

## **The complaint**

Mrs G complains about the quality of some furniture she purchased, from a company that I will call "S", with the aid of a fixed sum loan agreement with Ikano Bank AB (publ).

Mrs G is represented in this complaint by a third party. But for ease I will simply refer to Mrs G in this decision, rather than Mrs G and her representative.

## **What happened**

In April 2019 Mrs G placed an order with S for, amongst other things, the following items:

- a three seater power reclining sofa
- a two seater manual reclining sofa

In the same month Mrs G took delivery of the above items.

Mrs G financed the above, and some other items, by way of a fixed sum loan agreement ("agreement") with Ikano. Under the terms of the agreement, everything else being equal, Mrs G undertook to pay 47 monthly payments of £146.63 followed by a single monthly payment of £146.39 making a total repayable of £7,038.00 at an APR of 0%.

In September 2019 Mrs G contacted S to say that she was unhappy with the quality of the sofas it had supplied.

In the same month, and again in November 2019, an inspector appointed by S attended Mrs G's property. On both occasions the inspector concluded that there were no manufacturing faults with the sofas.

In March 2020 Mrs G submitted a section 75 claim with Ikano.

In April 2020 Ikano wrote to Mrs G to say that it wasn't upholding her section 75 claim.

In October 2021 Mrs G complained to Ikano about its decision to decline her section 75 claim.

In November 2021 Mrs G complained to our service.

In December 2021 Ikano wrote to Mrs G to say it wasn't upholding her complaint about its decision to decline her section 75 claim.

In January 2022 S wrote to Mrs G to say it was satisfied that there were no manufacturing faults with the sofas.

In May 2022 one of our investigators wrote to Mrs G (and Ikano) to say that in her view Ikano should carry out repairs (to the two seater sofa not the three seater sofa) at no cost to Mrs G.

Ikano responded to say that what it was prepared to do was to pay for an independent inspection and report (at no cost to Mrs G) to identify any damage that has come about as a result of a manufacturing fault.

Mrs G advised our service that she was happy with Ikano's proposal.

In August 2022 an independent inspection was undertaken by a company that I will call "H". H reported that in respect of the 2 seater sofa damage to the *"back panels of the back cushions and the...left-hand facing arm pad"* were as a result of a manufacturing fault. But the damage to the *"outside back corners [and edges]"* wasn't. No damage to the three seater sofa was reported by H.

H's report was shared with Ikano by the investigator. Ikano acknowledged receipt and said it would *"come back [to our service]"* once it had further from S.

In November 2022, and having heard nothing back from Ikano, the investigator advised Mrs G (and Ikano) that the matter had now been referred to an ombudsman for review and decision.

In early-January 2023 I issued my (first) provisional decision on this case. In summary I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Ikano accepts, in the particular circumstances of this case, that it's liable (under section 75 of the Consumer Credit Act 1974) to compensate Mrs G for any damage to the furniture supplied by S that has come about as a result of a manufacturing fault.

So, what I need to decide in this case is if there is any damage to the furniture supplied to Mrs G by S that has come about as a result of a manufacturing fault. And if there is, what Ikano should have to do, if anything, to fairly and reasonably compensate Mrs G for that damage.

In deciding the above I'm satisfied that I can rely on the report provided by H. And this report states that in respect of the two seater sofa damage to the *"back panels of the back cushions and the...left-hand facing arm pad"* is as a result of a manufacturing fault. But the damage to the *"outside back corners [and edges]"* isn't.

Given the above, I can confirm that I find that to fairly and reasonably compensate Mrs G Ikano should (at its own cost) repair (in respect of the two seater sofa) damage to the back panels of the back cushions and the left-hand facing arm pad, but it need not compensate Mrs G for any other identified damage.

But that isn't the end of matters.

Given how long this matter has been going on for, I further find that Ikano should ensure the repairs I've identified it should undertake (at no cost to Mrs G) are completed within 120 days of Mrs G accepting any final decision I issue on this case.

For the distress and inconvenience this matter has caused Mrs G including but not restricted to Ikano failing to get back to our service after it was supplied (in October 2022) with a copy of H's report, I find that Ikano should pay Mrs G £100.

Finally, and in line with what it said it was prepared to do, Ikano should refund Mrs G the sum she paid H for its inspection and report, together with interest.

Mrs G didn't respond to my (first) provisional decision by the date I gave for a response.

