

The complaint

Mr B complained about end of contract charges for a car supplied on finance by Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance ("MBF").

What happened

Both parties are familiar with the events of this complaint, so I've summarised these here.

MBF supplied Mr B with a new car on a hire purchase agreement in December 2020. The cash price of the car was around £73,500. He paid a deposit of around £18,900 and agreed to make 48 monthly repayments of around £500. There was an optional purchase payment of around £30,800.

Mr B contacted MBF in August 2024 and asked about his options to end the agreement early, including Voluntary Termination (VT). He called again at the end of September 2024 and arrangements were made for the car to be collected in October 2024.

When the car was collected it was inspected, and Mr B was asked to confirm the report. He said he wasn't shown any images, but signed the report to say he didn't agree with the assessment. MBF wrote to Mr B and asked him to pay £1,355.40 in charges which it said related to damage in excess of fair wear and tear.

Mr B complained to MBF. In summary he said:

- The charges were extortionate for what he deemed to be normal wear and tear.
- He'd been denied an opportunity to get his own repairs done at a lower cost, and the process was unfair on customers.
- Mr B said that the mileage reported was incorrect, and in fact the car had been returned under the mileage set out on the agreement.
- He noted that the invoice said the excess mileage cost £400 but accepted he wasn't charged for it although it was an example of the contract being wrong.
- He said that if the car was traded in, he wouldn't have been charged and had never previously been charged on returning a car.
- Multiple images were taken of the car, and he didn't agree with the report.

The charges from the invoice are set out below:

Bumper front scratched	£210
Bumper rear scratched	£210
Door mirror housing left hand scuffed (unpainted)	£50.40
Door Shut Inner LHR – Scratched	£105
Quarter panel left hand rear scratched	£170
Quarter panel right rear hand scratched	£170
Wheel left hand front rim damaged	£110

Wheel left hand rear rim damaged	£110
Wheel right hand front rim damaged	£110
Wheel right hand rear rim damaged	£110

Mr B referred his complaint to the Financial Ombudsman. An investigator here considered the complaint. She said that the charges had been applied in line with MBF return standards which were part of the agreement. She said that as Mr B had made the arrangements for when the car was returned, he had an opportunity to ensure that the car was ready and didn't need any repairs. She didn't think that MBF needed to do anything further to resolve the complaint.

Mr B asked for the complaint to be decided by an ombudsman. He said that the way the return was handled deprived him of an opportunity to get repairs done under his control and at a fraction of the overpriced quotation. He had not seen the photos or told that there was damage that would have been chargeable. As the agreement wasn't terminated until later, he should have had the option to repair and use the car while in contract.

The complaint has been passed to me to make a decision.

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 what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

I've read and considered the evidence submitted by both parties, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the informal nature of this service in resolving disputes.

The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it.

Mr B was unhappy with the example of excess mileage charges set out on his invoice, as it didn't apply to him. I've looked at the invoice and I think it is sufficiently clear that is an example, but as the car was returned within the contracted mileage, I don't find that I need to consider this point in more detail. But I'll focus instead on the key parts of the complaint that I think are in dispute.

MBF set out in the terms of the agreement that there is an expectation that the car will be returned in a good condition, and that damage beyond fair wear and tear will be chargeable in line with its own Vehicle Return Standards (VRS). When Mr B entered into the hire purchase agreement, he accepted these terms and conditions. His agreement sets out the VRS and the information is also available on MBF website. The agreement also sets out the consequences if Mr B failed to return the car in line with the VRS, and the process for inspection at the end of the agreement. So as a starting point I think MBF can apply charges for damage that fall outside of fair wear and tear, as per the VRS.

Although MBF has set its own VRS; in making my decision I've also taken into account relevant industry standards from the British Vehicle Rental and Leasing association (BVRLA). The guidance says that age and mileage are factors which need to be taken into

account when considering what would be deemed fair wear and tear. It also broadly says that fair wear and tear should not be confused with damage, which occurs as a result of a specific event or series of events, such as an impact. In this case the car was supplied new and returned before it reached four years old, having covered around 23,700 miles.

Mr B has said that he's never previously been charged when returning a car. I'm only able to look into the individual circumstances around this particular agreement. And as I've said, the terms of the agreement allow charges to be passed on in certain circumstances.

