

## **Complaint**

Mr C has complained that Ikano Bank AB (publ) rejected his claim against it under Section 75 of the Consumer Credit Act 1974.

## **Background**

Mr C bought solar panels for his home in 2016. 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 misleading Mr C into believing that the panels would be self-funding, which they weren't.

Mr C's complaint was considered by one of our adjudicators. He thought that the benefits of the panels were mis-represented to Mr C, and that fair redress would be for the loan to be restructured to make the panels cost no more than the benefit they would provide over a ten-year period. This restructure should be based on evidence of the actual performance of the panels, and a number of assumptions on future performance.

Ikano didn't agree explaining it felt the documents had made it clear that the solar panels would not be self-funding. As an agreement couldn't be reached, the case was passed to an ombudsman.

## **My findings**

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.

I understand Ikano says that the cost of the system and his monthly payment was set out on the credit agreement. It adds that the total estimated annual benefit of £258.65 was also clearly set out on an estimated returns page. Ikano says this ought to have made Mr C aware that the panels would not be self-funding. It further added that the general sales literature also had a table showing consumers wouldn't receive any accumulated benefit until year 11.

I have reviewed the documents referred to by Ikano and it seems that the estimated returns page is contained inside a booklet of other information. Additionally, there's nothing on this document the mentions the finance, the likely monthly or yearly repayments or the term of the loan. So, in order to compare the benefits with the cost, Mr C would still have to look at his finance agreement and calculate the yearly payments to deduce that that the estimated annual benefits would unlikely cover the cost of the annual loan payments.

I think given Mr C's lack of experience in solar panels and energy generation figures, it's not reasonable to expect him to carry out an in-depth review of multiple documents, learn what

the facts and figures meant and carry out calculations to decipher that the solar panels would not be self-funding.

I think it's fair for Mr C to rely on the sales representative to take him through this information and he was entitled to rely on what he was being told. Mr C's testimony has been clear and consistent, so in my view, its reliable evidence of what he was likely told during the sale. And he says he was assured the solar panels would be self-funding.

I would add that the general sales literature that Ikano has referred to showing the accumulated benefits table is not specific to Mr C's circumstances, and I've seen nothing to show that he was taken through this document or that it was explained to him what the different columns meant.

Overall, I'm not satisfied that the documents were clear enough to demonstrate that it was made clear to Mr C that the solar panel system would not be self-funding.

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 C 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 C fairly and he lost out because of what Ikano did wrong. And this means that it should put things right.

Fair compensation – what Ikano needs to do to put things right for Mr C

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr C's complaint for Ikano to put things right by recalculating the original loan based on the known and assumed savings and income to Mr C from the solar panels over a 10-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.

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

If the calculation shows there is a loss, then where the loan is ongoing, I require Ikano to restructure Mr C's loan. It should recalculate the loan to put Mr C in a position where the solar panel system is cost neutral over a 10-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 C 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 C and he continues to make his current monthly payment resulting in his loan finishing early, or
- D. the overpayments are returned to Mr C and he pays a new monthly payment until the end of the loan term.

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

If Mr C has 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 8% interest.

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

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

I'm satisfied that there was sufficient information available at the time that Mr 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 Mr 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 Mr C to accept or reject my decision before 2 December 2022.

Asma Begum  
**Ombudsman**