

The complaint

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

What happened

Mr G bought solar panels for his home in 2017. The purchase was funded by a loan from Ikano, and that business is therefore liable for the misrepresentations and/or breach of contract of the supplier under the relevant legislation. In this case, that relates to the installer misleading Mr G into believing that the panels would be self-funding, which they weren't.

Mr G's complaint was considered by one of our investigators. They thought that the benefits of the panels were mis-represented to Mr G, 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 for the following reasons:

- Ikano says although they don't have all the sales documents related to this consumer, they have seen a number of cases from this supplier and it usually made the costs and benefits clear.
- Mr G was aware that his annual benefits would be less than £500 when he signed up to the agreement and given that this is significantly less than the annual costs under the loan, it would have been clear to him that the system wouldn't be self-funding.

As an agreement couldn't be reached, the case was passed to an ombudsman.

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.

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.

Having carefully considered everything provided, for broadly the same reasons as those explained by the adjudicator, I uphold this complaint. I'll explain why.

Mr G says he was assured verbally by the supplier that the benefits received from the system would cover the cost of the loan – and he bought the system on that basis. Mr G's testimony has been clear and consistent. Mr G did sign several documents during the sale, but he says he was simply told to sign, and he did so without paying too much attention to what he was signing – as he was given all the information necessary verbally during the sales meeting.

Ikano says Mr G was given an estimated returns document which set out that his maximum year one benefit was £481.66. He subsequently signed several documents (including the solar panel contract, the credit agreement and a validation sheet) setting out the costs associated with the loan. This shows the total amount payable was £9,685.02, the cash price was £5,995, the monthly payment was £80.72, and his loan term was 120 months (i.e. 10 years) with a deferral period of six months.

Ikano says it's clear that in order to repay a 10-year loan for £5,995, a consumer would need at least £599.50 to meet the annual repayment under the loan, and this is without considering interest and charges. To repay £9,685.02 over 10 years, he'd need considerably more than that. So Ikano feels it would have been clear to him that the system wouldn't be self-funding at the time of sale.

Ikano also points out that it has seen a number of cases related to this supplier and it usually made the costs and benefits clear.

While I've thought carefully about Ikano's concerns, for the reasons set out by our investigator, I'm not satisfied the costs and benefits were made clear enough for Mr G to understand the system wouldn't be self-funding.

The estimated returns document was signed by Mr G on 9 July 2017. Nothing in this document suggests he was given any information in relation to the costs at this time. So, he couldn't have known at this time that the system wouldn't be self-funding.

Mr G did sign a validation sheet, a solar panel contract and the credit agreement on the 23rd and 24th July 2017. But this is during a site visit several weeks after the initial meeting. I don't think it's reasonable to expect a consumer to remember the facts and figures he may have been given several weeks earlier. Mr G says that he didn't have the estimated returns document to hand when he was given the information about the costs associated with the loan but was again verbally assured that the system would produce sufficient benefits to cover the costs.

I think given Mr G'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 given to him over several meetings to decipher that what the supplier was telling him wasn't true.

I think it's fair for Mr G 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 G's testimony has been clear and consistent, so in my view, it's reliable evidence of what he was likely told during the sale. And he says he was assured the solar panels would be self-funding.

So, like our investigator, I'm satisfied the evidence supports the conclusion that a misrepresentation took place and Mr G was not given clear enough 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 G fairly and he lost out because of what Ikano did wrong. And this means that it should put things right.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr G's complaint for Ikano to put things right by recalculating the original loan based on the known and assumed savings and income to Mr G 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 G 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 G by way of explanation.

If the calculation shows there is a loss, then where the loan is ongoing, I require Ikano to restructure Mr G's loan. It should recalculate the loan to put Mr G 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 per year from the date of the overpayment to the date of settlement.

So, I think the fairest resolution would be to let Mr G 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 pay/s a new monthly payment until the end of the loan term,
- C. the overpayments are returned to Mr G and he continues to make his current monthly payment resulting in his loan finishing early, or
- D. the overpayments are returned to Mr G and he pays a new monthly payment until the end of the loan term.

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

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

- 1. Refund the extra Mr G paid each month with the Ikano loan.
- 2. Add simple interest from the date of each payment until Mr G receives his refund.
- 3. Refund the extra Mr G paid with the refinanced loan.
- 4. Add simple interest from the date of each payment until Mr G receives his refund.
- 5. Pay Mr G 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 G 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 G'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 G to accept or reject my decision before 21 December 2023.

Asma Begum
Ombudsman