

The complaint

Ms J complains about the way Ikano Bank AB (publ) has dealt with their claim and complaint regarding goods and services they purchased under a fixed sum loan agreement.

Ms J is represented in this complaint, but for ease I'll refer to just Ms J throughout.

What happened

In December 2018, Ms J entered into a fixed sum loan agreement with Ikano in order to fund the purchase of the supply and installation of a boiler. Ms J paid a deposit of £100 to the supplier who I will refer to as "S". The remaining balance of £3,400 was to be paid using the loan agreement from Ikano. The agreement required Ms J to pay 119 monthly repayments of £40.71 followed by a final payment of £40.41.

The contract Ms J entered into with S also included within the total purchase price a seven year manufacturer warranty, a seven year service plan and emergency call out cover. Ms J says she contacted S near the first anniversary of the installation to arrange the first annual service and to enquire when the installation of the boiler would have building regulation approval. She says S didn't respond to her and she then discovered they had gone into liquidation.

Ms J then discovered that the installation of the boiler wasn't completed by a Gas Safe registered installer and that it hadn't been installed in line with building regulations. She raised her concerns with Ikano and asked it to either provide a refund or arrange for a suitably qualified installer to remedy the issues.

Ikano initially asked another supplier, who I'll refer to as "F", to remedy the issues and to honour the manufacturer warranty, service plan and call out cover. Ms J discovered F was a new company set up by the same director as S. She informed Ikano that she wasn't happy to have F complete work given the same director's other company (S) had caused the issues initially.

Offers to put things right by F and Ikano were put forward and there is some dispute as to whether F failed to honour them and/or whether Ms J unreasonably refused to accept them. As no agreement was reached, Ms J referred her complaint to our service. Our investigator upheld the complaint, but agreement couldn't be reached on how to put things right.

I sent Ms J and Ikano my provisional decision on 22 December 2022. I explained why I thought the complaint should be upheld and what should be done to put things right. An extract of my provisional decision follows:

Ikano has agreed to reimburse Ms J £726 plus 8% simple interest per year from the date of payment to the date of settlement. I'm satisfied this remedies the breach of contract by S. This was its failure to install the boiler in line with safety and building regulations and to register the installation with the relevant authority. The payment Ms J made to a third party for £726 was to correct these issues.

As part of the overall contract Ms J was also entitled to receive the manufacturer warranty, a seven year service plan and emergency call out assistance. Ikano has already agreed to refund £120 directly to the loan agreement to cover the services for 2019 and 2020 (which Ms J didn't receive but was supposed to) and pay Ms J £60, plus simple interest for the service in 2022 (the service for 2021 was covered in the cost of the remedial work). I think this is broadly a fair way to resolve four years of the seven year service agreement Ms J was supposed to have.

However, I'm mindful that Ms J will have paid interest on that £120 up to the point that Ikano applies the refund. In addition, I therefore think it would be fair and reasonable for Ikano to re-work the outstanding balance, including any interest charges, as if the initial capital borrowed had been £120 less.

Ikano has suggested that H will be providing the remainder of the warranty, services and call out which was agreed under the original contract with S. However, it doesn't appear that this has been arranged by F. In order to put things right, I think it's fair and reasonable for Ikano to pay for the remaining three years of this service from H (or another suitable and qualified provider unconnected to S or F).

Lastly, Ikano has agreed to pay £125 compensation for its actions in dealing with Ms J's claim and complaint. Given the delays and miscommunication by Ikano, I agree this is a fair way to put things right.

Ikano accepted the provisional decision. Ms J accepted it in principle but wasn't comfortable with H or another supplier chosen by Ikano to carry out the remainder of the warranty, services and call out. Ms J put forward some alternative proposals instead.

Ikano has now agreed with Ms J's suggestion to refund an additional £350 to the loan agreement, representing a notional cost for the three years of warranty, services and call outs. It will also make an interest adjustment to the loan in line with that refund.

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.

Both parties have now accepted the provisional decision and Ikano has agreed to Ms J's alternative request for redress to put things right. So, I see no reason to depart from the overall conclusions I reached in my provisional findings.

I note Ms J is concerned about adverse entries on her credit file in relation to payments that Ikano told her she didn't need to make while her complaint was being investigated. Ikano says that no adverse information has been recorded with credit reference agencies. But for completeness, I agree that no adverse reporting should be made in relation to historic missed payments that Ikano agreed to allow.

Ikano has confirmed that the final repayment will now be due in January 2028, once all deductions in the proposed redress are taken into account. Ikano has also provided evidence to demonstrate that no additional interest was charged to the loan while it had agreed for Ms J to not make any repayments.

My final decision

For the reasons given above, I uphold this complaint and direct Ikano Bank AB (publ) to:

1. Pay Ms J £726 representing the costs she incurred in remedying the breach of contract by S.
2. Pay Ms J £60 for the costs of servicing the boiler.
3. Pay 8% simple interest per year on 1 and 2 above, from the date of each payment to the date of settlement.
4. Deduct £120 from the loan agreement to cover the costs of the two services not received and to re-work the outstanding balance, taking into account any interest and charges, as if the initial amount borrowed had been £120 less.
5. Pay Ms J £125 compensation for the distress and inconvenience caused.
6. Deduct a further £350 from the loan agreement, representing the future costs of the service, warranty and call out arrangement that hasn't been provided. The outstanding loan balance should be re-worked, including any interest and charges that would have applied to this capital refund.
7. Ensure no adverse information is recorded with credit reference agencies for any historic late or missed payments.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 17 February 2023.

Tero Hiltunen
Ombudsman