

The complaint

Mr W has complained that Ikano Bank AB (publ) ("Ikano") rejected his claim against it under section 75 of the Consumer Credit Act 1974 in relation to his purchase of some solar panels.

What happened

Mr W bought solar panels for his home in July 2012. The purchase was funded by a three year loan from Ikano, and that business is therefore liable for the acts and omissions of the installer under the relevant legislation. In this case, that relates to the installer misleading Mr W into believing that the panels would be self-funding after 8 to 12 years, which they weren't.

Mr W's complaint was considered by one of our adjudicators. He thought that the benefits of the panels were mis-represented to Mr W, and that fair redress would be for the loan to be restructured to effectively make the panels self-funding over the term of the loan. This restructure should be based on evidence of the actual performance of the panels, and a number of assumptions on future performance. He also recommended that Ikano pay Mr W £100 for his trouble.

Ikano didn't respond, so the case was referred for an ombudsman's decision. I wrote a provisional decision which read as follows.

What I've provisionally 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.

Ikano is familiar with all the rules, regulations and good industry practice we consider when looking at complaints of this type, and indeed our well-established approach. So I don't consider it necessary to set all of that out in this decision.

Having carefully considered everything provided, for the same reasons as those explained by the adjudicator, I uphold this case. In brief, that is because the evidence supports the conclusion that a misrepresentation took place and Mr W was not given clear information to demonstrate that the solar panels would *not* be self-funding and would equate to an additional cost for him.

So I think that Ikano didn't treat Mr W fairly and he lost out because of what Ikano did wrong. And this means that it should put things right.

Putting things right

However, I do not agree that the redress should be calculated on the basis that the panels would have paid for themselves after only three years. That is because Mr W was not told that they would pay for themselves in such a short period of time. He was told it would take 8 to 12 years, and I have seen the paperwork which says so. This turned out not to be the case, since a statement from British Gas shows that the total feed-in tariff (FIT) payments by July 2016, four years after installation, came to only £1,101. Although that figure does not

include savings on electricity bills, I still think it comes to considerably short of what it would have needed to if Mr W was to break even after 12 years, since he had paid £6,638 for the panels (a deposit of £2,238 and the balance on credit).

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr W's complaint for Ikano to put things right by recalculating the original loan based on the known and assumed savings and income to Mr W from the solar panels over a period of ten years from the date of the loan agreement so he pays no more than that, and he keeps the solar panel system, and any future benefits once the loan has ended. If the calculation shows that Mr W is paying (or has paid) more than he should have, then Ikano need to reimburse him accordingly. Should the calculation show that the misrepresentation has not caused a financial loss, then the calculation should be shared with him by way of explanation.

If the calculation shows there is a loss, then Ikano should recalculate the loan to put Mr W in a position where the solar panel system is cost-neutral over the period of ten years. Normally, by recalculating the loan this way, Mr W's monthly repayments would reduce, meaning that he would have paid more each month than he should have done, resulting in an overpayment balance. And as he would have been deprived of the monthly overpayment, I would expect a business to add simple interest at 8% a year from the date of the overpayment to the date of settlement.

Since Mr W has already settled the loan, Ikano should pay him the difference between what he paid in total and what the loan should have been under the restructure above, with interest at 8% a year.

If Mr W has settled the loan by refinancing, he should supply evidence of the refinance to Ikano, and then Ikano must:

1. Refund the extra Mr W paid each month with the Ikano loan.
2. Add simple interest from the date of each payment until Mr W receives his refund.
3. Refund the extra Mr W paid with the refinanced loan.
4. Add simple interest from the date of each payment until Mr W receives his refund.
5. Pay Mr W the difference between the amount now owed and the amount he would have owed if the system had been self-funding.

I'm satisfied that there was sufficient information available at the time that Mr W first contacted Ikano that means the claim should have been upheld. I direct that Ikano must pay £100 compensation for the inconvenience caused.

Responses to my provisional decision

Mr W accepted my provisional findings. Ikano has not yet replied, but since the calculation I have decided upon is less onerous to Ikano than that recommended by my colleague (and Ikano has had plenty of time to respond to the adjudicator's opinion), I think there will be no procedural unfairness to Ikano if I proceed to a final decision without waiting any longer.

My final decision

For the reasons I've explained, I'm upholding this complaint. Ikano Bank AB (publ) must 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 W to accept or reject my decision before 1 February 2022.

Richard Wood
Ombudsman