

The complaint

Mr D is unhappy that he was not able to extend an agreement for a car supplied to him under a personal contract purchase (hire purchase) agreement with Mercedes-Benz Financial Services UK Limited (MBFS).

When I refer to what Mr D has said and what MBFS have said, it should also be taken to include things said on their behalf.

What happened

Mr D was supplied with a new car by MBFS by means of a hire purchase agreement dated 9 February 2021. The total price of the car was £64,495.05. Mr D paid a deposit of £6,500 and 48 monthly payments of £786.61. There was a final option to purchase payment of £30,675.00

Towards the end of the four-year agreement Mr D approached MBFS to seek an extension of his agreement. This was initially refused due to three months arrears on the account. Mr D cleared these and reapplied for an extension. There then was an exchange of communications, which I will detail in my decision, resulting in MBFS rejecting Mr D's application as he failed the affordability test. Mr D believed that he had entered into an agreement to extended, rather than applying with further checks to be done. He complained to MBFS.

On 4 March 2025 MBFS issued their response to his complaint. They did not uphold his complaint. They summarised the communications they had had with Mr D over the extension. They stated that Mr D had not passed the affordability tests and, whilst disappointing, they are not required to say why they have come to a particular decision. They also noted that Mr D had stated that he had received communication that his extension had been agreed, which they could find no record of.

As Mr D was not happy he complained to us.

On 8 July 2025 our investigator issued their opinion. They did not uphold Mr D's complaint. They felt that MBFS had acted in accordance with the original agreement. Further communications from them were clear and did not create any obligations on their behalf to provide an extension.

On 4 August 2025 Mr D contacted us to disagree with the investigator's opinion. He referenced the contract amendment he received on 25 January 2025 as being an agreement and did not constitute an affordability check. He also outlined the impact that this was having on him and the amount of equity that was in the car because of the payments he had made.

As Mr D did not agree with our investigators decision it has been passed to me to consider

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.

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 D was supplied with a vehicle under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

If I felt that MBFS had breached a regulated agreement with Mr D or had acted unfairly in dealing with Mr D's request for a contract extension, then it would be fair and right to ask MBFS to put things right.

I note from the file the impact that this is having on Mr D. This is in terms of financial, inconvenience and emotional. Whilst highly empathetic to this I can only consider the impact on Mr D if I find that MBFS have either breached a regulated agreement or acted unfairly.

In considering whether MBFS have breached an agreement with Mr D I will need to consider what actual agreements were in place and how the terms related to any extension.

The initial agreement that Mr D entered into was dated 9 February 2021. It was for a total price of £64,495.05 payable in 48 monthly instalments of £786.61. At the end of that 48 month period Mr D was left with two options. The first was to return the car in accordance with the terms and conditions of the agreement or exercise his right to purchase the car. This was for a total amount of £30,675 plus a purchase activation fee of £10. It is clear from the terms of the agreement that Mr D did not have any contractual entitlement to an extension from MBFS.

Looking at the correspondence between Mr D and MBFS in early 2025. Mr D has referenced the agreement dated 25 January 2025 in his response to our investigator as evidence that MBFS had agreed to an extension. I believe that Mr D is referring to a document titled "Agreement Modifying a Hire Purchase Agreement regulated by the Consumer Credit Act 1974". This was sent to Mr D on 22 January 2025 and signed by him on 23 January 2025. There is a clear term in this document that states this agreement will come into force only when signed by both parties. That means that Mr D signing the document does not bring into existence a binding contract between him and MBFS. Another clause clearly states that by signing the document Mr D is giving MBFS "permission to complete an affordability and credit check".

So on the balance of probabilities, I conclude that Mr D has no contractual right, either under the original agreement or created through subsequent correspondence with MBFS in early 2025, to an extension.

I will now consider whether MBFS have been fair in their dealings with Mr D's request for a contract extension. The first thing I need to clarify is that it is right and proper that MBFS undertake affordability checks in accordance with the requirements set out by the Financial Conduct Authority and they are under no obligation to explain why any particular business decision has been made. I will focus upon whether the communications between Mr D and MBFS has been clear and contained all the relevant information.

Mr D places great emphasis on the document headed "Agreement Modifying a Hire Purchase Agreement regulated by the Consumer Credit Act 1974". I have a certain empathy for Mr D's point of view that he felt he was entering into an agreement, rather than applying for an extension subject to affordability checks, in signing this document. However I need to look not only at the document itself but the wider communications between the two parties.

If I take the document as a starting point whilst the heading may give the impression that Mr D was entering into an agreement - the terms, which Mr D signed, do make it clear that no agreement exists until the document is signed by MBFS and that he has given permission for them to undertake affordability checks as referenced above. The document itself also contains a note that in order to process Mr D's application his details will be passed to a credit reference agency.

Other communications between Mr D and MBFS is helpful in guiding me as to what is fair in the circumstances of this complaint. The first is an email from MBFS date 16 January 2025 where they reject Mr D's original application because of £2,359.83 arrears on the account. They invite Mr D to put forward another request once he has cleared these arrears but the email also contained the following statement in bold font: "Please be advised that further finance is not always a guaranteed option and is subject to our business rules at the time and any affordability and credit checks we may need to carry out, should they prove necessary."

A further email from MBFS on 17 January 2025 stated that once they have confirmation that the funds have been allocated, they would raise Mr D's request for an extension. This email contained the same statement as the email on 16 January.

The covering email sent to Mr D with the document referenced above, dated 22 January 2025, was clear that the attached document was a quotation valid for seven days. On 27 January 2025 MBFS acknowledged receipt of Mr D's "signed extension acceptance" and they would look to process his extension within five days.

As I said I have sympathy for Mr D's view that he had an agreement in place but the communications from MBFS contain sufficient information to clarify their position that Mr D's request for an extension was subject to further checks and not an agreement in itself.

Whilst empathetic to the position Mr D finds himself in I can only hold MBFS to account for this if I feel that they have done something wrong or acted unfairly. For the reasons as stated above there is no contractual obligation in place for MBFS to provide Mr D with an extension as requested. Their communication with him regarding his request for an extension has been both prompt and sufficiently clear that I cannot conclude that they have treated Mr D unfairly. As previously stated, it is right that they undertake affordability checks and are under no obligation to explain why they have taken a business decision to reject Mr D's request.

Therefore, I do not uphold Mr D's complaint

My final decision

My decision is that I do not uphold this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 September 2025.

Leon Livermore
Ombudsman