

The complaint

Mr S complains about a car supplied under a personal contract purchase agreement ('PCP'), provided by Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Financial Services ('MBFS').

What happened

Around December 2024 Mr S acquired a new car under a PCP with MBFS. The car is listed with a cash price of £40,625. The agreement shows a deposit of £2,250, which MBFS explained was from dealer deposit contributions.

Unfortunately, Mr S says the car developed faults. He said shortly after getting the car there were some cosmetic issues that were repaired by the dealer.

He said a few weeks later the car had an issue where it would not move at a roundabout despite being in drive, until the engine was turned off and on again. He said a gearbox malfunction was identified and a gearbox software update applied.

Mr S says in March 2025 he received a warning on the dashboard in relation to the four-wheel drive system. He said he had to drive the car 90 miles to be seen at a garage and another gearbox software update was done.

Mr S said about a week later, the fault occurred again when the car would not move despite being in drive.

Mr S also said the wireless charging function sometimes did not work, that the car occasionally vibrated on start up and that he didn't think the car was brand new when supplied as it had 108 miles on the odometer.

Mr S complained to MBFS and asked to reject the car.

MBFS issued its final response at the start of May 2025. This said, in summary, that MBFS accepted the car had suffered multiple faults and said it would allow Mr S to reject it. It offered Mr S £200 to reflect the distress and inconvenience caused.

Mr S remained unhappy and referred the complaint to our service. In summary, he was unhappy with the amount offered by MBFS. He said he should get all of the payments made towards the finance, £80 for a 'retention fee', £156.38 for taking a day off work, £80 for a boot liner, £286 for car insurance, £200 for a dashcam, £1,500 for the distress and inconvenience caused and £155 for gap insurance. Mr S said he paid £500 towards the deposit.

Mr S explained the car had remained at the dealer since March 2025, but MBFS had requested the payment for April 2025 and this had been reported as missed on his credit file.

Mr S said his credit score had been significantly impacted. And he explained the impact the situation had on his health.

Mr S later told our service he wanted a one off payment of £8,000 to settle the complaint.

MBFS told our service it would increase the offer of compensation to £300 to resolve the case. It said Mr S owed the payment from April 2025. MBFS also said Mr S didn't pay anything towards the deposit.

Our investigator issued a view and said they thought the offer from MBFS was reasonable. In summary, she said she didn't think Mr S made any contribution to the deposit. She said she didn't think MBFS needed to reimburse the April 2025 repayment, as Mr S had a courtesy car at that time. She said she didn't think MBFS needed to pay Mr S to reflect taking time off work. She said MBFS didn't need to reimburse the cost of insurance or the boot liner. She said MBFS had removed negative information from Mr S's credit file. And she said £300 fairly reflected the distress and inconvenience caused.

Mr S disagreed. In summary, he said MBFS told him no further payments would be taken from the agreement once the car had been returned to the dealer. He said £300 wasn't enough to reflect what happened and the impact on him. He said MBFS didn't provide a courtesy car, the dealer did. He said it wasn't reasonable for him to pay for the car in April 2025 as he didn't have it. He said he hadn't received the boot liner back or a refund for this. And he said all repayments to the agreement should be reimbursed.

Our investigator explained that what Mr S said didn't change her opinion. But she said she would ask MBFS for written confirmation that Mr S's credit file showed no negative information and would ask it to either return the boot liner or reimburse Mr S for it.

Mr S responded and then said he wanted to end the process. He asked for MBFS to pay him £300 and reimburse the boot liner.

MBFS explained the £300 had already been paid to Mr S. It later said it had reimbursed Mr S £81 for the boot liner.

Mr S then said he expected a *further* £300 and so asked for an ombudsman to decide the case.

MBFS then explained to our service that the payment for April 2025 was still owed, and that this was still reflected on Mr S's credit file.

As Mr S remained unhappy, the complaint was passed to me to decide. I sent Mr S and MBFS a provisional decision on 15 January 2026. My findings from this decision were as follows:

Firstly, I'd like to explain to both parties that I might not comment on every point raised or every single piece of evidence. I want to reassure Mr S and MBFS that I've carefully considered all of the available information. But, I'm going to focus my decision on what I consider to be the key facts and the crux of the complaint. This reflects the informal nature of our service.

When considering what's fair and reasonable, I take into account relevant law, guidance and regulations. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. This says, in summary, that under a contract to supply goods, the supplier – MBFS here – needed to make sure the goods were of 'satisfactory quality'.

In this case, MBFS has already accepted the car wasn't of satisfactory quality, so I don't need to consider this further. It has already also agreed to reject the car. Rejection is one of the remedies available to Mr S under the CRA given what happened, and so I'm satisfied

this is a reasonable way of, broadly, meeting his rights.

That being said, what is in dispute here is what else would be reasonable to put things right. Mr S has raised various concerns, so I'll consider these in turn.

Payments towards the finance:

Mr S has said it would be reasonable to receive all payments made towards the finance agreement. But I disagree this would be fair. I say this as Mr S either had use of his car, or a courtesy car, during the time in question.

