

The complaint

Mr S complains that a car that was supplied to him under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited wasn't of satisfactory quality.

What happened

A new car was supplied to Mr S under a hire purchase agreement with Mercedes-Benz Financial Services that he electronically signed in October 2024. The price of the car was £80,500, Mr S paid a deposit of £15,000 and he agreed to make 48 monthly payments of £784.18 to Mercedes-Benz Financial Services. There was also an optional purchase payment of £37,400.

Mr S had issues with the car's tyres, heads up display and active brake assist so he contacted the dealer in November 2024 and it looked at the car in December 2024. Mr S says that he was told that the software for the active brake assist and heads up display had been updated but he said that both of these systems continued to fail. He complained to Mercedes-Benz Financial Services about the issues with the car in January 2025. It said that it was entitled to one opportunity to repair the car and no fault had been found with the active brake assist, the software for the heads up display had been updated, and the tyre skipping was a characteristic of the car.

Mr S wasn't satisfied with its response and complained to this service. His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that Mercedes-Benz Financial Services had acted fairly. He said that it seemed likely there was a fault with the car because Mr S had provided evidence of the heads up display being inoperative after the car was returned to him following the software update. He didn't think that the car was of satisfactory quality when Mercedes-Benz Financial Services supplied it to Mr S so he should be able to reject the car. He recommended that Mercedes-Benz Financial Services should: end the agreement and collect the car; refund Mr S's deposit of £15,000 and all monthly payments from 11 January 2025 when he stopped using the car, all with interest; pay £150 for any distress or inconvenience that's been caused; and remove any adverse information from Mr S's credit file in relation to the agreement.

Mercedes-Benz Financial Services didn't accept the investigator's recommendation so I've been asked to issue a decision on this complaint. It says that it should be entitled to either an independent inspection of the car or to have the car back at the dealer to confirm that the fault is present on the car. It says that it doesn't believe that the pictures showing the dash with the heads up display inoperative message acts as proof of a fault on the car. It says that it seems that there has only been one software update undertaken on the car which is unrelated to either of the issues that Mr S has raised.

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.

Mercedes-Benz Financial Services, as the supplier of the car, was responsible for ensuring that it was of satisfactory quality when it was supplied to Mr S. Whether or not it was of satisfactory quality at that time will depend on a number of factors, including the age and mileage of the car and the price that was paid for it. The car that was supplied to Mr S was a new car and I consider that it was reasonable for him to expect that it would be free from even minor defects.

Mr S complained to the dealer about issues with the car's tyres, heads up display and active brake assist in November 2024 and it looked at the car in December 2024. Mercedes-Benz Financial Services hasn't provided a job card to show what work was done on the car, but Mr S says that he was told that the software for the active brake assist and heads up display had been updated. He says that both of those systems continued to fail and he provided evidence from December 2024 showing that the heads up display was inoperative. He contacted the dealer again about those issues and then returned the car to the dealer on 11 January 2025 and said that he was rejecting it.

He then complained to Mercedes-Benz Financial Services about the issues with the car but it didn't uphold his complaint. It said that it was entitled to one opportunity to repair the car and no fault had been found with the active brake assist, the software for the heads up display had been updated and the tyre skipping was a characteristic of the car. The dealer returned the car to Mr S in February 2025 but he says that he hasn't used it since 11 January 2025.

Mercedes-Benz Financial Services would have been aware that Mr S had complained to this service in February 2025 but it says that it should be entitled to either an independent inspection of the car or to have the car back at the dealer to confirm that the fault is present on the car. Mercedes-Benz Financial Services didn't suggest either of those activities until June 2025 after the investigator had issued his recommendation. I consider that it should have arranged an independent inspection of the car or for it to be returned to the dealer soon after Mr S had complained to it.

Mercedes-Benz Financial Services also says that it doesn't believe that the pictures showing the dash with the heads up display inoperative message acts as proof of a fault on the car. In its final response letter to Mr S, it said that the software for the heads up display had been updated but Mr S has provided evidence showing on-going issues with the heads up display after the dealer had updated the software and I consider it to be more likely than not that there's a fault with the heads up display. Mercedes-Benz Financial Services says that it seems that there has only been one software update undertaken on the car which is unrelated to either of the issues that Mr S has raised, but Mr S has complained about the heads up display and it has said that the software for the heads up display was updated. I consider that the fault with the heads up display causes the car not to have been of satisfactory quality when it was supplied to Mr S.

This was a premium new car that cost £80,500 so it was fair and reasonable for Mr S to expect it to be free from any faults. I consider it to be more likely than not that there's a fault with the heads up display, the dealer has updated the software but there continue to be issues with it. Mr S hasn't used the car since 11 January 2025 and I consider that it would be fair and reasonable in these circumstances for Mr S to be able to reject the car and for Mercedes-Benz Financial Services to take the actions described below.

Mr S has also complained about the car's active brake assist and tyres. Mercedes-Benz Financial Services says that the dealer found no fault with the active brake assist and, given the nature of the issues, Mr S understandably hasn't been able to provide any evidence of it, other than his descriptions of the repeated incidents of the issue occurring. Mercedes-Benz Financial Services says that the tyre skipping is a characteristic of the car. As I consider that

Mr S should be able to reject the car for the reasons given above, I don't consider that there's any need for me to make a finding as to whether either of these issues would be considered to be a fault with the car that caused it not to have been of satisfactory quality when it was supplied to Mr S.

Putting things right

I find that it would be fair and reasonable for Mercedes-Benz Financial Services to end the hire purchase agreement and arrange for the car to be collected from Mr S, both at no cost to him. The hire purchase agreement shows that Mr S paid a deposit of £15,000 for the car. I find that it would be fair and reasonable for Mercedes-Benz Financial Services to refund to him the deposit that he paid, and to pay interest on that amount.

Mr S was able to use the car from October 2024 until 11 January 2025 when he returned it to the dealer and he says that he hasn't used it since it was returned to him in February 2025. I find that it would be fair and reasonable for Mercedes-Benz Financial Services to refund to Mr S the monthly payments that he's made under the agreement for the period since 11 January 2025, with interest, but it can keep the payments that he made before then as payment for the use that he's had from the car.

These events have caused distress and inconvenience for Mr S. I find that it would also be fair and reasonable for Mercedes-Benz Financial Services to pay him £150 to compensate him for that distress and inconvenience.

The investigator said that Mercedes-Benz Financial Services should remove any adverse information from Mr S's credit file in relation to the agreement. I've seen no evidence to show that Mercedes-Benz Financial Services has reported any adverse information about the hire purchase agreement to the credit reference agencies but, if it has done so, I agree that it should be removed from Mr S's credit file.

My final decision

My decision is that I uphold Mr S's complaint and I order Mercedes-Benz Financial Services Limited to:

1. End the hire purchase agreement and arrange for the car to be collected from Mr S – both at no cost to him.
2. Refund to Mr S the deposit that he paid for the car.
3. Refund to Mr S the monthly payments that he's made under the hire purchase agreement for the period from 11 January 2025.
4. Pay interest on the amounts to be refunded at an annual rate of 8% simple from the date of each payment to the date of settlement.
5. Pay £150 to Mr S to compensate him for the distress and inconvenience that he's been caused.
6. Ensure that any adverse information about the hire purchase agreement that it's reported to the credit reference agencies is removed from Mr S's credit file.

HM Revenue & Customs requires Mercedes-Benz Financial Services to deduct tax from the interest payment referred to above. Mercedes-Benz Financial Services must give Mr S a certificate showing how much tax it's deducted if he asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 October 2025.

Jarrold Hastings
Ombudsman