

The complaint

Mrs C, represented by a claims management company (CMC), has complained that Ikano Bank AB (publ) rejected her claim against it under Section 75 of the Consumer Credit Act 1974.

What happened

Mrs C bought solar panels for her home in 2015. The purchase was funded by a 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 allegedly misleading Mrs C into believing that the panels would be self-funding, which they weren't.

In June 2021, Ikano offered to settle the complaint as if a misrepresentation had been made, and it asked Mrs C's CMC for information to enable it to calculate the settlement. The CMC asked us to look at the complaint but didn't provide the further information until October 2021, after we asked for it.

In January 2022, Ikano provided its settlement offer, which was passed to the CMC. The CMC pointed out that the offer didn't include the additional costs Mrs C incurred by paying off the Ikano loan using a loan from another lender. The CMC felt these costs should be included in the settlement.

Mrs C's complaint was considered by one of our adjudicators. They said the additional costs incurred through the second loan should be included in the settlement. Ikano didn't respond within a reasonable time, so the case was passed to an ombudsman.

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.

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 to redress in these cases. So, I don't consider it necessary to set all of that out in this decision.

Having carefully considered everything provided, I uphold this case. I'm satisfied that the costs of the second loan (used to pay off the Ikano loan) were a result of Mrs C agreeing to buy the solar panels.

So, I think that Ikano didn't treat Mrs C fairly and she lost out because of what Ikano did wrong. And this means that it should put things right.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mrs C's complaint for Ikano to put things right by recalculating the original loan based on the known and assumed savings and income to Mrs C from the solar panels

over the original loan term, so she pays no more than that, and she keeps the solar panel system, and any future benefits once the loan has ended.

In the event the calculation shows that Mrs C is paying (or has paid) more than she should have, then Ikano needs to reimburse her accordingly. Should the calculation show that the misrepresentation has not caused a financial loss, then the calculation should be shared with Mrs C by way of explanation.

Normally, by recalculating the loan this way, a consumer's monthly repayments would reduce, meaning that they would've paid more each month than they should've done resulting in an overpayment balance. And as a consumer would have been deprived of the monthly overpayment, I would expect a business to add 8% simple interest from the date of the overpayment to the date of settlement.

Mrs C has settled the loan by refinancing, so she should supply evidence of the refinance to Ikano and Ikano should:

1. Refund the extra Mrs C paid each month with the Ikano loan.
2. Add simple interest from the date of each payment until Mrs C receives her refund.
3. Refund the extra Mrs C paid with the refinanced loan.
4. Add simple interest from the date of each payment until Mrs C receives her refund.
5. Pay Mrs C the difference between the amount now owed and the amount she would've owed if the system had been self-funding over the original term of the Ikano loan.

I'm satisfied that there was sufficient information available at the time that Mrs C first contacted Ikano that means the claim should have been upheld. I direct that Ikano should pay £100 compensation for the trouble and upset caused.

My final decision

For the reasons I've explained, I'm upholding Mrs C's complaint. Ikano Bank AB (publ) should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 12 April 2022.

Phillip Lai-Fang
Ombudsman