, so one of our investigators looked into what had happened.

As regards the amount of interest MBFS had paid, she explained to Mr W that our service doesn't perform interest calculations. That said, she did look at what MBFS had done regarding this, to see it had taken the right sums into account. She could see that initially £492.44 was paid to Mr W to reflect the interest. However, this had been calculated using an incorrect date – as Mr W had pointed out. MBFS then paid a further £162.00. Since then, our service has sent details of the calculations MBFS made to Mr W.

Our investigator also considered Mr W's request that he be reimbursed the cost of cancelling his motor insurance and GAP insurance policies. However, she felt that he'd had the benefit of them while they were in place, and any costs are reasonably covered by the £250 distress and inconvenience payment.

She also considered Mr W's concerns about delays. She could see that Mr W had raised his complaint on 7 October 2024, and MBFS had sent its final response on 6 November 2024. She felt this was reasonable, and within the 8-week period set out by the Financial Conduct Authority.

Mr W asked that the complaint be passed to me. He feels he's due more than £250 compensation, and that he should be reimbursed for cancelling his insurance contracts. He said he'd be in touch if he still had concerns about the interest calculation.

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 regards the interest calculation, I can see we've shared MBFS's calculations with Mr W, and he hasn't provided further comment. However, I can see that an initial incorrect date has now been put right, so I hope this has put his mind at ease.

I'm satisfied that Mr W had the benefit of his insurance policies while he had the car, so shouldn't be reimbursed these premiums. However, I do agree with Mr W that the cost of cancelling the policies is a consequential loss. He would not have incurred these costs, had the car been of satisfactory quality. However, I'm also mindful that MBFS have paid Mr W £250 compensation for the distress and inconvenience caused. Although this was not set out as including the cancellation costs, I've considered the redress offered by MBFS in its entirety. And, while I would have awarded the admin fees for cancellation, taking the redress offered overall into account, I don't think a further payment is due. I think the redress is fair, and also that £250 is a significant sum. Accordingly, I'm comfortable that the admin fees should reasonably be absorbed into this compensation, in these circumstances.

I know the whole episode has been very upsetting and frustrating. I understand that Mr W would have been excited about such a significant purchase, but it wasn't as he should have expected. However, I do think MBFS has done enough to put things right.

As regards delays, I'm satisfied that MBFS responded to the complaint in a timely manner – and well within the 8 weeks set out by the regulator.

My final decision

For the reasons given above, it's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 July 2025.

Elsbeth Wood
Ombudsman