

The complaint

Miss P complains Ikano Bank AV (publ) need to refund her for goods she didn't receive.

What happened

The background facts are well known to the parties so I won't cover those in great detail here.

In summary, Miss P funded furniture from a retailer ('the supplier') using store card credit provided by Ikano. However, the correct furniture was not delivered and items were returned.

Miss P says that she is still owed money for the furniture she didn't get and Ikano have not correctly calculated the refund due back to her. Instead it has chased her for arrears.

Our investigator agreed Miss P is owed money by Ikano and should not have pursued her for arrears. He also thought Ikano should pay her compensation for the distress and inconvenience this matter had caused her.

Ikano did not agree so the matter has come to me for a decision.

I issued a provisional decision on this matter which said:

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

In this case there is conflicting information from both sides and it isn't entirely clear what has occurred. There are numerous invoices, order references and transactions between Miss P and the supplier (apparently made on a combination of personal debit cards, gift cards and store card finance with Ikano) along with several credits made both to the finance or Miss P directly. Miss P thinks she is owed about £350 whereas Ikano think she isn't owed anything.

I want to make it clear here that my role is not to perform a forensic analysis of the accounting between Ikano, the supplier and Miss P. I am going to do my best to put forward a broadly fair resolution and where things are not clear I make my decision on the balance of probabilities.

I have considered the evidence on file but won't be commenting on it all – only that I consider key. This isn't meant as a discourtesy but reflects my role resolving disputes informally.

Ikano's role

Ikano is not the supplier of furniture here. So in determining what is fair and reasonable I consider its role as a provider of financial services. In that respect I consider Section 75 of the Consumer Credit Act 1974 ('Section 75') to be relevant here.

Section 75 allows Miss P to hold Ikano responsible for a 'like claim' for breach of contract or misrepresentation against the supplier. There are certain requirements in order for Section 75 to apply though. One of those relates to the cash price of goods attached by the supplier. This cash price needs to be greater than £100 but in this case I note that many of the goods as itemised for 'Order A' (which I refer to below) are apparently not over £100. However, it appears that the purchase was made as part of the supplier's room design service and put together as a package. Therefore, I consider it is arguable Section 75 does apply here in relation to the total price for the package.

However, even if Ikano were to argue that Section 75 does not apply I don't think it makes a difference here. I say that because I have also considered Ikano's role as a provider of financial service in respect of managing the store card account and ensuring it correctly investigates and administers account adjustments such as those following refunds processed by its retail partner.

The order and subsequent refund

From what I can tell, Miss P ordered furniture in June 2021 ('Order A') from the supplier. There are several invoices on the file for slightly different amounts. But I can see a receipt from 10 June 2021 for £1,372 which I believe is for Order A. From what I can see Ikano accept that the amount it loaned to Miss P has always been £1,372 so I will continue on the basis that this is the original value of her order and the amount it advanced to its retail partner on behalf of Miss P.

I note there has been some confusion about the loan being £1,540 – however, I am satisfied this was the total credit limit rather than what Miss P spent.

It does not appear to be in dispute there were issues with Order A which ended up in Miss P amending and eventually cancelling it. It appears the supplier agreed to refund Miss P for the value of goods she hadn't received (or received and returned).

I can see on the file there is an invoice from the supplier showing a November 2021 credit of £1,227 which appears to be a credit in respect of Order A. It is all a bit confusing because it seems the reference for the order changed over time, presumably due to the changes made to Order A. But ultimately it appears (and no party disputes) the credit is in respect of Order A. It isn't entirely clear to me what the difference in amount relates to – however, from what Miss P says she kept some items from the original order. She has mentioned keeping goods to the value of £40 but that doesn't account for the difference here. Ikano at one stage appear to suggest Miss P has had £240 of goods but that isn't clear either. Considering the lack of clarity and the fact that Miss P didn't appear to initially dispute the credit amount of £1,227 versus the £1,372 initially spent I think it fair to consider the difference as likely down to goods she retained.

In summary, it appears there is no dispute that Miss P was due back £1,227 to her store account from Order A costing £1,372.

Ikano's position is Miss P has been credited for £1,227 as a combination of credit paid directly to the store card account and refunds made directly to her by the supplier.

Ikano's calculations to date appear to be based on a starting point that Miss P owes it £1,372 and it is working out what it has received toward this balance through what Miss P has paid and what the supplier has paid back to the store card directly.

