

## **The complaint**

Mr and Mrs C has complained that Shawbrook Bank Limited rejected their claim against it under Section 75 of the Consumer Credit Act 1974.

## **What happened**

Mr and Mrs C bought solar panels for their home in 2014. The purchase was funded by a loan from Shawbrook, 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 and Mrs C into believing that the panels would be self-funding, which they weren't.

Shawbrook made an offer of settlement which had the effect of making the solar panels self-funding over the term of the loan. The CMC pointed out an error in the offer calculations, which we asked Shawbrook to update. However, it has not done so within a reasonable time. So, I've been asked to make a decision to set out what Shawbrook must do.

## **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.

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.

Shawbrook 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. I set this out below.

## **Putting things right**

I think that it would be fair and reasonable in all the circumstances of Mr and Mrs C's complaint for Shawbrook to put things right by recalculating the original loan based on the known and assumed savings and income to Mr and Mrs C from the solar panels over the term of the loan so they pay no more than that, and they keep the solar panel system, and any future benefits once the loan has ended.

Because the calculation shows that Mr and Mrs C is paying (or have paid) more than they should have, then Shawbrook needs to reimburse them.

Because the calculation shows there is a loss and the loan is ongoing, I require Shawbrook to restructure Mr and Mrs C's loan. It should recalculate the loan to put Mr and Mrs C in a position where the solar panel system is cost neutral over the original term of the loan.

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 and Mrs C have the following options as to how they would like their overpayments to be used:

- A. the overpayments are used to reduce the outstanding balance of the loan and they continue to make their current monthly payment resulting in the loan finishing early,
- B. the overpayments are used to reduce the outstanding balance of the loan and they pay a new monthly payment until the end of the loan term,
- C. the overpayments are returned to Mr and Mrs C and they continue to make their current monthly payment resulting in their loan finishing early, or
- D. the overpayments are returned to Mr and Mrs C and they pay a new monthly payment until the end of the loan term.

If Mr and Mrs C accepts my decision, they should indicate on the acceptance form which option they wish to accept.

If Mr and Mrs C have settled the loan, Shawbrook should pay them the difference between what they paid in total and what the loan should have been under the restructure above, with 8% interest.

If Mr and Mrs C have settled the loan by refinancing, they should supply evidence of the refinance to Shawbrook and Shawbrook should:

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

Shawbrook offered £200 compensation for the trouble and upset caused. So, I think it should make this payment in addition to what I've set out above.

Shawbrook should ensure that the total Mr and Mrs C pay is no more than the calculated benefit over the term of the loan, which is £12,094.70. Shawbrook should provide a copy of its calculations to Mr and Mrs C.

### **My final decision**

For the reasons I've explained, I'm upholding Mr and Mrs C's complaint. Shawbrook Bank Limited 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 C and Mrs C to accept or reject my decision before 21 July 2022.

Phillip Lai-Fang  
**Ombudsman**