

The complaint

Mr T's complaint relates to problems he had with a car supplied to him by MBFS under a personal contract plan (PCP).

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat them in detail here. Instead, I'll provide a summary.

Mr T entered into a PCP with MBFS in January 2023 to purchase a used car. The cash price of the car was £45,490 which was funded, in part, by credit totalling £38,714.50. The total amount due under the agreement, including interest and charges, was £59,776.30. This was to be repaid through 60 monthly instalments of £658.18, followed by an Optional Purchase Payment of £13,500.

Mr T describes that shortly after he collected the car the coolant warning light illuminated. A roadside assistance firm was called to attend. I understand this was due to an unresolved Technical Service Bulletin. And, as I understand it, the matter was resolved when the selling dealership (who I'll refer to as 'D') replaced a sensor in the coolant tank.

Around the same time, I understand that error messages pertaining to the 'Speed Limit Assist', 'Active Lane Keeping Assist' and 'Active Brake Assist' also appeared. And, according to Mr T's testimony, these were not resolved until a camera/sensor was replaced in October 2024.

In July 2023, a 'battery malfunction' message appeared which resulted in the car failing to start. Mr T says he called MBFS on 25 July 2023 to log his concerns about the car and his desire to reject it. Mr T says he was promised a call back within five days. However, having not heard anything further, Mr T emailed MBFS in August 2023, once again setting out his desire to reject the vehicle. In response, MBFS sent Mr T an encrypted email but, as I understand it, he was not able to open it. I am unaware of the contents of this message.

It appears there were no further developments until, in October 2023, the vehicle was sent to D for servicing at which point the 'battery malfunction' warning message was investigated.

In December 2023, Mr T chased MBFS for a response to his previous request to reject the vehicle.

The vehicle remained with D until early February 2024 whilst the aforementioned investigations were ongoing, during which time Mr T was given a courtesy car. In February 2024, after Mr T had chased MBFS, it issued its response to Mr T's complaint. In doing so, it said that D "have attempted to recreate the fault and driven the vehicle for 1015 miles...and have been unsuccessful in reproducing the fault. They have followed guided test as the fault is currently not showing within the vehicle, returning information showing the vehicle is working satisfactorily". MBFS went on to say that D "have detailed that they have offered a number of proposals in order to assist" Mr T as follows:

1. D would purchase the vehicle in order to allow part-exchange (although owing to the negative equity this would result in a substantial shortfall which Mr T would need to pay); or
2. D would provide a 12-month extension to Mr T's warranty.

MBFS also offered to refund 20% of the monthly rentals Mr T had paid between 14 December 2023 and 8 January 2024 (totalling £131.83) in recognition that he had been provided with an inferior replacement vehicle in this period.

Finally, MBFS offered £300 in recognition of the "distress and inconvenience [this matter] has caused' Mr T.

Mr T accepted the outcome on the basis of MBFS' "assurance that [his] various concerns with the vehicle are on record and that should the fault reoccur it would strengthen [his] case". Mr T collected the vehicle in early February 2024.

However, in April 2024, a "Malfunction warning – visit workshop" message appeared on the dashboard. As a result, Mr T contacted D again. D took the vehicle in for further investigation and, having done so, said it was unable to produce an accurate diagnosis as there are no fault codes stored in the vehicles memory. The vehicle was returned to Mr T and he was advised to monitor the situation.

In May 2024, Mr T said the 'Battery Malfunction' message appeared again, as well as another warning message which read "Towing not permitted – See Owner's Manual". As a result, the vehicle would not start. Mr T, once again, contacted D about the problems he was having with the car.

Unhappy with how matters were progressing – and because he was experiencing similar problems to those he had initially raised with MBFS in July/August 2023 - Mr T contacted MBFS on 15 June 2024 to, once again, express his unhappiness with the car and desire to reject it. I understand the vehicle was returned to D again in early July 2024.

The same month, a safety recall noticed was issued for electric power steering software. The relevant works were undertaken by D.

In August 2024, MBFS said that D had conducted road tests on the vehicle but had been unable to replicate the faults. And I understand the vehicle was returned to Mr T at that time. In or around this time, Mr T also raised new issues with the reverse camera not functioning correctly and a 'system inoperative' fault appearing intermittently on the dashboard. Mr T also said the Visual Display Unit was flicking through profiles and a clicking noise could be heard emanating from it. Mr T agreed for these issues to be investigated as part of the vehicles annual service in October 2024.

I am unclear as to the outcome from this investigation. However, the timeline of events Mr T has provided indicates the 'system inoperative' error message – as well as problems with the reversing camera, key detection and Speed Limit Assist (amongst other issues) – persisted in the months that followed and continue until this day.

In January 2025, PR – on behalf of Mr T - referred the complaint to this service.

