

The complaint

Mr N complains that a car acquired under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance ("MBFS") wasn't of satisfactory quality when it was supplied to him.

What happened

Both parties are familiar with the background of this complaint so I will only summarise what happened briefly here.

In March 2022, Mr N entered into an agreement to acquire a new car from a manufacturer-approved dealership (B). He paid a deposit of £10,000, with the balance being provided under a hire purchase agreement with MBFS. The agreement was for 49 months, with 48 monthly payments of £550.99 and a final optional payment of £28,350 if Mr N wanted to keep the car at that point. The cash price of the car was £54,304.20.

In December 2023 Mr N experienced smoke coming from the bonnet. He had covered approximately 17,700 miles in the car at this point. He got in touch with B, who replaced the refrigerant air pipe and compressor.

Just under a month later the car needed a replacement air conditioning pipe compressor and the system needed to be re-gassed, and a couple of weeks after that the radiator cap was leaking coolant.

Mr N spoke to B and the manufacturer as he wanted to reject the car. He got in contact with MBFS in May 2024 to ask them to allow the car to be rejected. It had been with B since January 2024 as Mr N didn't feel the car was safe for him to drive.

MBFS said the car had been repaired since February 2024 so Mr N should collect it. They didn't support rejection of it at that time. Mr N was reluctant, but he did collect the car. However, shortly after collection the car broke down again.

MBFS agreed to allow Mr N to reject the car. The mileage was still approximately 17,700. They offered to refund his deposit and the overpayments he had made to the agreement. They said they would charge him 21 monthly payments to reflect the use Mr N had had of the car and offered £600 compensation to reflect the distress the problems with the car had caused him. MBFS paid Mr N £25,260.64 following the rejection of the car.

Mr N brought his complaint to our service. Our investigator felt MBFS should pay Mr N more following the rejection of the car. She calculated it to be £28,942.10.

MBFS didn't accept this. They felt their settlement was fair.

As MBFS didn't agree, the complaint has been passed to me to decide.

Prior to writing this decision I got in contact with both parties to share my initial thoughts on the complaint and the settlement MBFS have already made.

Part of my communication is below:

'The Consumer Rights Act 2015 (CRA) is the relevant legislation for me to consider. As the car has been accepted by MBFS as rejected and, therefore, of unsatisfactory quality at the point of supply, the only thing I need to decide on is the amount that MBFS should refund to you, in line with the CRA.

The CRA explains that a deduction can be made from any refund to take account of the use the consumer has had of the goods in the period since they were delivered. It doesn't set out how to calculate fair usage and there's no exact formula for me to use. There isn't an industry standard mileage figure. My role is to decide cases quickly and informally – and I have to consider the usage you had of the car while it was in your possession. You had use of the car from March 2022 until December 2023 – a total of 21 months – and had covered approximately 17,700 miles in that time. Your hire purchase agreement allowed for a total of 10,000 miles per year, so the mileage covered over the 21 months was in line with your agreed mileage on the agreement, and it's reasonable for you to expect to pay for that usage.

Because of that, I'm minded to say it would be fair for MBFS to keep all of the monthly payments you made between March 2022 and December 2023, and refund you any deposit payment and any overpayments. And I can see that they have done that. Their final settlement to you included a total refund of your deposit of £10,000. You had made several overpayments towards the agreement, and MBFS have reversed those overpayments and refunded those to you too. Those overpayments totalled £18,500. I think this is the fairest way to deal with the overpayments, as it makes it easier if the original agreed monthly payments are considered for fair usage calculations.

MBFS have also refunded some monthly payments you made when the car wasn't in use, which again I think is fair. They have made an award for distress and inconvenience of £600, and finally added 8% simple interest on all the refunded amounts. From that total amount they have deducted the applicable original monthly agreement payments for the months you've had use of the car, leaving you with a refund amount of £25,260.64.

I appreciate our investigator has recommended that MBFS should pay you slightly more and has also suggested a slight increase in the compensation award. But I don't agree that a further payment to you would be fair in this case. I'm more satisfied that the original settlement paid to you was reasonable when I consider all the circumstances of the case and how I think your use of the car should be calculated.

I think this reflects the nature of our service, which is intended to be fair, quick, and informal. I'm satisfied that MBFS's settlement means that you have paid a reasonable amount for your use of the car, taking into account all the individual circumstances, which I think is the spirit of the legislation. It also allows you to consider a new agreement for a new car without being in a worse position overall. I'm minded to say that's reasonable.'

MBFS replied and accepted what I'd said.

Mr N hasn't responded to me.

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.

Both parties have provided a lot of information here. I'd like to reassure them that I've read and considered everything that's been sent, although I haven't commented on it all within this decision. I have focussed on what I consider to be the key points of the complaint.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice.

As the hire purchase agreement entered by Mr N is a regulated consumer credit agreement this service is able to consider complaints relating to it.

In Mr N's case, MBFS have already agreed to allow him to reject the car and it has been handed back. So, I don't need to consider that aspect. All I need to decide is whether the amount MBFS have paid to Mr N following the rejection of the car is reasonable. I'm satisfied it is.

Mr N hasn't responded to my communication with him that explained why I was satisfied MBFS' settlement amount was reasonable in the circumstances. He hasn't provided me with anything additional to consider.

As my communication with both parties explained, the CRA allows for a deduction to be made for fair usage when a car is rejected. There isn't an industry standard figure or specific formula for me to use to decide what is reasonable – but in Mr N's case I'm satisfied that the monthly payments fairly reflect the use he had of the car. He had used the car for 21 months and covered approximately 17,700 miles when it was rejected, so I think MBFS' offer to charge him for 21 months use is fair. I'm satisfied it accurately reflects the use he had of the car, and their settlement of £25,260.64 allows Mr N to consider a new agreement for a new car without being in a worse position overall – and I find that a reasonable resolution to the complaint.

I know this decision might come as a disappointment to Mr N, and there isn't any money that can make the problems he experienced with the car go away. But I'm satisfied MBFS' settlement amount and compensation award of £600 is fair in the circumstances of this complaint, and Mr N hasn't provided anything additional to make me reconsider this.

My final decision

For the reasons above, my decision is that Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance have already paid Mr N a fair amount to settle the complaint.

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

Kevin Parmenter
Ombudsman