Ikano responded to my (first ) provisional decision to say that it was unlikely that a repair would be satisfactory because it would be very difficult, if not impossible, to get an accurate leather colour match given the current age of the two seater sofa. So, it suggested (as an alternative) that it collect the two seater sofa from Mrs G and that it refund her 30% of the price she paid for it (70% of the price paid being retained to reflect usage and/or depreciation). It confirmed that it was agreeable to my three other proposals.

In late-January 2023 I issued my (second) provisional decision on this case. In summary I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

On reflection I agree with Ikano that a repair is unlikely to be, in the particular circumstances of this case, appropriate. So, I agree with it that a more appropriate remedy is for it to do something different to fairly and reasonably compensate Mrs G. But I don't agree with what it has proposed.

Although Mrs G has had possession of the two seater sofa for some time, that use has been impaired due to the identified manufacturing fault with it. Furthermore, the two seater sofa has been in a poor condition (due to the manufacturing fault with it) for most of the time Mrs G has had possession of it and it was purchased as part of a matching set that included a three seater sofa, a chair and a foot stool.

Now if Ikano collects the two seater sofa from Mrs G and pays her £254.79 (30% of the purchase price paid of £849.31) it means she will be put in a position of having to find a substantial further sum to source a replacement. Furthermore, that replacement won't match the three seater sofa, chair and foot stool Mrs G purchased because Ikano has confirmed to our service that S no longer manufactures any of these items.

So, with the above in mind, I think the fairest thing for Ikano to do in the particular circumstances of this case is, at Mrs G's option, collect the two seater sofa from her at no cost and pay her £679.45 (80% of the purchase price paid of £849.31) or allow her to keep it and pay her £509.59 (60% of the purchase price paid of £849.31).

I've come to a figure of £679.45 (80% of the purchase price paid of £849.31) having had regard to the fact that Mrs G has had some use of the two seater sofa which she should fairly have to pay for and given that any replacement Mrs G purchases won't be a match to the other three items she purchased as part of a set.

I've come to a figure of £509.59 (60% of the purchase price paid of £849.31) having had regard to the fact that Mrs G has had some use of the two seater sofa, and will continue to have use of it going forward, and that she will retain a four piece matching set.

Ikano agreed to the three other proposals in my (first) provisional decision. But for the avoidance of doubt I would add that I'm still of the view that this is what Ikano should do (in addition to the above) to fairly and reasonably compensate Mrs G.

Mrs G responded to my (second) provisional decision to say she accepted it and to reiterate her dissatisfaction with the service she had received from Ikano. She also confirmed that her preferred option was for Ikano to collect the two seater sofa from her at no cost and to pay her £679,45 (80% of the purchase price paid of £849.31).

Ikano responded to my (second) provisional decision to say that if Mrs G wanted the sofa collected then a 50% refund, rather than an 80% refund, would be fairer given Mrs G “*had use of the goods for almost four years*”. It also added that by awarding an 80% refund I’m assuming a depreciation rate of 5%, far lower than the 15% to 20% it would expect to see.

### **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.

It’s open to debate what the expected lifespan of Mrs G’s two seater sofa would have been (had it been fault free). But I think 5 years (20% depreciation rate quoted by Ikano) is too low. I also accept that 20 years (5% depreciation rate used by me) might be too high. But in deciding that an 80% refund was appropriate in this case I didn’t simply have regard to the expected lifespan of Mrs G’s two seater sofa. I also had regard to the fact that despite having nearly four years use of the two seater sofa, most of that use was impaired, the two seater sofa has been in a poor condition (due to the manufacturing fault with it) for most of the time Mrs G has had possession of it and it was purchased as part of a matching set that included a three seater sofa, a chair and a foot stool.

I would also add that Mrs G didn’t choose to have nearly four years use of the two seater sofa. In my view she was forced into that use because of Ikano’s failure to settle this matter sooner, say after two years.

Given what I say above, and given that Mrs G accepted my provisional decision, I see no reason to depart from my provisional findings and I now confirm them as final.

### **My final decision**

My final decision is I uphold this complaint and find that Ikano Bank AB (publ) must:

- collect the two seater sofa from Mrs G at no cost and pay her £679,45 (80% of the purchase price paid of £849.31)
- pay Mrs G £100 for the distress and inconvenience this whole matter has caused her
- refund Mrs G the sum she paid H for its inspection and report
- pay Mrs G interest on the above sum, from the date it was paid to the date it’s refunded, at 8% simple a year\*

*\*HMRC requires Ikano Bank AB (publ) to take off tax from this interest. If Mrs G asks for a certificate showing how much tax has been taken off this should be provided.*

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs G to accept or reject my decision before 14 March 2023.

Peter Cook  
**Ombudsman**