

The complaint

Mrs F has complained that Tandem Bank Limited “Tandem” hasn’t resolved her claim against it under Section 75 of the Consumer Credit Act 1974 in line with her wishes.

What happened

Mrs F bought a new heat pump system (the system) for her home in June 2023. The purchase was funded with a fixed sum loan agreement with Tandem, and that business is therefore liable for the misrepresentations and/or breach of contract of the supplier (which I’ll call G) under the relevant legislation. The cash price of the system was £15,495 and after applying a discount and a voucher offered by G, the cost to Mrs F was £10,300 – and the entirety of that sum was covered with the credit provided by Tandem. Including interest and charges, the total amount payable was just over £16,600, payable in monthly instalments of just under £140 over a loan term of 10 years.

Following the installation, when Mrs F found the system didn’t seem to be working as expected (such as the system taking several minutes for the water to heat up), she contacted an insurance company that had insured the works carried out by G. The insurance company instructed a contractor who carried out an inspection. The survey (which I will refer to as survey one) found the installation hadn’t been carried out correctly and required “basically a remove and restart with a new heat pump system”. The insurance company however said, it only covered the cost of poor workmanship under the insurance and not the cost of the new system which it felt were design flaws. It offered to cash settle the claim for the cost related to poor workmanship less Mrs F’s excess.

Mrs F subsequently contacted Tandem to make a claim for breach of contract under Section 75 of the Consumer Credit Act 1974 (s.75). Tandem instructed its own report but did take some time to complete its assessment of the claim. Unhappy with the wait, Mrs F referred the matter to our service.

Our investigator looked into things and felt there had been a clear breach of contract on the part of G, that Tandem was liable for and recommended that Tandem offer to rectify the works in accordance with the survey carried out by the insurance company. Mrs F did accept this recommendation, but ideally wanted the system removed, have her gas boiler system reinstated, with the credit agreement cancelled. She appears to have lost faith in the heat pump system. However, our investigator explained that the installation had been carried out poorly, and the remedy to install it correctly was fair.

Tandem considered the claim and agreed there had been a breach of contract but instructed its own report. Its own inspector stated that the rectification works required only “minimal relocation” of the heat pump and made a few other recommendations included moving equipment from a purpose built shed into Mrs F’s garage.

Mrs F didn’t agree with Tandem’s report saying it wasn’t independent – and she didn’t have space for a cylinder in the garage. She wanted the remedial works to be carried out in accordance with the original survey. She also pointed out that her utility bills had increased exponentially due to the problems with the system, that she was keeping the house cool in

the cold winter months to avoid a further increase in bills. She also pointed out that the heat pump system had been sold on the basis that she would save money, but that hadn't materialized.

Tandem said it offered to cover the costs of the rectification works as recommended by its own report, and while it acknowledged that Mrs F's bills might've gone up, that might be due to the system not being installed correctly – rather than being mis-sold. It said it could only consider Mrs F's mis-sale claim after the remedial works had been completed. After the remedial works has been carried out, Mrs F could compare the costs of the new system (in working order), with the old boiler system and then make a claim for mis-sale if she still felt she had been mis-led.

Our investigator agreed with Tandem regarding the mis-sale element saying it wouldn't be feasible to assess whether the increased cost Mrs F is suffering from is because the system was mis-sold, or because it hadn't been installed correctly – but she could raise this after the rectification works had been carried out again. She felt that the recommendation for the works to be carried out in accordance with the initial survey was fair and accepted by Mrs F. But as, Tandem didn't agree, favouring the remedial works recommended by its own surveyor, I've been asked to make a decision.

On 20 May 2025, I wrote to both parties explaining that I was minded to upholding the complaint. Mrs F accepted the decision, but she also pointed out that she'd prefer an alternative remedy and her own contractor to complete the works. Tandem also responded disputing one recommendation from the original survey with evidence. I wrote out to both parties again on 8 July 2025 explaining that based on the new evidence provided by Tandem, I intended to amend the redress order slightly. Tandem didn't make any additional comments and Mrs F agreed to the updated redress order but asked that any works be carried out as soon as possible as she wanted the rectification works completed before next winter.