In April 2025, one of our investigators looked into matters and, having done so, said that the complaint has been brought more than six months after MBFS' final response letter (dated February 2024) and, therefore, our service was not able to consider it.

Upon receipt of further evidence, the investigator looked into matters again and, in May 2025, revised their position and concluded that the complaint was one our service could consider. The investigator did so because, in short, he said MBFS' response in August 2024 constituted a reinvestigation into Mr T's complaint and for all intents and purposes the earlier final response had been withdrawn. And, as the 'new' final response did not provide referral rights to our service – and therefore the six-month time limit did not apply - the investigator concluded the complaint has been brought in time.

MBFS didn't agree with this, but the investigator's opinion was reaffirmed by an Ombudsman's decision in September 2025. Therefore, the investigator went on to consider the merits of the complaint.

In October 2025, the investigator issued their opinion as to the merits of the complaint. In short, the investigator was not persuaded - based on the available evidence – that there was something actually wrong with the vehicle. And, noting the number of miles Mr T was able to drive the vehicle before raising the issues (for a second time) in June 2024, it is unlikely the issues Mr T was experiencing with the vehicle were present or developing at the point of supply.

Mr T didn't agree and, in doing so, provided detailed submissions. This included a 'Computer Decode' of various faults stored in the vehicle's control units conducted by a firm I'll call 'S'. It appears the initial investigator then left the service. As a result, the complaint was reallocated to another investigator. In December 2025, the second investigator issued their opinion. In short, the second investigator also felt that there was not persuasive evidence there was actually something wrong with the car and, therefore, MBFS did not need to do anything further to resolve matters.

Mr T didn't agree and, as an agreement couldn't be reached, the case has been passed to me to review afresh.

I issued a provisional decision in early February 2026. Here is what I had to say:

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 think the complaint should be upheld. I'll explain why I provisionally think this is a fair outcome in the circumstances.

However, before I proceed, there are a few key points I wish to cover off. Firstly, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Secondly, Mr T has clearly spent quite some time compiling detailed submissions in support of his case and I would like to thank him for doing so. However, I won't comment on everything that he has said or all of the problems he has said that he has experienced with the vehicle. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied I don't need to comment on every individual argument or piece of evidence to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it. MBFS was also the supplier of the goods under this type of agreement, and responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA2015) is of particular relevance to this complaint. It says, amongst other things, that every contract to supply goods is to be treated as including a term that the quality of the goods is satisfactory.

The CRA2015 says the quality of goods is satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account any description of the goods, the price and all the other relevant circumstances. So, it seems likely that in a case involving a car, the other relevant circumstances a court would take into account might include things like the age and mileage at the time of sale and the vehicle's history.

The CRA2015 says the quality of the goods includes their general state and condition and other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability can be aspects of the quality of goods.

I am aware that MBFS did not supply Mr T with a new car here. And the purchase of a used car carries the risk – if not the inevitability – of problems arising from wear and tear compared to a new car. However, I'm conscious that the car was just a little over a year old when Mr T took possession of it and it had only travelled 15,692 miles - and this appears to have been reflected in its price. In that context, I think a reasonable person would expect the car MBFS supplied to Mr T to be in very good condition and free from defects for some time.

I've no reason to doubt what Mr T has said about the difficulties he was having with the car over a prolonged period of time. It is clear that in the time the car has been in Mr T's possession, he has identified a number of (what appear to be software) issues that have caused it to have to go back to D on several occasions for investigation and potential remedial work – notably in October 2023 (when the car was held with D for around three months), April 2024 and June 2024. I've carefully considered what Mr T has told us about his experience in the car and note he's been consistent throughout his testimony to the dealership, MBFS and this service. Further, he has supported his testimony with photographic and video evidence. What's more, I think it's highly unlikely Mr T would go to the trouble of taking the car to D for further inspection several times, and complaining to multiple parties about the car, including MBFS, if the issues didn't occur as he has described. So, I'm satisfied that there are faults with the car.

But the simple existence of faults in itself isn't enough to hold MBFS responsible for repairing the car or accepting its rejection. The legislation says that this will only be the case if the fault was present or developing at the point of supply.

Although I can see Mr T experienced problems with the vehicle (including a coolant warning light and Speed Limit Assist malfunction) very soon after taking possession of the car, it is my understanding that Mr T first contacted MBFS (rather than D) about the problems with the vehicle when he called them in late July 2023 - a little over six months after taking ownership of it.

Where issues are raised within the first six months there is a rebuttable presumption under the CRA2015 that they were present at point of sale or supply. But that presumption doesn't apply at the point Mr T raised his concerns. But, importantly, it isn't replaced by a presumption that the goods did conform to contract

Instead, the question becomes whether, on balance, it is more likely than not that the goods failed to conform to contract. So, I need to consider whether the issues Mr T describes

amount to a lack of satisfactory quality such that this contractual requirement has been breached. If so, does the information Mr T has provided indicate the issues were present or developing when he got the car?

