

The complaint

Mrs Y complains about a car supplied to her using a hire purchase agreement taken out with Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance (“MBFS”).

What happened

In September 2024, Mrs Y acquired a brand-new car using a hire purchase agreement with MBFS. The cash price of the car recorded on the agreement was £43,854.99, the agreement was for 60 months, made up of regular, monthly repayments of £650.90, followed by a final option to purchase fee of £10. The deposit payment recorded on the agreement was £10,000.

Shortly after acquiring the car, Mrs Y said she experienced issues with it, in relation to the car’s parking and camera system. Within a few months of acquiring the car, Mrs Y informed both the supplying dealership and MBFS of the issues and said that she requested to reject the car.

Repairs were carried out to the car at a third-party manufacturer approved garage. However, Mrs Y said the issues with the car persisted upon collection of it, even though no faults could be found at the time.

MBFS issued their final response to Mrs Y, explaining that they didn’t uphold her complaint, as there was no evidence that the repairs had failed.

Unhappy with MBFS’s response, Mrs Y referred her complaint to our service. Mrs Y informed our service that the issue with the car’s camera remained and was unresolved.

Initially, our investigator didn’t think Mrs Y could reject the car, but following further information supplied, her opinion changed and our investigator upheld the complaint. The investigator explained to MBFS what she thought they needed to do to put things right.

Mrs Y disagreed with the remedy our investigator reached. Among other things, she clarified the period in which the car was taken in to be repaired, and she didn’t think a reimbursement of 10% of monthly repayments made towards the car since it had a fault was fair and reasonable, and suggested a calculation based on the mileage and use of the car.

Following the outcome our investigator reached, MBFS initially disagreed with it. However, they later accepted they could have done more to put things right. MBFS proposed an alternative remedy, which our service informed Mrs Y about to see whether she accepted it. The investigator explained that in some instances, MBFS had increased their offer, above what she was directing them to do. And overall thought it was an appropriate way to settle this complaint.

Mrs Y didn’t think MBFS’s revised offer fairly reflected the impact she had experienced. As Mrs Y disagreed with the investigator’s final outcome, the complaint was 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'm upholding this complaint and I'll explain why below.

I'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, 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 point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Mrs Y complains about a car supplied to her under a hire purchase agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mrs Y's complaint about MBFS.

When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 ("CRA") is relevant to this complaint. The CRA explains under a contract to supply goods, the supplier – MBFS here – has a responsibility to make sure goods are of satisfactory quality. Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors. It's important to point out in this case that the CRA specifically explains that the durability of goods can be considered part of whether they are unsatisfactory quality or not.

I would consider relevant factors here, amongst others, to include the car's age, price, mileage and description. So, it's important to note here that the car Mrs Y acquired was brand-new and I think a reasonable person would expect it to be in excellent condition, with no faults or issues. And I think they would expect trouble free motoring for a significant period.

What I need to consider is whether the car was of satisfactory quality when it was supplied. And in order to do that, I first need to consider whether the car developed a fault.

Had the car developed a fault and was the car of satisfactory quality at the point of supply?

In this instance it isn't in dispute that the car had a fault to it, considering MBFS has also accepted the car had a fault in its final response it issued. From my understanding, Mrs Y had issues with the car's camera system, where a repair took place in February 2025. I don't think there would have been a need to repair components to the car's camera system, had there not have been an issue with it. So, I'm satisfied the car had a fault in relation to the car's parking and camera system.

Given the car was brand-new when it was supplied to Mrs Y, I'm satisfied the car wasn't durable. I wouldn't expect there to be a need to repair items so early in the car's lifetime. And so, I'm satisfied a reasonable person would not consider it to have been of satisfactory quality when it was supplied to Mrs Y.

Remedies under the CRA

What I now need to consider is whether MBFS needs to do anything to put things right. Again, it isn't in dispute here that MBFS should allow Mrs Y to reject the car. I say this because MBFS has already offered to end the agreement, collect the car, reimburse Mrs Y

her deposit payment, as well as other costs which impacted her loss of use and impaired usage of the car. But for completeness, I have considered this below.

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 conform to contract.”

