

## **The complaint**

Mr F has complained that Creation Consumer Finance Ltd rejected his claim against it under Section 75 of the Consumer Credit Act 1974.

## **What happened**

Mr F bought solar panels for his home in 2015. The purchase was funded by a loan from Creation, 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 F into believing that the panels would be self-funding, which they weren't.

Creation made an offer of settlement. This was that the loan be restructured to make the panels cost no more than the benefit they would provide over a ten-year period. Mr F has indicated that he accepts this offer. But Creation has to date not paid it. So, I'm making a decision to confirm what Creation must do to put things right. This decision will be legally binding on both Creation and Mr F if he accepts it within the given deadline.

## **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.

Creation 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.

Creation has accepted that the complaint should be upheld. So, I don't need to decide whether there was a misrepresentation, only what must happen to put things right.

## **Putting things right**

Creation should put things right by recalculating the original loan based on the known and assumed savings and income to Mr F from the solar panels over a ten-year period so he pays no more than that, and he keeps the solar panel system, and any future benefits once the loan has ended.

Because the calculation shows that Mr F is paying (or has paid) more than he should have, then Creation needs to reimburse him accordingly.

Because the calculation shows there is a loss, then where the loan is ongoing, I require Creation to restructure Mr F's loan. It should recalculate the loan to put Mr F in a position where the solar panel system is cost neutral over a ten-year period.

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.

So, I think the fairest resolution would be to let Mr F have the following options as to how he would like his overpayments to be used:

- A. the overpayments are used to reduce the outstanding balance of the loan and he continues to make his current monthly payment resulting in the loan finishing early,
- B. the overpayments are used to reduce the outstanding balance of the loan and he pays a new monthly payment until the end of the loan term,
- C. the overpayments are returned to Mr F and he continues to make his current monthly payment resulting in his loan finishing early, or
- D. the overpayments are returned to Mr F and he pays a new monthly payment until the end of the loan term.

If Mr F accepts my decision, he should indicate on the acceptance form which option he wishes to accept.

If Mr F has settled the loan, Creation should pay him the difference between what he paid in total and what the loan should have been under the restructure above, with 8% interest.

If Mr F has settled the loan by refinancing, he should supply evidence of the refinance, to Creation and Creation should:

- 1. Refund the extra Mr F paid each month with the Creation loan.
- 2. Add simple interest from the date of each payment until Mr F receives his refund.
- 3. Refund the extra Mr F paid with the refinanced loan.
- 4. Add simple interest from the date of each payment until Mr F receives his refund.
- 5. Pay Mr F the difference between the amount now owed and the amount he would've owed if the system had been self-funding over a ten-year period.

Creation should also pay Mr F £100 compensation, in line with the offer it previously made.

### **My final decision**

For the reasons I've explained, I'm upholding Mr F's complaint. Creation Consumer Finance Ltd 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 Mr F to accept or reject my decision before 25 May 2022.

Phillip Lai-Fang  
**Ombudsman**