DRN-4597433

The complaint

Mrs G complains that Vacation Finance Limited ("VFL") - didn't provide a fair and reasonable response to her claim under sections 75 and 140A of the Consumer Credit Act 1974 ("the CCA") in relation to a timeshare product financed by a loan they provided.

What happened

In or around March 2018, whilst on holiday utilising their existing timeshare product, Mrs G and her husband met with a representative of their timeshare supplier who I'll refer to as "A". During that meeting, Mrs M and her husband agreed to purchase a points-based product from A. The purchase price agreed was £19,000 which, after payment of a deposit, was funded under a fixed sum loan agreement with VFL for £13,300 over 120 months.

Mrs G's husband sadly passed away in April 2020, at which point the loan – originally in their joint names – was transferred into Mrs G's sole name.

In January 2021, using a professional representative ("the PR"), Mrs G (in joint names with her late husband) submitted a claim to VFL under sections 75 and 140A of the CCA. The PR alleged that the timeshare product was purchased having relied upon representations made by A which turned out not to be true. And under section 75 of the CCA ("S75"), VFL are jointly liable for those misrepresentations.

In particular, the PR allege A told Mrs G and her husband:

- They should upgrade to another timeshare product as an investment which would be easier to sell as part of A's re-sale scheme and make a higher profit, so allowing them to exit their timeshare;
- The product was available at a special price, but only if purchased that day.

But Mrs G has been unable to sell the timeshare points they purchased. The PR said that selling timeshare products as an investment falls contrary to Regulation 14(3) of the Timeshare, Holiday Products, Resale and Exchange Contracts Regulations 2010 ("the TRs").

The PR also allege that the misrepresentations, together with other things done (or not done) by A rendered the relationship with VFL, under the agreements, unfair pursuant to section 140A of the CCA ("S140A). In particular, the PR allege that A:

- pressured Mrs G and her husband into entering into the purchase and loan agreements using aggressive commercial practices;
- allowed them no time to read or consider the information provided;
- failed to advise Mrs G and her husband of any commission they received from VFL;
- told Mrs G and her husband that VFL had the best loan deal available at the time and made no comparisons to other loan companies;
- didn't inform Mrs G and her husband that they were free to arrange their own finance; and
- failed to undertake appropriate affordability checks for the loan, this despite Mr G's application to another lender having been declined.

The PR also said that A are in liquidation and can't provide the service sold. They suggest this constitutes a breach of contract which VFL are jointly liable for under S75.

VFL didn't uphold the claim. They didn't agree there was any evidence to support the allegations of misrepresentation. Or that there was any evidence to support the allegations of unfairness under S140A. They also didn't think there was any evidence of loss to support the alleged breach of contract.

The PR didn't agree with VFL's findings, so referred Mrs G's claim to this service as a complaint. One of this service's investigators considered all the information and evidence provided. Having done so, they didn't think VFL's failure to uphold Mrs G's claim was unfair or unreasonable. In particular, our investigator said they weren't able to find evidence to support any of the various allegations. Or that there was any evidence to suggest the loan was unaffordable for Mrs G and her husband.

The PR didn't agree with our investigator's findings suggesting no specific reasons for rejecting the complaint had been provided. They asked that Mrs G's complaint be referred to an ombudsman to consider further. To support their rejection, they reiterated much of what had already been included in Mrs G's original claim, and included:

- that the product had been represented as an investment, consistent with a previous purchase Mrs G and her husband had made from A;
- details of the other purchases Mrs G and her husband had made through A;
- further commentary on A's timeshare resale scheme and the manner in which it was presented;
- further reference to the alleged breaches of the TRs; and
- comments regarding the viability of the secondary market for timeshares;

As an informal resolution couldn't be achieved, Mr and Mrs B's complaint was passed to me to consider further. Having done that, while I was inclined to reach the same outcome as our investigator, I considered a number of issues which I don't feel were previously fully addressed or explained. So, I issued a provisional decision on 4 January 2024 giving both sides the chance to respond before I reached a final decision.