The CRA explains:

"If the consumer exercises the final right to reject, any refund to the consumer may be reduced by a deduction for use, to take account of the use the consumer has had of the goods in the period since they were delivered"

Under the specific circumstances of this case, I find it reasonable MBFS retains the monthly amounts due under the agreement to reflect this – although I will comment further on the April 2025 payment later.

Insurance products:

I don't find it reasonable Mr S is reimbursed these. He has had benefit of the policies to mitigate risk and can speak to the insurer's separately about any rebates due.

Time off work:

Mr S explained he had to take annual leave to deal with the situation. I've thought about this, but I don't think it's reasonable for MBFS to specifically reimburse Mr S anything for this under the circumstances. However, I have considered this as part of the distress and inconvenience caused, which I'll come on to.

Deposit:

I've noted Mr S didn't dispute this amount in response to the investigator's view, but I still think it's worth explaining that I've seen a breakdown of the deposit towards the agreement from the dealer and this didn't include a payment from Mr S. It appears the total deposit was formed of contributions from the dealer, so MBFS doesn't need to reimburse anything here.

Other items:

I believe from what Mr S said that his dashcam has been returned to him. He confirmed he had received £80 for the removal of a private registration plate.

MBFS confirmed he received a refund of £81 for the boot liner. So, MBFS doesn't need to do anything further here.

Courtesy car:

I appreciate the courtesy car wasn't the exact same model as his own, but Mr S was ultimately kept mobile in a larger car from the same brand when his was being repaired and the complaint investigated.

I've considered Mr S said he spent around £300 in fuel on this car, but given his own was a performance model I'm not persuaded this amount would've been significantly different.

Mr S raised concerns that MBFS didn't provide the courtesy car and this was from the dealer, however I'm satisfied this is completely standard and MBFS would not be expected to arrange a car itself when the dealer provided one.

It follows MBFS needs to take no further action.

April 2025 repayment and credit record:

Mr S has explained he returned his car to the dealer towards the end of March 2025. At this point, he was given a courtesy car that he retained throughout April 2025. I've carefully considered what Mr S said about this. I think it was reasonable the agreement stayed live during this time while MBFS investigated things and so Mr S would be expected to make a payment in April 2025 to reflect the fact he was kept mobile while the complaint was investigated.

That being said, I'm also satisfied it's likely he was given the impression the payment for April 2025 wasn't going to be taken. I say this as Mr S has been very consistent on this point. He says he was told this when he spoke to MBFS and I've seen an email, albeit undated, which seems to back this up. And finally, I think it's most likely he would've made the payment if he understood it was due.

This means, while I've found above that it seems reasonable the agreement was still live, I don't think it's fair this payment was reported on his credit file as missed under the circumstances.

MBFS should also note, in any event, that I would expect all negative information to be removed from Mr S's file in relation to this agreement when the car was rejected even if the above wasn't the case.

Distress and inconvenience:

I agree Mr S has been caused distress and inconvenience here. He's explained the car was his "pride and joy" and I'm sure it must have been extremely upsetting for him when it had recurring issues. He's had to take time out to try to resolve the matter including taking the car for repairs. He's been without his own car for periods while the faults were looked at. And he's described that the situation had an impact on his health.

In relation to the above, I don't think the £300 already paid is completely unreasonable to reflect this, although I will say it's at the lower end of what I would consider fair.

That being said, I need to consider the additional distress caused by MBFS recording the missed payment in April 2025 when I don't think this was reasonable. This has now been outstanding for some time. While I haven't seen this affected any applications, Mr S has explained the worry this has caused him about remortgaging and he has been trying to resolve this for several months.

With all of the above in mind, I've considered that MBFS has explained the April 2025 repayment is still outstanding. Thinking about things in the round, I think the simplest way of resolving things is for this amount to be written off and for Mr S not to be responsible for it.

I appreciate Mr S asked for a much higher amount when he referred the complaint to our service. I've had in mind our service's approach to payments for distress and inconvenience, which can be found on our website. This resolution means Mr S will have had an equivalent of around £715 to reflect what happened, which seems reasonable and in line with the guidance.

I gave both parties two weeks to respond with any further comments or evidence.

Mr S didn't respond. MBFS got in touch and said it wanted to clarify some dates.

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.

I've carefully considered what MBFS said in response to my provisional decision. In summary, it set out that the April 2025 payment was due, and not paid, slightly before the final response was issued. MBFS said because of the confusion, it would remove the credit file marker if the payment was now made by Mr S.

Having thought about this, what MBFS said doesn't change my opinion. That's because I still think it was likely Mr S was given the impression this payment wouldn't be taken. And to be clear, I think this would've been the case before it was due.

I've carefully thought about all of the other information on the case again. Having done so, I still think the complaint should be upheld for the same reasons I explained in my provisional decision and set out above.

My final decision

My final decision is that I uphold this complaint. I instruct Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Financial Services to put things right by doing the following:

- end the finance agreement ensuring Mr S is not liable for monthly rentals after the point of collection (it should refund them any overpayment for these if applicable);*
- take the car back (if that has not been done already) without charging for collection;*
- Write off the repayment due from April 2025 along with any associated interest, charges or fees and;
- Remove **all** negative information from Mr S's credit file in relation to this agreement

*If MBFS has already carried out these actions it does not need to do anything further on these points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 March 2026.

John Bower
Ombudsman