I think Mr B was fairly warned about the terms relating to damage outside of fair wear and tear when he entered into the agreement. I've also listened to a call from August 2024 where he made enquiries about how to return the car, and I'm satisfied that he was reminded about the VRS. So, he had the opportunity to rectify any damage before making any arrangements to return the car. I appreciate he's said that the agreement was only terminated after the car had already been returned; but he had sufficient opportunity to fix any of the issues before he made those arrangements for the car to be collected. The settlement quote that he'd obtained in August had expired, so as he'd decided to return the car after this point, MBFS dealt with the administration of the termination after the car was handed back. But Mr B didn't make a monthly payment after September, so he hasn't paid more than the required amount.

I've gone on to consider the photographic and video evidence and whether I think each area of damage is in excess of fair wear and tear, and therefore chargeable. I've also thought about whether each charge itself is excessive. In considering the evidence I've also noted that while there were multiple images, some are provided to demonstrate that the car was within acceptable standards.

- Wheels - £110 each

The VRS says *Minor scuffing or damage under 25mm to the vehicle alloy or steel rim edge or wheel face* is acceptable. BVRLA guidance says *any damage to the wheel spokes, wheel fascia, hub of the wheel/alloy is not acceptable. There should be no rust or corrosion on the alloy wheels/wheel hubs.*

The images clearly show that there is damage in excess of the measure allowed by the VRS. The VRS is somewhat more generous than the BVRLA guidance as it allows for some scuffing or damage under 25mm. But here each wheel has rim damage which is more than the allowance, ranging from 50mm to around 130mm. I've noted that damage to wheel LHF and LHR is also visible from a distance in other shots of the car.

Mr B appears to accept that there was some damage to the wheels but not the extent or the costs. But for the avoidance of doubt, in my opinion the images confirm the damage(s) which seem more than minor, and I think these items are fairly chargeable.

I've not seen anything which shows that these costs are excessive. I think the charge can vary depending on the extent of the damage and the type of repair that is needed. I've checked a range of prices online and these charges appears to be in line with what I've found.

- Bumper front and rear scratched £210 each
- Quarter panel left and right rear scratched £170 each

The VRS says that *light surface scratches not through the top coat which can be removed by polishing/touch up* are acceptable. But *any chipping and scratching of paintwork that has penetrated the base coat and/or has caused corrosion of any kind which cannot be polished*

out is not acceptable. BVLRA guidance says scratches of 25mm or less where the primer or bare metal is not showing are acceptable provided they can be polished out. A maximum of four surface scratches on one panel is acceptable.

The images show that the front bumper scratch is clearly more than 25mm and there is also scuffing in the same area. Although there are reflections in the photo of the rear bumper, I can clearly see a scratch more than 50mm. The image of the Quarter panels left shows the scratch is at least 50mm through to bare metal, and despite reflections in the image of quarter panel right is at least 40mm. So, I think all of these items are fairly chargeable.

- Door Shut Inner LHR scratched £105

The images show the scratches on Door Shut Inner LHR are clearly more than 25mm, penetrating the base coat and extend to the length of the measure. They are also visible in the video. This item is fairly chargeable.

- Door mirror housing left hand scuffed (unpainted) £50.40

The VRS says *small scuffs, if they don't affect the overall appearance of your car, must be smaller than 75mm on bumpers and up to 25mm on body panels; Light surface scratches that can be removed by polishing or a touch up are acceptable.* Although the image of the door mirror housing is slightly blurry and has some reflections, I can clearly see several scuffs on the edge of the mirror housing. The scuffs vary in size up to around 30mm and are consistent with impact to the mirror housing.

I've also thought about the overall charges here. I haven't seen anything which indicates that the overall price is excessive and therefore unfair.

While considering the damage here I have kept in mind that the car under four years old when it was returned and had covered around 23,700 miles. But I think the amount of damage that I've seen, is more than fair wear and tear for a car of this age and mileage. I appreciate that the car wasn't brand new when it was handed back and that it looks like it was reasonably well looked after. But I think the damage highlighted above would likely lead to repair costs or it would collectively impact the resale value of the car.

I appreciate my decision will be disappointing to Mr B, but I don't find I have the grounds to instruct MBF to remove any of the charges, as I don't think he's been treated unfairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 September 2025.

Caroline Kirby
Ombudsman