DRN-5592710

The complaint

Mr P is unhappy that a car supplied to him under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance ('MBFS') was of an unsatisfactory quality.

What happened

The complaint circumstances are well known to both parties, so I don't intend to list this chronologically and in detail. However, to summarise, in September 2024, Mr P was supplied with a new car through a hire purchase agreement with MBFS. He paid a £16,939.99 deposit and the agreement was for £19,900 over 36 months, with 36 monthly payments of £84.08 and a final payment of £19,900. The agreement limited the car to 13,000 miles a year.

Mr P had problems with the car from shortly after it was supplied to him. It had to be returned to the supplying dealership in October 2024 for replacement springs and bearings, and again in November 2024 for a steering rack heatshield adjustment. Unhappy with what had happened, Mr P complained to MBFS.

In their complaint response letter dated 20 December 2024, MBFS accepted that the car wasn't of a satisfactory quality when it had been supplied. As more than one repair had already taken place, they offered Mr P the right to reject the car, receiving a refund of the deposit he paid, and with an additional £250 payment for the distress and inconvenience he'd been caused. While this wasn't explicitly stated, this letter implied that MBFS would retain any payment Mr P had made to reflect the usage he'd had of the car.

MBFS additionally offered Mr P the right to retain the car and continue with the agreement instead. If he chose this option, they offered him £1,000 compensation (but no deposit or payment refund). Mr P indicated that, due to the costs involved with obtaining a replacement vehicle, he would prefer to keep the car. However, he thought they should increase the compensation to £3,000. MBFS didn't agree to this, so Mr P brought the matter to the Financial Ombudsman Service for investigation.

Our investigator thought MBFS had made a fair offer in the circumstances, and they didn't think MBFS needed to do anything more.

Mr P didn't agree with the investigator's opinion, setting out his reasons why he believed £3,000 was a fair resolution to his complaint. Mr P also confirmed that he was still driving the car and had done around 13,000 miles by the beginning of August 2025.

Because Mr P didn't agree, this matter has 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr P was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, MBFS are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must confirm to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless MBFS can show otherwise. So, if I thought the car was faulty when Mr P took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask MBFS to put this right.

In this instance, it's not disputed there was a problem with the car when it was supplied to Mr P, or that this made the car of an unsatisfactory quality. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on whether I think the offer MBFS has made is fair and reasonable in the circumstances.

Section 24(5) of the CRA says *"a consumer who has … the right to reject may only exercise [this] and may only do so in one of these situations – (a) after one repair or replacement, the goods do not confirm to contract."* This is known as the single chance of repair. And this applies to all issues with the goods, and to all repairs i.e., it's not a single chance of repair for the dealership AND a single chance of repair for MBFS – the first attempted repair is the single chance at repair. What's more, if a different fault arises after a previous repair, even if those faults aren't related, the single chance of repair has already happened – it's not a single chance of repair per fault.

The car supplied to Mr P developed two different faults within a few months of supply. The repairs that took place in October 2024 were the single chance at repair so, when further repairs were needed a month later, Mr P had the right of rejection under section 24(5)(a) of the CRA. Even though these additional repairs have taken place, MBFS have still offered Mr P this right to reject.

When a customer exercises their right to reject a car, we would usually expect the financial business to refund the deposit paid, plus statutory interest. And MBFS have included this as part of their rejection offer. However, Mr P has been able to use the car while it's been in his possession, and he continues to use the car. Because of this, I think it's only fair that he pays for this usage. As such, I think MBFS have acted reasonably by not offering to refund any of the payments he's made.

MBFS have also offered to compensate Mr P for the distress and inconvenience he was caused. When considering this, I need to consider if the offer is fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available. I also need to consider that the impact on Mr P has been the same, regardless of whether he accepts rejection or not.

MBFS offered Mr P £250 compensation if he chose to reject the car, increasing this to £1,000 if he decided instead to keep it. Mr P has explained how the issues with the car have impacted him – multiple visits to the dealership, who are located around 2 hours from his home; the impact these journeys have had on his time, fuel costs, and general disruption; the ongoing concerns he has about the car; and the potential financial implications of rejecting the car and having to finance a different vehicle with a different price point and interest rate.

While I've considered Mr P's comments, and acknowledge the disruption he's been caused, I can't hold MBFS responsible for Mr P's choice to source a car from a dealership that was a two-hour journey from his home. Nor can I hold them responsible for what it may cost Mr P to choose a different (newer) car, with potentially different specs, under different terms.

Taking everything into consideration, I'm satisfied that the offer of compensation made by MBFS for rejection is in line with what I would've directed had no offer been made. And it follows that, as the impact on Mr P has been the same if he chooses to reject the car or not, that the offer of compensation for him keeping the car is more than I would've directed.

As such, and while I appreciate this will come as a disappointment to Mr P, I'm satisfied that MBFS have acted fairly and reasonably in all the circumstances, and I won't be asking them to do anything more.

My final decision

For the reasons explained, I don't uphold Mr P's complaint about Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 24 September 2025.

Andrew Burford
Ombudsman