

The complaint

Miss R is unhappy that a car supplied to her under a hire purchase agreement with Mercedes-Benz Financial Services UK Limited ('MBFS') was of an unsatisfactory quality.

What happened

In August 2024, Miss R was supplied with a used car through a hire purchase agreement with MBFS. She paid an advance payment of £4,182 and the agreement was for £17,418 over 27 months; with monthly payments of £748.26. At the time of supply, the car was just over five years old and had done 32,162 miles (according to the agreement).

Miss R had some issues with the car after it was supplied to her, and she's said it needed to go back to the supplying dealership on 10 occasions. In November 2024, the timing chain tensioner and end cover were replaced. In February 2025, the timing chain and tensioner were replaced. Finally, in June 2025, the air-conditioning refrigeration compressor was replaced. All repairs were carried out under warranty.

Unhappy with the quality of the car, Miss R complained to MBFS. They said the issues with the timing chain, which had occurred within the first six months of supply, had been satisfactorily repaired, and there was no evidence the issue with the air-conditioning was present or developing when the car was supplied. So, they didn't uphold the complaint.

Miss R didn't accept MBFS's conclusions, so she brought the matter to the Financial Ombudsman Service for investigation.

Our investigator said the issues with the timing chain made the car of an unsatisfactory quality when it was supplied. As a successful repair had taken place, Miss R didn't have the right to reject the car because of this, but they thought MBFS still needed to do something to put things right.

With regards to the air-conditioning, the investigator said there was nothing to show this issue was present or developing when the car was supplied, and that it had also been successfully repaired under warranty. And they didn't think MBFS needed to do anything more about this.

So, the investigator said that MBFS should reimburse Miss R the two payments of £12.50 she paid in November 2024 and January 2025, relating to the insurance on the courtesy cars that were provided to her. The investigator also said that, to acknowledge the trouble and upset caused by the timing chain issues, including the number of trips Miss R had to make to the dealership, MBFS should pay Miss R an additional £350 compensation.

MBFS accepted the investigator's opinion, but Miss R didn't. She said that the car was with the dealership for around three months, during which she didn't have reliable transportation and faced ongoing disruption to her daily life. So, she didn't think the compensation reflected the trouble she'd been through or acknowledged that a family member had to accompany her on each of the trips to the dealership, in a separate car, "*since we never knew if I was going to leave the car or not.*"

Given this, Miss R thought she should receive a minimum of a refund of four monthly payments “*since I didn't have the car for more or less that time.*” As Miss R didn't agree, this 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. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. 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 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. Miss R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, MBFS are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history.

The CRA also implies that goods must conform to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless MBFS can show otherwise. So, if I thought the car was faulty when Miss R took possession of it, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask MBFS to put this right.

In this instance, it's not disputed there was a problem with the car supplied to Miss R, nor that the timing chain issues made the car of an unsatisfactory quality when it was supplied. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think MBFS should do to put things right.

Putting things right

Section 24(5) of the CRA says “*a consumer who has ... the right to reject may only exercise [this] and may only do so in one of these situations – (a) after one repair or replacement, the goods do not confirm to contract.*” This is known as the single chance of repair. The CRA is also clear that, if the single chance at repair fails, Miss R has the right of rejection. However, this doesn't mean that Miss R is required to reject the car, and she can agree an alternative remedy i.e., further repairs to the car.

The initial repairs to the timing chain that took place in November 2024 were the single chance of repair. And it's not disputed that these repairs failed. However, Miss R agreed to a further repair in February 2025, which was successful. As such, under section 24(5) of the CRA, she no longer has the right to reject the car due to the failed timing chain.

With regards to the air-conditioning fault, this happened more than six months after the car was supplied to Miss R. In this instance, the CRA implies it's for Miss R to show that the air-conditioning fault was present or developing when the car was supplied. And she hasn't done so. As such, I'm not able to conclude that this made the car of an unsatisfactory quality when it was supplied. Given this, and that the air-conditioning has been successfully repaired at no cost to Miss R, this issue also doesn't give her the right to reject the car under the CRA.

In her comments on the investigator's opinion, Miss R has said she feels she should be refunded four monthly payments, as she was without use of the car for this time. However, Miss R has had use of the car while it was in her possession, and when it was being repaired, she was provided with a courtesy car to keep her mobile. We would only usually refund monthly payments where Miss R was paying for goods she wasn't able to use and wasn't being kept mobile. But, as this wasn't the case, I think it's only fair that Miss R pays for this usage. So, I won't be asking MBFS to refund any of the payments she's made.

However, Miss R did incur additional costs of £12.50 for the two occasions she was provided with a courtesy car, and I don't think she should have to pay these – they were only payable because the car supplied to Miss R wasn't of a satisfactory quality. So, I think it's only fair that MBFS reimburse these costs.

Finally, I think Miss R should be compensated for the distress and inconvenience she's been caused. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available. This means that I'm only able to consider the impact on Miss R, as she was MBFS's customer, and not any impact on her family members.

The investigator recommended MBFS pay Miss R £350 to recognise the distress and inconvenience caused. And having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward.

I think this is significant enough to recognise the worry and upset Miss R would've felt by having to arrange for the car to be repaired, and by this repair being unsuccessful. And I think it also fairly reflects the fact that Miss R was further inconvenienced by having to make multiple journeys to both the supplying dealership and another manufacturer's dealership, to try and resolve the issue. So, this is a payment I'm directing MBFS to make

Therefore, if they haven't already, MBFS should:

- upon receipt of proof of payment, reimburse the £12.50 courtesy car additional insurance payments Miss R paid in November 2024 and February 2025;
- apply 8% simple yearly interest on the reimbursements, calculated from the date Miss R made the payments to the date of the refund[†]; and
- pay Miss R an additional £350 to compensate her for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (MBFS must pay this compensation within 28 days of the date on which we tell them Miss R accepts my final decision. If they pay later than this date, MBFS must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

[†]If HM Revenue & Customs requires MBFS to take off tax from this interest, MBFS must give Miss R a certificate showing how much tax they've taken off if she asks for one.

My final decision

For the reasons explained, I uphold Miss R's complaint about Mercedes-Benz Financial Services UK Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 10 March 2026.

Andrew Burford
Ombudsman