

The complaint

Mr C complains that a car supplied to him under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited (MBFS) is of unsatisfactory quality.

What happened

The circumstances of this case are well known to both parties, so I won't repeat everything here. To summarise, Mr C acquired a used car through a hire purchase agreement with MBFS in October 2024. The cash price of the car was £45,695 and he paid a deposit of £10,451.50, which included the equity from a car he part exchanged. The amount of credit was for £35,243.50 and the duration of the agreement was 60 months; with 60 monthly payments of £771.56. The finance agreement confirmed the mileage as 46,391 at the time of supply.

Shortly after supply, Mr C reported multiple mechanical faults with the car, including a seat malfunction and faults with the alarm, rear camera and steering column. The car underwent repairs, but the rear camera fault was unable to be fixed.

MBFS upheld Mr C's complaint. To put things right they agreed to settle the agreement, refund Mr C's deposit and pay £250 compensation. Still unhappy, Mr C referred his complaint to this service. He said the proposed settlement didn't adequately compensate him for his financial loss and inconvenience caused.

Our Investigator reviewed matters and said MBFS should also pay Mr C a refund of payments for the time he was without a car, and a 10% refund of all payments to reflect impaired use. MBFS accepted the Investigator's recommendation, but Mr C didn't think it fairly reflected the impact the fault had on his use of the car, or the distress and inconvenience he was caused.

As no agreement has been reached, the 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.

Firstly, I'd like to clarify that I've only considered Mr C's concerns regarding the car itself. I've also only considered MBFS's actions and obligations as the supplier of the car through a regulated credit agreement. The dealership is a separate entity, and I can't comment on their actions or obligations except where MBFS is responsible for them (for example, if it arranged a repair on MBFS's behalf). So, while Mr C feels the dealership ought to have offered a higher part-exchange value for his previous car, this isn't something MBFS was involved in, and therefore not something I can comment on here.

I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a reasonable outcome is. 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 taken into account 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 C was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr C entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. The CRA says that goods will be considered of satisfactory quality where they meet the standard that a reasonable person would consider satisfactory – taking into account the description of the goods, the price paid, and other relevant circumstances. Where it's found that a car was of unsatisfactory quality when supplied, it'd be fair and reasonable to ask the finance provider, in this case MBFS, to put this right.

In this instance, it's not disputed there were multiple faults with the car, nor that the car wasn't of satisfactory quality. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision because both parties agree that the car was of unsatisfactory quality at the point of supply. Instead, I'll focus on what I think MBFS should do to put things right.

Putting things right

The CRA provides a short-term right to reject the car within the first 30 days if it was of unsatisfactory quality. Mr C says MBFS failed to uphold his right to short-term rejection. However, to exercise this right, he would've needed to clearly indicate to the trader that he was rejecting the goods and treating the contract as at an end. While he reported issues with the car within this time, I haven't seen that he clearly expressed a wish to exercise his short-term right to rejection within the first 30 days. I have seen that he asked the dealership to extend the return period in case of further problems, but I don't consider this clearly indicated Mr C's intention to reject the car. It's clear he agreed to repairs and has mentioned other options such as replacement of the car. So, I don't find Mr C exercised his short-term right to rejection within the first 30 days, and he wouldn't be able to retrospectively exercise this right after the 30 days had passed.

Outside of the first 30 days of the agreement, the CRA says a consumer has a right to reject if the goods do not conform to contract after one repair or replacement. The CRA is clear that, if the single chance at repair fails, then the customer has the right of rejection. It also says where a consumer requires the trader to repair or replace the goods, this must be done within a reasonable time and without significant inconvenience.

Here, repairs have been carried out and the rear-view camera fault persists, so the car hasn't been brought back to conformity within a reasonable amount of time. MBFS have therefore rightly agreed to rejection. MBFS should now end the agreement with no further payments to be made by Mr C following collection of the car, which should be arranged at no cost to Mr C. MBFS should refund the deposit Mr C paid and when cancelling the agreement, they should ensure no adverse information is recorded on his credit file. The

credit agreement should be marked as settled in full, or something similar, and should not show as voluntary termination.

I've considered that Mr C has had use of the car, so I think it's fair that he pays for the use he has had. I also note that while the car was being repaired, he was mostly kept mobile with a courtesy car. However, it appears Mr C was left without a car for a total of three days while the car was undergoing inspection or repairs. During this time, he was paying for goods he was unable to use. As the car was off the road due to it being of unsatisfactory quality when it was supplied, and as MBFS failed to keep Mr C mobile, they should refund the payments he made during this period.

I've also considered that Mr C's use of the car has been impacted by the issues he's experienced, most notably the ongoing fault with the rear view camera. So, I'm satisfied Mr C's use of the car was impaired due to this. I acknowledge Mr C's strength of feeling regarding the impact this fault had on his use and the distress it caused. But I've also considered that he has continued to use the car after MBFS agreed to rejection in April 2025. The fault hasn't impacted the overall function of the car, and Mr C has been able to drive it for a considerable distance. The fault would've only impacted him when reversing and parking, rather than the entirety of the car's use. So, I find a 10% refund of Mr C's monthly payments to compensate him for the impaired use he has had of the car to be reasonable here.

Interest should be added on all refunded amounts, calculated at 8% simple per year from the date of payment until the date of settlement.

Lastly, I've considered that Mr C has been inconvenienced by having to take the car to the dealership and other garages on several occasions. Having carefully considered the offer made by MBFS, and the overall circumstances of this complaint, I'm satisfied £250 compensation is reasonable - and within our award ranges for situations such as this.

My final decision

For the reasons set out above, my final decision is that I uphold Mr C's complaint about Mercedes-Benz Financial Services UK Limited. If they haven't done so already, they should now:

- End the agreement and arrange collection of the car at no cost to Mr C.
- Remove any adverse information from Mr C's credit file.
- Refund the deposit paid by Mr C.
- Refund 3 days' worth of payments to reflect loss of use.
- Refund 10% of the monthly payments paid by Mr C to reflect impaired use.
- Pay 8% simple yearly interest on the refunded amounts from the date of payment until the date of settlement†.
- Pay Mr C £250 compensation for the distress and inconvenience caused.

†If MBFS considers that tax should be deducted from the interest element of my award, they should provide Mr C with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 December 2025.

Nicola Bastin

Ombudsman