

The complaint

Mr C complains about the quality of a vehicle he acquired through a hire purchase agreement financed by Mercedes-Benz Financial Services UK Limited (MBFS), the service he received under a service plan agreement for the vehicle, that a tyre warranty agreement financed by the hire purchase agreement was mis-sold to him, and about the termination of the agreement and the way this was handled by MBFS.

What happened

I've previously issued a decision setting out that this service can't consider Mr C's complaints about the quality of the vehicle or the service plan. We can consider Mr C's complaints about the termination of the agreement and the tyre warranty, and so this decision concerns the merits of those complaints.

In April 2022 Mr C acquired a used car through a hire purchase agreement financed by MBFS. The agreement was due to run for 40 months with Mr C required to make monthly payments.

Mr C didn't make the payment required in June 2024, and by August 2024 Mr C was two months in arrears.

MBFS issued a default notice to Mr C on 2 October 2024. It required him to repay the arrears on the agreement by 23 October 2024.

Sometime in October 2024 the vehicle was seized by police, and MBFS said they began to make arrangements to recover it, but it was collected by Mr C prior to their agents. Mr C made a payment to satisfy the default notice and the agreement continued.

The payments due under the agreement in September 2024 and October 2024 weren't paid, and MBFS sent Mr C a default notice on 21 January 2025. This required him to pay the arrears by 11 February 2025 in order to satisfy the default. It went on to say that if payment wasn't made, the agreement may be terminated and the vehicle recovered.

MBFS didn't hear from Mr C, and they sent him a second default notice on 13 February 2025. This required him to pay the arrears by 6 March 2025 in order to satisfy the default and again set out that the agreement may be terminated if payment wasn't made.

MBFS didn't hear from Mr C and so the agreement was terminated on 7 March 2025. MBFS sent Mr C a letter of termination which set out that the agreement had been terminated, and asked Mr C to contact them within five days to arrange collection of the vehicle, and if they didn't hear from him, they would move forward with recovering the vehicle from him.

Mr C made some payments toward the agreement on 8 March 2025.

As arrangements to collect the car weren't made within the timescale, MBFS' solicitors wrote to Mr C on 12 March 2025. They asked Mr C to agree to surrender the vehicle and set out

the sums he was liable for. They explained if they didn't hear from Mr C in 30 days, they'd start court proceedings to recover the vehicle.

On 17 March 2025 Mr C spoke to MBFS and let them know that he intended to settle the balance. The collections process was put on hold to allow him to do so.

In April 2025 Mr C authorised a third party to discuss the agreement with MBFS's solicitors, and they agreed to hold any action for 30 days to allow Mr C to provide evidence of his medical circumstances. Mr C asked for this third-party authorisation to be removed toward the end of April 2025.

MBFS's solicitors wrote to Mr C on 29 April 2025 confirming that they would hold action awaiting his evidence and asked him to send this within 30 days, but to contact them if he needed more time.

Mr C complained to MBFS about the termination of the agreement and the tyre warranty in April 2025.

MBFS sent Mr C their final response to his complaint on 7 May 2025. They said they thought the agreement had been terminated fairly, and that they weren't responsible for the sale of the tyre warranty.

Unhappy with MBFS's response, Mr C brought his complaint to this service for investigation. He said he'd requested breathing space but wasn't given as long as he should've been, he didn't receive a default or termination notice in a clear or timely way, and he made payments to satisfy the arrears, but the agreement was terminated anyway.

Our investigator gave their view that Mr C had been given an opportunity to satisfy the default, and this wasn't done, and so they thought the agreement had been fairly terminated. They said MBFS treated Mr C reasonably after the agreement was terminated by giving him breathing space and an opportunity to provide further evidence. They said there was no evidence that the tyre warranty was mis-sold to Mr C, and so they didn't ask MBFS to do anything more.

Mr C didn't agree, and so the case has been passed to me for 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.

The complaint relates to a hire purchase agreement, which is a regulated credit agreement, so we can consider complaints about it.

Mr C's complaint concerns the termination of the agreement, and a separate tyre warranty product, and so I'll address these separately.

Termination of the agreement

The agreement between Mr C and MBFS requires him to make a monthly payment in full and on time. The agreement sets out that prompt payment of sums due is an essential term of the agreement and explains that the agreement may be terminated where payments are not made in full and on the due date.