I note the eventual direct refund from the supplier to the store card account (several months after the credit note was processed in November 2021) was not the full amount of £1,227 but £967. However, I think focusing on what Ikano got back from the supplier to date in order to calculate what Miss P owes against an initial liability of £1,372 is somewhat unfair as a starting point here.

I say this for reasons related to Section 75 and more generally looking at what is fair and reasonable in the circumstances. I note the following:

- if Section 75 applies to this transaction – then Ikano is effectively liable for any breach of contract by the supplier– so if Miss P has not received goods then she is due a refund back for any goods she has paid for and not received (or returned) and should not have to pay for those she doesn't have; and*
- even if it were found Section 75 does not apply here it should be reasonably clear to Ikano that the supplier has processed a refund of £1,227 in respect of Order A and made some kind of error which meant it was not all immediately applied to the store card account – this appears somewhat of an internal processing error by Ikano's retail partner rather than a reflection of Miss P's willingness to pay for what she received.*

With this in mind I think a better starting point for a calculation is working out what Miss P owes after the £1,227 credit is taken into account. Then looking at how much she has paid towards this and how much (if anything) she has received back to date.

Miss P paid out £1,372 on the finance and £1,227 was due as a credit back to the account as of November 2021. So at that point she effectively owed Ikano £145. From what I am aware of Miss P only ever used the £1,372 value of the original credit limit. I don't see other orders added to the account based on the information Ikano has provided so I am proceeding on that basis.

What did Miss P pay to the loan?

Miss P now says she paid £793 to the loan. However, Ikano says she paid £598 to it in total.

Looking at the statement of account from Ikano it appears that Miss P did pay £793 but three transactions of £65 were reversed or refunded by Ikano. Miss P has provided screenshots of her bank statements showing payments to and from Ikano – these are not clear but from what I can see there are at least 3 reversals/credits of £65 from Ikano into the account – so this makes sense and lines up with Ikano's record.

On balance, I am satisfied Miss P has effectively paid Ikano £598 towards the loan in total. If I deduct the £145 of goods she owes Ikano for from the £598 she has paid it this results in £453 due back to Miss P in excess repayments.

What has Miss P had refunded back to her?

There appears to be no dispute Miss P got a refund of £193 credited from her Ikano store card account. So following the logic I have applied here this leaves £260 (£453 - £193) due back to her.

Miss P appears to have had several refunds made directly to her Mastercard or Visa debit cards according to the supplier. There is debate as to what of these relate to refunds for items Miss P purchased as part of Order A using her Ikano store card account. This is

because Miss P says she bought lots of other things directly from the supplier using other cards and had some refunds in relation to those purchases too.

Miss P appears to now accept that at least two of these refunds, one for £113 and one for £72 are for goods she originally financed with Ikano but were refunded to her directly. So it follows that £185 needs to come off the £260 I think Ikano owes her. This results in Ikano owing Miss P a total of £75 as a refund.

I can see there appear to be other transactions refunded to Miss P's personal cards (one for £30 and one for £45) which Ikano claim are in respect of goods she financed with it. But Miss P denies this. In deciding what is fair I note the following:

- Miss P has produced several receipts for purchases with the supplier made via personal debit card. So it seems plausible that some of the refunds she has had are not in respect of the store finance she has with Ikano and that the supplier could be mistaken about what refunds are in respect of the store card finance vs other transactions she has made.*
- Usually refunds are made to the original method of finance – in fact the supplier states that this is what will happen in its literature – so while an exception to this might have occurred once or twice it seems unlikely this would be the usual way of processing refunds for goods bought through the Ikano loan. What the supplier appears to acknowledge at one point is there were at least two transactions where Miss P mistakenly entered her personal debit card details for a refund rather than the Ikano account. Which would explain why some refunds (but not necessarily all) to her debit cards are in respect of the store card agreement with Ikano.*
- Ikano nor the supplier has produced a clear and comprehensive audit trail showing how certain refunds Miss P received on her debit cards are for items as part of Order A and financed with her store card account. While I have seen emails between Ikano and the supplier trying to clarify the situation it still isn't entirely clear what has happened. Over time the supplier appears to give a different rationale as to how it accounted for the £1,227 credit that was due back to the account (I can't see how the explanation it gave in May 2022 lines up with its later explanation either). I also note how these investigations were around 6 months to a year after the original credit of £1,227, which mean their reliability is questionable.*

Looking at this at a high level, ultimately it seems the supplier should have applied the full credit on to the store card finance account in November 2021. Instead the confusion has arisen because it didn't. It appears to have applied a late partial refund then argued that piecemeal refunds had been applied separately to Miss P.

