

The complaint

Mercedes-Benz Financial Services UK Limited (MBFS) provided Mr H with a hire purchase agreement in 2018 to purchase a car. Mr H borrowed £32,230 and he was due to repay 48 repayments of £485.43, followed by an optional payment of £14,425 to own the car. Mr H settled the agreement in June 2021.

Mr H says the credit was provided irresponsibly and it placed him under considerable financial strain as his outgoings exceeded his income.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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.

Having considered everything, I'm not upholding Mr H's complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr H's case.

I've decided the credit was provided fairly because:

I don't think the checks MBFS did before providing the agreement were reasonable and proportionate given the amount lent and what it knew about Mr H's financial situation.

MBFS says Mr H told it that he had been employed for some time. His annual income was between £22,000 to £27,999. It also found out that his regular credit repayments were £571 a month, £347 of this was an existing hire purchase agreement that would be settled with the new loan. Mr H already owed around £1,800 on credit cards and he'd had no credit problems in the past. But MBFS didn't verify his income, and it doesn't seem to have enquired about, or estimated, his other committed expenditures in much detail. I think it should have done this here.

If MBFS had done proportionate checks, I don't think it's likely these would have shown it was unfair to provide the credit to Mr H.

Our Investigator calculated, from the bank statements provided, that Mr H's income, when some benefit payments were included, was about £1,750 a month. His fixed costs were about £750 a month. This seems to likely be the kind of amounts that MBFS would have seen if it had made better checks, and to be clear it didn't need to do this by looking at his bank statements. So, I think it would have reasonably concluded that Mr H could afford the new finance agreement.

Mr H doesn't agree with this, he's said that some of his bills were paid through a family members bank account, and his benefits were due to end in the near future. He says his costs were higher than his own bank statements show and his reducing savings demonstrates this. He said he relied on support from a third party.

I can accept that Mr H's circumstances may have been more complicated than what his own bank statements showed. For example, he did have a mortgage and a third party did support him. But I can't see that MBFS was made aware of this at the time.

But, overall, Mr H was borrowing money to purchase a car which he would need. He was employed with a reasonable income. He had a modest amount of debt, no obvious financial problems and he was already repaying a finance agreement. The amount he would repay each month was only increasing by a modest amount.

So, whilst MBFS should have verified some of the information it found out, I don't think it needed to carry out a detailed affordability analysis. I don't think, for example, MBFS would need to enquire about his future benefit payments or find out more about some of his bill payments.

And it's worth noting that our Investigator went on to consider how much Mr H had left over if all the bills he said he was responsible for were factored in. She still thought the agreement was affordable after this. I don't materially disagree with this. And Mr H went on to repay the finance without issue.

Based on the information Mr H provided about his circumstances at the time, there isn't enough to say that a proportionate check would have shown that he was unlikely to be unable to sustainably repay what he was being lent.

I don't think MBFS acted unfairly in any other way.

This means I don't think MBFS did anything wrong when it provided the hire purchase agreement to Mr H.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MBFS lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I know this isn't the outcome Mr H hoped for. But for the reasons above, I'm not asking MBFS to do anything to put things right.

My final decision

My final decision is that I'm not upholding this complaint about MBFS.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 April 2026.

Andy Burlinson
Ombudsman