In my provisional decision, I said:

> As I've stated above, the original timeshare purchase and associated loan from VFL were originally in the joint names of Mrs G and her husband. Due to Mrs G's husband sadly passing away, the loan was transferred into Mrs G's sole name. So, for simplicity, I shall refer to Mrs G only throughout my decision.
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> Relevant considerations
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> When considering what's fair and reasonable, DISP[1] 3.6.4R of the FCA[2] Handbook means I'm required to take into account; relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice; and, where appropriate, what I consider was good industry practice at the relevant time.
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> S75 provides consumers with protection for goods or services bought using credit. Mrs G paid for the timeshare product under a restricted use fixed sum loan agreement. So, it isn't in dispute that S75 applies. This means Mrs G is afforded the protection offered to borrowers like her under those provisions. And as a result, I've taken this section into account when deciding what's fair in the circumstances of this case.

[1] Dispute Resolution: The Complaints sourcebook (DISP)
[2] Financial Conduct Authority

S140A looks at the fairness of the relationship between Mrs G and VFL arising out of the credit agreement (taken together with any related agreements). And because the product purchased was funded under that credit agreement, they're deemed to be related agreements. Only a court has the power to make a determination under S140A. But as it's relevant law, I've considered it when deciding what I believe is fair and reasonable.

It's important to distinguish between the complaint being considered here and the legal claim. The complaint this service is able to consider specifically relates to whether I believe VFL's failure to uphold Mrs G's claim was fair and reasonable given all the evidence and information available to me, rather than actually deciding the legal claim itself.

It's also relevant to stress that this service's role as an Alternative Dispute Resolution Service ("ADR") is to provide mediation in the event of a dispute. While the decision of an ombudsman can be legally binding, if accepted by the consumer, we don't provide a legal service. And as I've said, this service isn't able to make legal findings – that is the role of the courts. Where a consumer doesn't accept the findings of an ombudsman, this doesn't prejudice their right to pursue their claim in other ways.

Where evidence is incomplete, inconclusive, incongruent or contradictory, my decision is made on the balance of probabilities – which, in other words, means I've based it on what I think is more likely than not to have happened given the evidence that's available from the time and the wider circumstances. In doing so, my role isn't necessarily to address in my decision every single point that's been made. And for that reason, I'm only going to refer to what I believe are the most salient points having considered everything that's been said and provided.

Was the timeshare product misrepresented?

For me to conclude there was misrepresentation by A in the way that has been alleged, generally speaking, I would need to be satisfied, based on the available evidence, that A made false statements of fact when selling the timeshare product. In other words, that they told Mrs G something that wasn't true in relation to the allegations raised. I would also need to be satisfied that the misrepresentation was material in inducing Mrs G to enter into the purchase contract. This means I would need to be persuaded that she reasonably relied upon false statements when deciding to buy the timeshare points.

From the information available, I can't be certain about what Mrs G was specifically told (or not told) about the benefits of the product she purchased. It was, however, indicated that she was told these things. So, I've thought about that alongside the evidence that is available from the time. Although not determinative of the matter, I haven't seen any documentation which supports the assertions in Mrs G's claim, such as marketing material or documentation from the time of the sale that echoes what the PR says she was told. In particular that the product was represented as an investment that could easily be sold at a profit. There's simply no reference to this within the limited documentation provided.

The PR have referenced prior purchases made by Mrs G from A. But these don't form part of her claim and subsequent complaint here. And, in any event, I can't see that VFL were involved in financing any previous purchases from A. So, I don't think I can fairly hold VFL responsible for anything allegedly said or done in relation to any earlier purchases. And I also don't think any allegations specifically relating to the circumstances of those purchases help me in establishing the facts of what happened in March 2018.

I think it unlikely the product can have been marketed and sold as an investment contrary to the TRs simply because there might have been some inherent value to it.