So, I'm satisfied that Mr C was required to make the payments as they became due, and that this didn't happen when the September and October 2024 payments weren't made.

Where payments are missed, I'd usually expect to see MBFS inform Mr C and provide an opportunity to bring the account up to date. If this didn't happen then I'd expect to see a default notice issued.

In this case, MBFS issued a default notice in January 2025. I've thought about whether this denied Mr C the opportunity to bring the account up to date, but I don't think it did. Rather than terminate the agreement immediately when the default notice expired in February 2025, MBFS issued a second default notice, in effect giving Mr C more time to pay the arrears and prevent the account defaulting. So, I'm satisfied that Mr C was told about the arrears and given the opportunity to avoid the default.

I've also considered the default notice that MBFS sent to Mr C on 13 February 2025. The Consumer Credit Act 1974 (CCA) sets out in section 87(1) that a default notice is necessary before the creditor is entitled to terminate the agreement or recover the goods.

Section 88 of the CCA sets out that the default notice must:

- *“Specify the nature of the alleged breach*
- *If the breach is capable of remedy what action is required to remedy it and the date before which that action is to be taken*
- *If the breach is not capable of remedy, the sum (if any) required to be paid as compensation for the breach, and the date before which it is to be repaid.”*

I'm satisfied that the default notice that MBFS issued was in line with the CCA requirements, and that they acted in line with this notice when applying the default and terminating Mr C's agreement.

I recognise the Mr C made a payment on 8 March 2025, and he said this should've been used to bring the account up to date. However, the default notice required payment by 5pm on 6 March 2025, so this was too late to satisfy the default notice and prevent it.

All things considered, I'm satisfied that Mr C didn't make the payments required under the agreement, that MBFS informed him of this and provided an opportunity for Mr C to bring the account up to date. I'm satisfied that the default notice set out the steps that Mr C could take, and those that MBFS intended to take should the default not be satisfied. MBFS received no contact from Mr C following the default notices, and so I'm satisfied that their decision to terminate the agreement was fair.

Mr C complains that he asked for breathing space and should've been granted 60 days but was only given 30 days.

As the agreement had been terminated prior to Mr C contacting MBFS, I'm satisfied that they weren't required to provide 60 days of breathing space. However, they are required to treat consumers in financial difficulty with due consideration and forbearance, so I've thought about whether they did.

I can see that the solicitors acting for MBFS agreed to pause collection action, likely to have taken the form of obtaining a court order for repossession of the vehicle, whilst Mr C looked at whether he wished to sell the vehicle and settle the balance. They also gave Mr C an opportunity to provide more evidence around his medical circumstances.

I'm sorry to hear of the mental health issues that Mr C was experiencing at the time, but all things considered, I think MBFS did treat Mr C with due consideration and forbearance. They

paused collection action and gave Mr C more than 30 days to provide evidence of his circumstances, along with asking him to contact them if he needed more time.

It's not clear if MBFS have now moved forward with collection action. But I'd remind them of the requirement to treat consumers in financial difficulty with due consideration and forbearance, and should the option remain available, Mr C may wish to provide the evidence that was requested to help them deal with his specific circumstances.

Tyre warranty

Mr C has complained that he was mis-sold a tyre warranty product at the time that he acquired the car.

MBFS say they aren't responsible for the sale of the tyre warranty.

I've seen evidence that the tyre warranty was funded by the hire purchase agreement, and so, as the supplier of the goods, I'm satisfied that MBFS are responsible for a complaint that the goods were not as described, which is what Mr C has alleged here.

Mr C said he'd been told that the product would cover all claims, but he'd tried to use it several times and was told he wasn't covered. Mr C went on to explain that he'd been told that the product would cover a puncture type incident or accidental damage, with wear/old tyres being the main exclusion.

It's not possible now to say exactly what was discussed with Mr C at the time he acquired the car, but based on the evidence provided, I'm satisfied that Mr C was aware that there were some exclusions to the product, and that he had the opportunity to decide if this was a product he wished to purchase.

I haven't seen any evidence of the claims that Mr C made on the products, or that reasons that these were declined, but I'm satisfied, based on the evidence, that the product wasn't misrepresented or not as described, and so I'm not asking MBFS to do anything more here.

Mr C may wish to approach the provider of the product directly if he wishes to complain about the way in which any claims were decided or handled.

My final decision

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 May 2026.

Zoe Merriman
Ombudsman