Whilst the problems Mr T has had with the vehicle vary in both nature and severity I think, noting the age and mileage of the vehicle, the cumulative effect of the problems result in a car of unsatisfactory quality. After all, Mr T describes the car failing to start on at least six occasions between July 2023 and June 2024 as a result of the battery malfunction light. But, putting that to one side, Mr T has photographed in excess 80 separate occurrences of problems with electrical components (or the associated software) the vehicle since 2023 which, to one degree or another, impact the vehicles performance.

And noting the timeline of events I'm persuaded, on balance, it's more likely than not the car was defective in some way that resulted in the problems Mr T has experienced. I've not been presented with any persuasive evidence from MBFS that demonstrates there wasn't a fault or that that there was a fault but it developed after Mr T took possession of it.

So I've turned to look at the potential remedies under CRA2015.

Under the CRA2015, a consumer only has the right to reject a car if – after one repair or replacement – the goods still don't conform to contract. This is known as the single chance of repair. And this applies to all issues with the goods, and to all repairs. The CRA2015 is clear that, if the single chance at repair fails, then the customer has the right of rejection.

The relevant sections of the CRA2015 says:

“Section 24 Right to price reduction or final right to reject

(5) A consumer who has the right to a price reduction and the final right to reject may only exercise one (not both), and may only do so in one of these situations—

(a) after one repair or one replacement, the goods do not conform to the contract;

(b) because of section 23(3) the consumer can require neither repair nor replacement of the goods; or

(c) the consumer has required the trader to repair or replace the goods, but the trader is in breach of the requirement of section 23(2)(a) to do so within a reasonable time and without significant inconvenience to the consumer.

(6) There has been a repair or replacement for the purposes of subsection (5)(a) if—

(a) the consumer has requested or agreed to repair or replacement of the goods (whether in relation to one fault or more than one), and

(b) the trader has delivered goods to the consumer, or made goods available to the consumer, in response to the request or agreement.”

As I've said – and as I understand it - the car has been sent to D for investigation and potential remedial work on at least three occasions - in October 2023, April 2024 and June 2024.

MBFS has said that, on each occasion, D was unable to replicate the issues that Mr T had described during the time the car was with it. Indeed, MBFS' defence to the claim seems to rest solely on this point. But a failure to replicate the problem whilst the vehicle was with it doesn't mean the problems didn't exist. That an intermittent problem couldn't be replicated during an inspection doesn't mean there's no fault; that is, after all, the nature of intermittent problems. And, noting the problems seem to arise intermittently on start-up, it is perhaps unsurprising that the vehicle did not display the problems during road testing. What's more, I can't see that MBFS has provided any technical evidence in support of this position.

I am satisfied that the periods it was with D represented an opportunity to identify the problem(s) and attempt a repair. Further, I'm satisfied that Mr T has provided D and MBFS with sufficient time and opportunity to carry out repairs. So, I think the requirements of Section 24(5)(a) of CRA2015 were met in Mr T's situation when the car was returned to him and the problems persisted, meaning the car remained of unsatisfactory quality.

I can further understand why Mr T has the concerns he does about the car, and why he wants to return it. Noting the remedies available to Mr T under the CRA2015, I think Mr T is now entitled to his final right to reject the vehicle.

With that being the case, I'm not currently minded to find that MBFS has dealt fairly with the situation. So, I've turned to look at what MBFS should do to put things right.

However, before I set out what I provisionally think MBFS should do to put things right, I note a common thread running through Mr T's testimony is the car was subject to a vehicle recall notice in July 2024 which contributes to the overall picture of a vehicle that is of unsatisfactory quality. Whilst it does not impact the outcome I've reached, I think it would be remiss of me not to address this point. Whilst I understand the broader point Mr T is making, I've no reason to think that a car subject to a vehicle recall notice would provide Mr T with a valid claim in breach of contract. It is, unfortunately, common enough in the motor industry for manufacturers to issue such notices from time to time.

According to the Driver & Vehicle Standards Agency, any outstanding recall (which is distinct from a Technical Service Bulletin) should be fixed by the dealer prior to selling a car to a consumer. But here, the recall notice wasn't issued until after Mr T acquired the car. As such, I think it's likely it would be considered one of the many inconveniences that go hand in glove with running a car. So, I do not think the fact the vehicle was subject to a recall notice in July 2024 contributes (either in and of itself or in a broader context) to the claim that the car was of unsatisfactory quality. But I need not consider or comment on this further because, for the reasons I've already explained, I think Mr T is entitled to reject the car due to other problems he's experienced with it.