And in any event, despite Mrs G's assertions, I've found nothing within the evidence provided to suggest A gave any assurances or guarantees about the future value of the product she purchased. A would had to have presented the product in such a way that used any investment element to persuade her to contract. Only then would they have fallen foul of the prohibition on marketing and selling certain holiday products as an investment, contrary to Regulation 14(3) of the TRs.

Furthermore, I haven't seen any evidence to suggest that A were contractually bound to provide a timeshare resale service. And even if they were, I've seen nothing that suggests they gave any guarantee of a successful sale or that a profit could be achieved. So, based upon the specific evidence available relating to Mrs G's claim here, I can't say, with any certainty, that A did misrepresent the product in the manner alleged.

The breach of contract claim under S75

As far as I understand, whilst A may have entered an insolvency process, the current management company have confirmed that timeshare owners remain able to fully utilise their timeshare products subject to the associated agreements. So, in the absence of any specific explanation or evidence to support why Mrs G believes there's been a breach of contract which resulted in a loss for her, I haven't seen anything that would lead me to conclude there was such a breach.

The unfair relationship claim under S140A

The court may make an order under S140B in connection with a credit agreement if it determines that the relationship between the creditor (VFL) and the debtor (Mrs G) is unfair to the debtor because of one or more of the following (from S140A):

a) any of the terms of the agreement or of any related agreement;

b) the way in which the creditor has exercised or enforced any of the rights under the agreement or any related agreement;

c) any other thing done (or not done) by, or on behalf of, the creditor (either before or after the making of the agreement or any related agreement).

In deciding whether to make a determination under this section the court shall have regard to all matters it thinks are relevant (including matters relating to the creditor and matters relating to the debtor). And I think it's relevant to acknowledge Mrs G's existing membership and relationship with A. She'd previously purchased products from them, so I think it's reasonable to conclude that at the time of the purchase in March 2018, she had a reasonably strong awareness about the products she'd purchased, how they operated and any associated costs. I also think it's reasonable to conclude Mrs G was familiar with A (as a timeshare supplier) the format of their meetings and sales presentations, and their documentation. Particularly as the purchase in March 2018 certainly wasn't her first.

- The pressured sale and process

The claim suggests Mrs G was pressured into purchasing the product and entering into the finance agreement with VFL. I acknowledge what the PR have said about this. So, I can understand why it might be argued that any prolonged presentation might have felt like a pressured sale – especially if, as Mrs G approached the closing stages, she was going to have to make a decision on the day in order to avoid missing out on an offer that may not have been available at a later date.

Against the straightforward measure of pressure as it's commonly understood, I find it hard to argue that Mrs G agreed to the purchase and the finance agreement in 2018 when she simply didn't want to. I haven't seen any evidence to demonstrate that she went on to say something to A, after the purchase, suggesting she'd agreed

to it when she didn't want to. And neither the PR, nor Mrs G have provided a credible explanation for why she didn't subsequently seek to cancel the transaction within the 14-day cooling off period permitted here – both under the purchase and loan agreements.

If she only agreed to the purchase because she felt pressured, I find this aspect difficult to reconcile with the allegation in question. I haven't seen anything substantive to suggest Mrs G was obviously harassed or coerced into the agreements. And because of that, I'm not persuaded that there's sufficient evidence to demonstrate that she made the decision to proceed because her ability to exercise choice was – or was likely to have been – significantly impaired contrary to the Consumer Protection from Unfair Trading Regulations 2008 ("CPUT").

- Time to read and consider the information provided

I've thought about the information that I believe should have been provided to Mrs G as required under the TRs. I've seen very little from the time of the sale here, although there's no suggestion that A didn't provide all the required documentation.

It's possible Mrs G wasn't given sufficient time to read and consider the contents of the documentation at the time of the sale. But even if I were to find that was the case – and I make no such finding – It's clear she still had 14 days to consider her purchase and raise any questions or concerns she might've had. And ultimately, if she was unhappy or uncertain, she could've cancelled the agreement without incurring any costs.