This is known as the single chance of repair. In this case, there was an attempt to repair the car's camera system in February 2025, which isn't in dispute. And I'm satisfied that issues with the car persisted from other diagnostics and investigations I have seen completed to the car post repair. So, I'm satisfied MBFS have already had the opportunity to repair the car, and I think it failed or the car had an underlying fault that was never put right. It follows that I'm satisfied that Mrs Y should be allowed to reject the car.

What is in dispute in relation to this complaint is the other costs Mrs Y believes she should be reimbursed. So, I have considered these in turn.

Mrs Y believes she should receive monthly repayments she has made towards the agreement during the time the car had issues with it. While I appreciate what Mrs Y says here, I'm mindful that the car continued to be used, and several thousands of miles had been driven in it. So, I don't think it is fair and reasonable that MBFS should reimburse Mrs Y for the monthly repayments that were made while the car remained in her possession and was used.

I am mindful that on occasions Mrs Y took the car to be repaired. And so, Mrs Y didn't have use of her car during these times. So, it follows that I'm satisfied that Mrs Y should be refunded a pro rata of any payments she had made towards the agreement, during the time she didn't have use of it. My understanding is that this was between 4 February 2025 and 6 February 2025. And between 17 March 2025 and 14 May 2025.

I am also aware that Mrs Y had impaired usage of the car, given that there were certain features of it that didn't function as expected. Essentially, these faults didn't prevent Mrs Y from driving the car but did impact her use of it. MBFS offered to reimburse Mrs Y 10% of monthly repayments made towards the agreement from February 2025 onwards. In the circumstances I'm satisfied that this is a fair and reasonable way to reflect the impaired usage Mrs Y had suffered due to the fault with the car.

Mrs Y believes she should be awarded a significantly higher amount and suggested an alternative remedy which was put forward to MBFS. However, as I am satisfied that a reimbursement of 10% of monthly repayments is enough in this situation, I don't think I need to wait for MBFS's response. And I'm mindful that MBFS had the opportunity to respond to our investigator's further view, where Mrs Y's alternative approach was suggested. And if MBFS had any comments in relation to it, they could have responded then. If Mrs Y and MBFS would like to discuss this outside of my direction, then they are free to do so. But to be clear, I don't think MBFS needs to do anything more, than what I will say below.

Turning my attention now to the diagnostic test that Mrs Y had paid for. This was paid to show the issues with the car which was found to be of unsatisfactory quality. It follows that I think this amount should be reimbursed to Mrs Y, if she can show payment was made by her.

Distress and inconvenience

I'm mindful of what Mrs Y has said in relation to the impact this complaint has had on her. And from what she has said, I'm satisfied this complaint has caused her significant

inconvenience and disruption which required a reasonable amount of effort from her to sort out. I'm also mindful that MBFS has offered £650 for the distress and inconvenience caused. In the circumstances, I think MBFS's offer of £650 fairly reflects the impact this complaint has had on Mrs Y.

My final decision

For the reasons I've explained, I uphold this complaint and I instruct Mercedes-Benz Financial Services UK Limited trading as Mercedes-Benz Finance to put things right by doing the following:

- End the agreement ensuring Mrs Y is not liable for monthly rentals after the point of collection (it should refund any overpayment for these if applicable).
- Collect the car (if this has not been done already) without charging for collection.
- Refund Mrs Y's deposit payment towards the agreement of £10,000. If any part of this advance payment was made up of funds through a dealer contribution, then MBFS doesn't need to refund this amount. *
- Reimburse Mrs Y a pro rata of her monthly repayments made from 4 February 2025 to 6 February 2025, and from 17 March 2025 to 14 May 2025. *
- Reimburse Mrs Y 10% of repayments made towards the agreement from 1 February 2025 up to when the agreement ends and the car is collected. *
- Reimburse Mrs Y £120, for a diagnostic test completed on the car on 18 February 2025. This should be paid to Mrs Y on production of evidence to MBFS to show that payment was made by her. *
- Pay Mrs Y £650 to reflect the distress and inconvenience caused.
- Remove any adverse information on Mrs Y's credit file in relation to the agreement, if any.

* These amounts should have 8% simple yearly interest added from the time of payment to the time of reimbursement. If MBFS considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Mrs Y how much it's taken off. It should also give Mrs Y a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Y to accept or reject my decision before 9 April 2026.

Ronesh Amin
Ombudsman