Putting things right

As I set out earlier in the decision, in February 2024 MBFS offered to refund 20% of the monthly rentals Mr T had paid between 14 December 2023 and 8 January 2024 (totalling £131.83) in recognition that he had been provided with an inferior replacement vehicle in this period. And it offered £300 in recognition of the "distress and inconvenience [this matter] has caused' Mr T.

Noting Mr T accepted this offer – albeit on the proviso that he could return to MBFS if the problems later recurred (as was the case) – and noting the final response was issued more than six months after Mr T referred the complaint to our service, I will make no comment on the fairness or otherwise of this offer. I will, instead, confine myself to considering events from February 2024 onwards.

As a starting point, MBFS should end the agreement with no further payments due from Mr T after 15 June 2024, this being when the first point (after February 2024) at which MBFS should have permitted him to reject the car and collect it from him¹. This should also be the position reflected on his credit file.

MBFS should collect the car at no cost to Mr T and it should also return the deposit Mr T paid totalling £6,775.50, plus interest.

I also think MBFS should reimburse a proportion of the earlier payments (March 2024-June 2024) he made under the agreement in recognition of impairment to his use of the car – which included returning the car to D for further investigation during this period.

In addition, it is fair that Mr T is reimbursed for costs he incurred resulting from issues directly attributable to the fact the vehicle was not of satisfactory quality at the point of supply. It is my understanding Mr T paid S a fee of £66 for a diagnostic of the car to be carried out to support his claim. This has been evidenced by way of an invoice dated 19 November 2025. I intend to direct MBFS to reimburse this cost, plus interest.

Mr T has clearly spent considerable time and gone to great efforts to support his case. What's more, Mr T has clearly been extremely stressed by it all. MBFS should compensate Mr T for the distress and inconvenience he's been caused (since February 2024). as a result of this matter.

Finally, I understand Mr T incurred costs as a result of instructing a legal firm to represent him in his claim. I understand why Mr T felt the need to engage a legal firm, but I don't think this was a necessary (or – from MBFS' perspective – foreseeable) expense. I say this because Mr T was seemingly aware of his rights (having previously sought to reject the vehicle in July 2023) and, therefore, aware that he could make the claim directly to MBFS at no cost. And, if necessary, refer the matter to our service free of charge. In other words, I don't think these legal costs were a consequential loss of being provided with a car of unsatisfactory quality. So, I can't fairly say MBFS should now refund Mr T for these costs.

With all of this being the case, I provisionally upheld the complaint.

I invited further comments and evidence from both parties in response to my provisional findings.

Responses to my provisional decision

Mr T accepted my provisional decision. Mr T did ask our investigator some questions about whether he needs to pay for some upcoming costs he is due to incur relating to the vehicle – including the next finance payment (due on 11 March 2026) and replacement tyres. Mr T also said he would need to understand the arrangement for collection, as he does not have long-term garage space available.

MBFS did not respond to my provisional 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.

¹ Section 24(9) of the CRA has the effect that MBFS would not be entitled to make a deduction for use during any period in which Mr T had the car only because of a failure to collect it.

Having done so, and given that neither party had anything further to add in response to my provisional findings, I see no reason to depart from the conclusions set out above.

It follows that I uphold this complaint and direct MBFS to complete the settlement set out below.

With regards to Mr T's questions, I am recommending the agreement is terminated effective from June 2024. So, if he accepts the final decision, he would not be liable for the next finance payment or any ongoing costs. Further, if Mr T accepts this final decision, it is for MBFS to liaise with him to arrange collection at the vehicle. It should do so at no cost and minimal inconvenience to Mr T.

Putting things right

To put things right, MBFS should:

1. Collect the car at no cost and minimal inconvenience to Mr T;
2. Refund Mr T's deposit of £6,775.50; and
3. Refund 20% of the monthly payments Mr T made between March 2024 and June 2024 when his rejection of the car should have been actioned; and
4. Refund all payments Mr T made in connection with the hire-purchase agreement after June 2024; and
5. End the agreement with nothing further to pay and with an effective date of 15 June 2024 and amend its records to show that the hire-purchase agreement was settled on this date; and
6. Amend any information reported on Mr T's credit file to reflect the position in 5. above; and
7. Reimburse Mr T the cost of the diagnostic test he paid for – totalling £66; and
8. Pay interest on the amounts in 2, 3, 4, and 7 above, calculated at an annual rate of 8% simple from the date of each payment until the date it pays this settlement; and
9. Pay Mr T £250 to compensate Mr T for the distress and inconvenience that he's been caused by its actions.

My final decision

My final decision is that I uphold this complaint and direct Mercedes-Benz Financial Services UK Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 March 2026.

Ross Phillips
Ombudsman