I don't think Miss P's account around the transactions has always been that clear or consistent, but I don't think it can fairly be held against her here. I think it is understandable there would be some confusion due to the time that has gone on and the other purchases she has made over time. I know Ikano has tried to clarify matters with the supplier but I question whether it could have done more, sooner, to really get it very clear what has occurred here and why.

So looking at what is fair and reasonable I think Ikano should refund the £75 I believe is the difference between what Miss P has paid to the finance and received back for goods she has not received as part of Order A. I also think it fair to add out of pocket interest from

March 2022 when reasonably it should have been in a position to have fully clarified things with the supplier and given an outcome to her claim.

I will reiterate that this is not a science. I think with all the various orders and refunds it is going to be disproportionate to expect something exacting here. But considering the circumstances and my role resolving disputes informally it feels like a fair resolution to this dispute.

Compensation / credit file

I note Miss P is seeking compensation for all the hassle that has been caused to her by this matter. I think Ikano could have made things less stressful. Ultimately, taking into account the credit from the supplier and Miss P's payments to date she shouldn't have had an outstanding balance as of November 2021. And at least by February 2022 when Miss P reported the missing refund Ikano was on notice that there was an issue with the credit being applied to her store account.

Ikano and the supplier really should have got things clarified sooner but even if Ikano had not been able to clarify things immediately, considering the evidence indicating a £1,227 credit was due (and taking into account Miss P's payments to date) I don't think it was appropriate to take action for non-payment of what it perceived as £65 of arrears in the way it has done. I can see that it pursued Miss P for these arrears right up until March 2023 when it issued a default notice.

Ikano has confirmed any arrears have now been removed and no default has been registered. However, if it has not already done so Ikano should ensure there is no adverse information relating to Order A on Miss P's credit file. I also don't consider it fair that any late fees should have been applied to the account – these appear to have been reversed but if that is not the case then these should be written off or refunded as appropriate (with interest from the date they were taken from Miss P's account to the date of settlement).

I note Ikano has already paid Miss P £50 compensation for its customer service. But considering the stress and inconvenience caused while it was investigating the matter, particularly in chasing the arrears I think it fair and reasonable it pays her an additional amount. I say this because I think its actions have caused Miss P more than the level of frustration and annoyance she might reasonably have expected from her store card account and the impact on her has been more than minimal. However, it is important to note here that Ikano is not responsible for the general customer service issues Miss P has had with the supplier. This is a retail complaint and falls outside of Miss P's complaint about the management of her store card account or any claim for breach of contract via Section 75. So when deciding fair compensation I have taken this into account.

All things considered I think an additional £250 compensation is appropriate which brings the total compensation Miss P would have received to £300 if she accepts my decision.

This has been a long running dispute and I hope my decision helps both sides to come to a pragmatic resolution.

My provisional decision

I direct Ikano Bank AB (publ) to:

- *Pay Miss P a £75 refund in respect of her store card account with 8% simple yearly interest calculated from 1 March 2022 to the date of settlement;*

- pay Miss P £250 compensation for distress and inconvenience;
- ensure that Miss P's credit file has no adverse data resulting from Order A; and
- ensure there are no remaining arrears on the account in respect of Order A– and that any related late fees are written off or (if paid by Miss P) are refunded to her with 8% simple yearly interest calculated from the date of payment to the date of settlement.

If Ikano deducts tax from my interest award it should provide Miss P with a certificate of tax deduction.

Ikano did not respond to my decision.

Miss P responded to disagree and explain some things further. This resulted in my sending the following communication to both parties:

I note in response to my provisional findings Miss P says that she did not receive goods worth £145 as part of her original order – and in fact didn't retain any goods. So I have looked at this more closely.

On further review I note the following from an email from the supplier dated 29 May 2022 which says:

*Left over from the original price of her receipt is £145.00. I found this in the following:
£52.00 was the baskets and lights she confirmed she did receive.
£40.00 was the delivery fee
£53.00 was other goods that were left off of the refund SAC in human error.*

...The customer has a total of £113.00 (£20 hinges, £40 delivery fee & £53 missing items) left to be refunded

Therefore, on reflection, it appears that of the £145 of goods I factored into my original decision from the original order - only £52 relates to goods which Ikano indicates Miss P received. This supports Miss P's position that in fact she was not to be held liable for £145 of goods.

Miss P has clarified she did receive the basket and lights items but then returned them. So the claim that she didn't keep any goods from the original finance order would not be inconsistent with the email above.

