

The complaint

Mr E has complained that Shawbrook Bank Limited did not pay him enough compensation to fairly settle his claim against it under section 75 of the Consumer Credit Act 1974 in relation to his purchase of some solar panels.

Background

Mr E bought solar panels for his home in July 2015. The purchase was funded by a 16-year loan from Shawbrook,¹ 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 E into believing that the panels would be self-funding within eight years of the purchase, which they weren't.

In August 2020, Mr E brought a claim under section 75, in which he was represented by a claims management company ("the CMC"). Shawbrook upheld the claim and offered to pay Mr E £2,000 compensation, which would effectively make the panels self-funding within approximately 12 years.

Being dissatisfied with that proposal, Mr E brought this complaint to our Service, but our adjudicator did not uphold it because he thought that Shawbrook's offer was fair. This was because he thought 12 years was a reasonable period over which to make the panels self-funding, and after that Mr E would not have incurred a financial loss.

The CMC disagreed, and pointed out that the sales documentation had promised that the panels would be self-funding after eight years. Since no agreement could be reached, 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.

Shawbrook 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.

Since there is no dispute that there was a misrepresentation by the installer, I will confine this decision to the question of how Mr E should be compensated.

Having thought about everything, I think it would be fair to require Shawbrook to put Mr E in the same financial position he would have been in if the panels had been self-funding after

¹ The terms of the loan were that no interest would be charged if Mr E repaid it all (and also a £70 option fee) within the first year – which he did – and otherwise the loan, with interest, would be repaid in monthly instalments over the next 15 years. Mr E repaid the loan and the fee (£11,660) on 1 July 2016.

eight years, rather than around twelve years. That is because the sales documentation clearly stated that the payback time would be eight years, based on the cash price of the panels.

While I recognise that Shawbrook's proposal would indeed mean that Mr E would have suffered no financial loss eventually, it would take around 12 years for the income and savings from the panels to get him to that point, and that is still roughly four years later than the installer told him it would be. During those four additional years, Mr E would still be out of pocket, instead of finally starting to make a profit. So I think that eight years is a reasonable period in which the make the panels self-funding.

So my provisional decision is that I intend to uphold this complaint. Subject to any further representations I receive from the parties ... I intend to order Shawbrook Bank Limited to recalculate the redress in such a way as to make the panels pay for themselves after eight years.

Responses to my provisional decision

Mr E accepted my provisional findings. Shawbrook did not respond. So there is no reason for me to depart from my provisional findings, and I confirm them here.

My final decision

My decision is that I uphold this complaint. I order Shawbrook Bank Limited to recalculate the redress in such a way as to make the panels pay for themselves after eight years from the point of sale.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 9 May 2022.

Richard Wood
Ombudsman