

The complaint

Mr A is unhappy that Mercedes Benz Financial Services UK Limited ('MBFS') are chasing him for outstanding payments on a hire purchase agreement, which he says he doesn't owe.

What happened

On 31 July 2018, Mr A was supplied with a new car through a hire purchase agreement with MBFS. He paid a £7,500 deposit and the agreement was for £29,873.64 over 49 months; with 48 monthly payments of £389.64 and a final optional payment of £15,950 if Mr A wanted to keep the car.

In January 2022, Mr A sold the car to a dealership, and he was told the outstanding balance owing on the agreement with MBFS had been cleared. The last payment Mr A made towards the agreement was the payment due on 31 December 2021.

In May 2022, MBFS received an indemnity claim from Mr A's bank, claiming back four payments – the payments for September to December 2021. This put the account £1,557.84 in arrears. However, it wasn't until 30 March 2023 that MBFS contacted Mr A about the arrears, at which point they issued a default notice.

Mr A wasn't happy with what had happened. He said his agreement had been cleared, and that he didn't make any indemnity claim, having closed down the bank account he used to make payments to MBFS back in 2021. As such, he didn't think he owed anything.

MBFS responded to this complaint, explaining that a successful indemnity claim had been made and they were entitled to request that Mr A make these payments. However, they acknowledged they'd failed to contact Mr A about this until March 2023, apologising for this and offering Mr A £100 compensation for any inconvenience this delay caused.

Mr A wasn't happy with MBFS' response, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator reviewed the evidence and was satisfied that Mr A had an outstanding balance. While Mr A said he didn't make an indemnity claim, it was clear that a claim had been made to MBFS, and she didn't think it was fair to hold MBFS responsible for the outstanding balance just for dealing with this claim. She also thought the £100 MBFS offered for the delay in asking Mr A for the outstanding balance was reasonable in the circumstances, so she didn't think they needed to do anything more.

Mr A didn't agree with the investigator. He didn't accept this was a valid request for money and he asked for the matter to be escalated. As such, this has been passed to me to make a final 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 done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr A was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

From reviewing the evidence, I'm satisfied this shows an indemnity claim was made in May 2022. As a result of this claim, Mr A's bank reclaimed £1,557.84 worth of payments – the equivalent to four months payments under the agreement. As the indemnity claim had been successful, this meant that, despite believing in January 2022 that there was no outstanding balance owing, Mr A still owed four payments to MBFS.

I've noted Mr A's comments about closing down his bank account in 2021, and that he never made any indemnity claim. While this may be the case, his bank nevertheless made the claim, and successfully recalled the payments from MBFS. As such, this is a matter Mr A needs to raise with his bank and, given that the bank originated the request, I'm in agreement that it's not fair to hold MBFS responsible for this, and to ask them to write-off any outstanding balance.

But this doesn't mean that MBFS did nothing wrong. I'd expect them to have contacted Mr A shortly after the indemnity claim was made, to explain what had happened and to arrange for him to pay the recall amount, either as a lump sum or by agreed instalments. However, by their own admission, they didn't do this, and it was almost a year later when they first contacted Mr A about the outstanding debt.

I've no doubt that receiving notice that he still owed money to MBFS so long after the event would have been a shock to Mr A. And it's only fair that MBFS compensate him for this. However, the delay in advising Mr A doesn't mean that the outstanding balance shouldn't be paid. As such, I'm satisfied the £100 MBFS have offered Mr A for the shock caused by the late notification is reasonable in the circumstances, and I won't be asking MBFS to increase this. Nor will I be asking them to reduce or waive the amount Mr A still owes them. It's now for Mr A to decide whether to accept this £100 or not.

Finally, when looking to recover the outstanding balance from Mr A, I would remind MBFS of their obligations to treat him with forbearance and due consideration if he's financially unable to repay this amount immediately.

My final decision

For the reasons explained, I don't uphold Mr A's complaint about Mercedes Benz Financial Services UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 February 2024.

Andrew Burford

Ombudsman