

## **Complaint**

Mr F complains that Mercedes-Benz Financial Services UK Limited (trading as Mercedes-Benz Finance “MBFS”) unfairly entered into a hire purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

## **Background**

In July 2019, MBFS provided Mr F with finance for a used car. The purchase price of the vehicle was £25,252.67. Mr F paid a deposit of £5,303.00 and entered into a 48-month hire purchase agreement with MBFS for the remaining £19,949.67.

The loan had interest and charges of £6,193.09 and a 48-month term. This meant that the total amount to be repaid of £26,142.76 (not including Mr F’s deposit) was due to be repaid in 48 monthly instalments of £361.62, plus an optional final repayment of £8,775.00 which Mr F had to pay if he wished to keep the car at the end of the term.

Mr F’s complaint was considered by one of our investigators. He didn’t think that proportionate checks would have shown MBFS that it shouldn’t have lent to Mr F. So he didn’t think that MBFS had done anything wrong or treated Mr F unfairly and didn’t recommend that Mr F’s complaint should be upheld.

Mr F disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr F’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr F’s complaint. I’d like to explain why in a little more detail.

MBFS needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that MBFS needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr F before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

MBFS says it agreed to this application after Mr F provided details of his income and his employment. MBFS says it also carried out credit searches on Mr F which showed that he didn't have any recent significant adverse information - such as defaulted accounts or county court judgments ("CCJ") recorded against him. Although, it does look like MBFS' credit check may have picked up on a historic default.

In MBFS' view, when reasonable repayments to Mr F's existing credit commitments were deducted from what it believed his monthly income to be, Mr F had sufficient funds left over to meet his regular living costs as well as make the monthly payments to this agreement. On the other hand, Mr F says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr F and MBFS have said.

The first thing for me to say is that I can't see that MBFS had any understanding of Mr F's non-credit related committed expenditure. Given the cost of the credit, the presence of an albeit historic default, the length of the term and the monthly repayments, I do think it would have been prudent for MBFS to have had some idea of Mr F's committed non-credit related expenditure. MBFS could have found out about this using statistical data, or by asking Mr F. In my view, MBFS' failure to consider Mr F's non-credited related committed expenditure means that the checks it carried out weren't reasonable and proportionate.

As proportionate checks weren't carried out before this agreement was entered into, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told MBFS that it was unfair to enter into this agreement with Mr F on the basis that he wouldn't be able to afford the monthly payments.

Given the amount borrowed, the monthly payments and the length of the agreement, in order for MBFS' checks to have been proportionate, as I've explained, I think that it would have had to have an understanding of Mr F's regular non-credit related committed expenditure. I want to be clear in saying that this isn't the same as saying that MBFS had to obtain bank statements in order to verify all of this as how it found out about this was down to it.

Having considered everything provided, I'm not persuaded that MBFS obtaining further information from Mr F would have made a difference on its decision to lend in this instance. I say this because the information Mr F has provided about his finances at the time, on the face of things at least appears to show that he did have the funds to sustainably make the repayments due under this agreement.

I accept it's possible that Mr F's actual circumstances at the time might have been worse than what the information he's provided shows. I've seen what Mr F has said about earning less than what he told MBFS and that he was using his overdraft. He's also carried out a line-by-line analysis of his statements, for more than one account, and has reached the view that he didn't have sufficient funds to make the repayments on this agreement.

I've thought about what Mr F has said. However, the key thing here for me to determine here isn't what Mr F's actual financial position was taking account of a forensic analysis of his finances. What the key thing for me to determine here is, is what MBFS is likely to have concluded had it obtained further information from Mr F. And bearing in mind the information provided indicates that when his living costs at the time are added to what

MBFS knew about Mr F's credit commitments and what it was led to believe about his income, it wasn't unreasonable for it to lend.

For the sake of completeness, I would also add that the amount of Mr F's deposit, which equated to more than the amount of the monthly payments he needed to make for a whole year and the lack of recent adverse credit information, actually supported what MBFS believed to be his income at the time. So I don't agree that it was unreasonable for MBFS to have relied on this either.

Overall and having carefully considered everything, I've not been provided with sufficient evidence which satisfies me that MBFS' checks before entering into this hire purchase agreement with Mr F did go far enough. Nonetheless, I'm satisfied that had MBFS carried out reasonable and proportionate checks this won't have stopped it from providing these funds, or entering into this hire purchase agreement with Mr F.

In reaching this conclusion I've also considered whether the lending relationship between MBFS and Mr F might have been unfair to Mr F under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think MBFS irresponsibly lent to Mr F or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. And I'm not upholding this complaint.

I appreciate that this will be disappointing for Mr F. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 30 April 2026.

Jeshen Narayanan  
**Ombudsman**