So on the face of it, and due to the confusion here and the fact Miss P went on to buy goods separately I am willing to accept that Miss P likely did not benefit from the original order. And in fact did not owe anything for goods from that order – unless I am presented with persuasive evidence to the contrary by Ikano.

This changes the calculation in my decision slightly so rather than Miss P owing £145 for goods this is £0. So technically she is due back the full amount she paid to the finance bar any refunds she already received. This means that the refund due back to her based on my original decision logic as modified here is £220 rather than £75.

Miss P now says the £72 refund she got back to her card that she thought was a refund in relation to the finance agreement was in fact not in respect of the finance. However, I note there is not compelling evidence of that and correspondence between Ikano and the supplier

indicates this was in respect of the finance, as Miss P originally thought. This combined with the benefit of the doubt Miss P is getting in respect of other aspects of my decision means that I am not intending on altering my findings on this £72.

So currently I intend to alter my redress as specified above. If either party has any comments on this adjustment please let me know by 5pm on 26 January 2024.

Miss P responded to say she agrees with my findings although she still thinks they are not correct. Ikano did not respond.

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 know Miss P is willing to accept my decision but thinks it is incorrect – and I have taken note of her comments. As I have said previously, my role here is not to provide a forensic analysis of what has gone on here. And ultimately I am satisfied that the outcome is a fair one taking into account the inherent lack of clarity in respect of certain things here and my role resolving disputes informally.

The key change from my provisional findings is that I am now willing to accept that Miss P did not likely benefit from any goods from Order A which she originally financed for £1,372. She has clarified that she never received £145 of value – and the evidence I have seen supports that. Furthermore, she has clarified that she returned the items (apparently worth £52) she received from Order A but retained other similar items she paid for separately. It is all admittedly a bit confusing but Ikano has not provided persuasive evidence that Miss P kept items from the original Order A so I am willing to give Miss P the benefit of the doubt here in all the circumstances.

However, Miss P has recently said the £72 credit refunded to her personal card was not in respect of the finance – which goes against what she said before. Overall, I am not persuaded this wasn't a refund in respect of the finance agreement. Miss P originally said it was and there is no new persuasive evidence to indicate otherwise. Noting that Ikano did not receive the full credit amount from the supplier for Order A directly it also seems plausible that at least some of that balance was refunded by other means as Ikano claims. Furthermore, evidence from the supplier suggests that on at least two occasions Miss P was mistakenly refunded directly to her personal card rather than store card account because of entering the wrong details at the time. So overall, looking at the issue broadly I think it fair to accept that the £72 and £113 were more likely than not refunds in respect of the goods originally financed by Ikano – and it is fair to take these credits into account when determining what Miss P should fairly receive back.

So to recap, my calculation is based on what I am satisfied, on balance, Miss P paid Ikano to the store card account and received back as a refund to date. I am satisfied she paid Ikano £598. I am also satisfied she got a credit of £193. I am also broadly satisfied that she didn't owe Ikano for goods from Order A and that she likely got back some credits directly - in this case £113 and £72. So overall this leaves Ikano with £220 to pay Miss P back (£598-£193-£113-£72).

I know Miss P is keen to draw this matter to a close and would like her settlement made promptly. I am concerned that Ikano has not responded to my correspondence to date so I would encourage it to settle this matter promptly. If it doesn't settle the matter within 28 days of Miss P accepting my decision then interest will accrue on my award for distress and inconvenience.

Putting things right

For the reasons stated here, and incorporating my provisional findings, I think it fair and reasonable for Ikano to put things right as stated below.

My final decision

I direct Ikano Bank AB (publ) to:

- Pay Miss P a £220 refund in respect of her store card account with 8% simple yearly interest calculated from 1 March 2022 to the date of settlement;
- pay Miss P £250 compensation for distress and inconvenience;
- ensure that Miss P's credit file has no adverse data resulting from Order A; and
- ensure there are no remaining arrears on the account in respect of Order A– and that any related late fees are written off or (if paid by Miss P) are refunded to her with 8% simple yearly interest calculated from the date of payment to the date of settlement.

If Ikano does not settle with Miss P within 28 days of her accepting my decision then interest at 8% simple per year will also accrue on the £250 award for distress and inconvenience from the date Miss P accepts my decision to the date of settlement.

If Ikano deducts tax from my interest award it should provide Miss P with a certificate of tax deduction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 22 March 2024.

Mark Lancod
Ombudsman