Furthermore, I understand the finance agreement also included a withdrawal/cancellation period of 14 days. But I haven't seen any evidence that Mrs G did raise any questions or concerns about either agreement.

- A's responsibilities and disclosure of commission paid

Part of Mrs G's S140A claim is based upon the status of A (as the introducer of the loan) and their (and VFL's) resultant responsibilities towards her. In particular, it's argued that the payment of commission by VFL to A was kept from her. In response to the claim, VFL confirm that no commission was paid here.

That said, I don't think any payment of commission by VFL to A would've been incompatible with their role in the transaction. A weren't acting as an agent of Mrs G, but as the supplier of contractual rights she obtained under the timeshare product agreement. And, in relation to the loan, based upon what I've seen so far, it doesn't appear it was A's role to make an impartial or disinterested recommendation, or to give Mrs G advice or information on that basis. As far as I'm aware, she was always at liberty to choose how she wanted to fund the transaction.

What's more, I haven't found anything to suggest VFL were under any regulatory duty to disclose any amount of commission paid in these circumstances. Nor is there any suggestion or evidence that Mrs G requested those details from VFL (or A) at any point. And on that basis, I'm not persuaded it's likely that a court would find that any non-disclosure or payment of commission would've created an unfair debtor-creditor relationship under S140A, given the circumstances of this complaint.

Were the required lending checks undertaken?

There are certain aspects of Mrs G's complaint that could be considered outside of S75 and S140A. In particular, in relation to whether VFL undertook a proper credit assessment. The PR allege that a proper affordability check wasn't completed by A. They also refer to the fact that her husband had already been declined funding by another lender.

Different lenders each have their own lending criteria based upon a number of variables. That may include their appetite to lend and to whom, together with their appetite towards certain sectors at a particular point in time. As lending appetites and criteria can vary from one business to the next, I don't believe one lenders refusal to lend should necessarily lead to another lender also choosing to decline an application for funding.

Ordinarily, responsibility falls with the lender (VFL in this case) to conduct affordability checks as set out within the Consumer Credit Sourcebook ("CONC"), part of the FCA handbook. In Mrs G's case, VFL haven't explained what checks and tests were undertaken prior to agreeing the loan.

It's relevant that the PR also haven't provided any evidence to show that the loan was unaffordable for Mrs G. And I've not seen anything that supports any suggestion of financial difficulty from that time. That said, I understand that following her husband's death, loan repayments ceased. Whilst this may have resulted from a change in Mrs G's circumstances, I don't believe this was something that was reasonably foreseeable by VFL at the time of the loan application.

If I were to find that VFL hadn't complied with the regulatory guidelines and requirements that applied here – and I make no such finding – I would need to be satisfied that had such checks been completed, they would've revealed that the loan repayments weren't sustainably affordable for Mrs G in order to uphold her complaint. Furthermore, I don't believe any regulatory failure would automatically mean that the loan agreement is null and void. It would need to be proven that any such failures directly resulted in a loss for Mrs G as a consequence.

I've seen no specific information about Mrs G's actual position at the time of the purchase and no supporting evidence that she struggled to maintain repayments prior to her husband's death. Because of that, I can't reasonably conclude the loan was unaffordable for her. Or that she suffered any attributable loss as a consequence.

Summary

I want to reassure Mrs G that I've carefully considered everything that's been said and provided. Having done so, I haven't found any evidence from the time of the sale to support the allegations included within her claim. So, while I do appreciate Mrs G will be very disappointed, I can't say that VFL's failure to uphold her claim was ultimately unfair or unreasonable. And because of that, I don't currently intend to ask them to do anything more.

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.

Despite follow up attempts by this service, none of the parties have acknowledged receipt or responded to my provisional findings with anything new for me to consider. In the circumstances, I've no reason to vary those findings.

My final decision

For the reasons set out above, I don't uphold Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 5 March 2024.

Dave Morgan
Ombudsman