

The complaint

Mr K complains that Omni Capital Retail Finance Limited (“Omni”), has rejected the claim he made under sections 75 and 140 and of the Consumer Credit Act 1974 (“the Act”) in relation to a solar panel system, hot water controller and voltage optimiser (“the system”).

What happened

In 2018, Mr K bought the system from a supplier using a fixed sum loan agreement with Omni, which was repayable over ten years.

In 2022, Mr K engaged a claims management company (“the CMC”), which sent Omni a letter of claim alleging that the supplier had misrepresented the system, breached its contract with Mr K, and that Mr K’s relationship with Omni was unfair on him because:

- There were misleading figures in the quote – specifically the “your savings and earnings summary” table, which had the following issues:
 - The voltage optimiser savings were too high, which was not supported by industry reports that were available at the time.
 - The electricity savings were too high – they should’ve been based on a self-consumption rate of 50% (the industry standard), rather than the 75% self-consumption rate that was used.
 - The cost of credit was missing from the table, distorting the return on investment to make the system more attractive.

Mr K also mentioned in his witness statement that he was told the system would pay for itself from the first year through the income and savings. So, I’ve also considered whether that was likely and if this was a misrepresentation.

Omni did not uphold the claim and the CMC referred a complaint to the Financial Ombudsman Service about this. Our investigator considered the matter and found that some assumptions about inflation were incorrect in the quote which made the estimated benefits appear higher than they should’ve been. And that Omni should pay Mr K the difference of £116.28.

Omni accepted this and offered to make the payment of £116.28 – either direct to Mr K or by crediting his loan account. Mr K didn’t accept this, so I’ve been asked to make a decision.

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.

I’ve decided to direct Omni to pay Mr K £116.28 in settlement of this complaint. But I have otherwise concluded that no further compensation is necessary.

Relevant considerations

The CMC has made the claim under sections 75 and 140 of the Act. So, I have considered these sections in particular, as well as other relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time. I have read all of the CMC's and Omni's submissions and taken all of these into account when making my decision.

The quote

I'm satisfied that the quote was provided to Mr K during the sales meeting. It was signed by him at that time, and he provided a copy of it to us. So, I think the quote provides important evidence of what was likely discussed before Mr K agreed to the purchase.

The quote provided to us by Omni was slightly different in terms of the information provided. But I have relied on the one Mr K has provided since he must have been given this by the supplier. He says this was the only quote he was given.

The basic price and overall cost of the system

The basic (or cash) price of the system was set out clearly in the quote and the credit agreement as £6,670.00. However, the overall cost to Mr K was more, due to him paying for the system using an interest-bearing loan.

The quote showed several repayment options, including one over 120 payments of £86.46 per month. This was £1.53 per month more than the actual amount on the credit agreement. But I think Mr K would've understood from the quote roughly how much the loan would cost per month.

The credit agreement clearly sets out that the loan was repayable through [loan months] monthly payments of £84.93. It shows the total amount payable would be £10,291.91 including the £100.00 deposit. So, I think that the monthly and total overall cost that Mr K would pay for the system was made clear to him when he agreed to buy it.

Allegation – Mr K was told the system would pay for itself because the benefits would exceed the loan repayments from the first year

The quote provided by Mr K does include a table that suggests the estimated benefits of the system would exceed the loan repayments in the first year. If the estimates were based on unreasonable assumptions then I would say this was a misrepresentation. However, if they were based on reasonable assumptions I would not say this was a misrepresentation just because Mr K has not realised those savings.

In any case, Mr K has been unable to provide sufficient evidence to show that the system has not paid for itself in the way he was told.

Allegation – the voltage optimizer saving contradicts reports available at the time of sale and was beyond the range of reasonableness

The CMC has suggested the estimated voltage optimiser savings were too high, given various reports that were available at the time. However, I understand that the supplier's method of calculating the savings was approved by an industry body, which is more qualified than I am to know if it was reasonable at that time.

So, given the estimated benefits appear to have been reasonable at the time I do not think that this was a misrepresentation, even if Mr K has not realised those savings – which he has been unable to provide sufficient evidence of in any case.

Allegation – The electricity savings were too high – they should've been based on a self-consumption rate of 50% (the industry standard), rather than the 75% self-consumption rate that was used

To calculate the savings from the solar panels, the supplier used a self-consumption rate of 75%. Self-consumption rate is the proportion of electricity generated by the solar panels that the supplier assumed that Mr K could use himself, rather than exporting it to the grid. My understanding is that the supplier tailored the self-consumption rate based on what it knew about the customer and how he used electricity.

The CMC has argued that the supplier should've used the "industry standard" self-consumption rate of 50% when calculating the savings. But I don't think it was unreasonable for the supplier to tailor the self-consumption rate based on the information available to it. And I have not seen sufficient evidence to persuade me that the self-consumption rate used by the supplier was unreasonable in this instance.

I understand the supplier's methods were checked by an industry body before the supplier started using them, and no objection its methods was raised at that time. So, I think that, for the time when the quote was prepared, I can't reasonably conclude that the self-consumption rate was unreasonable.

The electricity savings from the solar panels were based on reasonable assumptions about the amount of electricity generated by the system and the self-consumption rate (other than the issue with the inflation rate). So, I don't think those savings estimates were a misrepresentation. That remains the case even if the savings have not in fact been as high as estimated. In any event, Mr K has been unable to provide sufficient evidence to show the estimated savings haven't been realised.

Allegation - the cost of credit was missing from the "your savings and earnings summary" table, distorting the return on investment to make the system appear more attractive

The "your savings and earnings summary" table would have been clearer if the table had included the cost of credit. However, I must consider the sale as a whole, not just one table in one of the documents that was provided at the time of sale. Having done so, I'm satisfied that Mr K knew what he was paying for the system, including the cost of credit. This was shown on the credit agreement. So, he could compare this to the estimated benefits before deciding to buy the system.

In addition to this, the "finance repayments" page of the quote showed a table that did incorporate the cost of credit into its illustration of the benefits of the system.

Mr K could also have looked at the "estimated performance" to work out how long it would be before the overall benefits of the system exceeded the total amount payable under the loan agreement.

Incorrect inflation data in quote

Our investigator has identified that the inflation rate used didn't match the underlying data the supplier referred to. And she recommended the difference be paid to Mr K, which Omni has agreed to do. I think this is a fair and reasonable resolution in this case.

Summary

The inflation figures used in the quote to calculate the estimated savings were slightly higher than they should've been based on the underlying data the supplier referred to. This means the estimated benefits were higher than they should've been.

Other than that issue, I have not found reason to uphold the complaint or to award any additional compensation.

To put this right, Omni has offered to pay Mr K the difference between what was shown on the quote and what they should've been. This amounts to a payment of £116.28.

I think Omni should make this payment direct to Mr K.

My final decision

I uphold this complaint only in relation to the wrong inflation data being used in the quote.

To put things right Omni Capital Retail Finance Limited should pay Mr K £116.28. This amount should be paid to Mr K directly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 December 2023.

Phillip Lai-Fang
Ombudsman