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.

In my provisional decision I explained the following:

Firstly, I'd like to reassure Mrs F and Tandem, that I have considered all their concerns carefully, but I will only be dealing with the most salient parts of this complaint in this decision as I'm required to decide matters quickly and with minimum formality.

It may be helpful to explain that I need to consider whether Tandem – as a provider of financial services – has acted fairly and reasonably in the way it handled Mrs F's claim. There are certain conditions that need to be met for s.75 to apply. From what I've seen, those conditions have been met, and Tandem has also agreed that s.75 applies.

I've considered if there is persuasive evidence of a breach of contract or misrepresentation by G that means Tandem should have offered something different to what it eventually offered when handling Mrs F's claim.

Mrs F isn't currently making a claim for misrepresentation in relation to the way the system was installed, so I've mainly focussed on Mrs F's breach of contract claim. A breach of contract claim can be about a breach of an express term of a contract – such as not delivering goods agreed to under a goods and services contract. But the Consumer Rights Act 2015 (CRA) is also relevant to this complaint. The CRA implies terms into the contract

that the goods must be of satisfactory quality, aspects of which include goods being durable and free from minor defects. The CRA also implies terms into the contract that suppliers must perform any services with reasonable care and skill. The CRA also sets out what remedies are available to consumers if statutory rights under a goods or services contract are not met.

Both surveys, one carried out by the contractors instructed by Mrs F's insurance company, (survey one) and one carried out by Tandem's own surveyor (survey two), have agreed that the installation was not completed correctly and require remedial action. So, like, Tandem and Mrs F appear to agree, I think there has been a breach of contract on the part of G, and it didn't carry out the installation exercising reasonable care and skill. Under a s.75 claim, Tandem is responsible for putting matters right.

The only matter left in dispute is how to put things right. Mrs F wants Tandem to instruct its contractor to put matters right in accordance with survey one which was carried out by the insurance company that insured G's workmanship.

I've looked at survey one which noted that the heat pump has been installed in the wrong location and should instead be installed on the side of the house with a more suitable heat pump, with lower sound to comply with permitted development rights. I understand it was the surveyor's opinion that the original heat pump was too loud, and the location was chosen after the heat pump likely failed a sound test to the nearest neighbour's habitable window. The surveyor also found that the hot water cylinder and buffer tank had been installed in a makeshift shed a distance away from the house ("circa 20 meters") which causes substantial energy wastage. He also commented that it takes the hot water 10 minutes to arrive to the tap in the kitchen sink - and this is due to the distance the hot water cylinder is away from the house. He recommended a horizontal cylinder is needed and that should be installed in the eaves on the first floor where there is plenty of space. The survey also noted other problems with the installation such as unsuitable insulation used on the pipework and noted problems with wiring that needed to be rectified.

Mrs F had agreed to have remedial works carried out in line with this survey. Alternatively, she'd like the heat pump system removed entirely and a gas boiler system to be installed (which is what she had before this installation).

Tandem commissioned its own report and its surveyor said the cylinder should be relocated to the garage next to the shed, and the heat pump should be installed on the wall that backs on to the garage. It also noted wiring and other remedial works to be carried out.

Mrs F did not want a cylinder in the garage, said she had not agreed to it and there is no space so did not agree to Tandem's offer to put matters right in accordance with its own surveyor.

My concerns with Tandem's survey, is that it does not explain the concerns raised by the original report – about the heat pumps sound levels (which, in his view, was the reason for the unsuitable location). Additionally, Tandem's report says the cylinder should be placed in the garage next to the shed, but this doesn't deal with the issue raised in the original report that it is the distance of the shed from the house that is causing significant energy waste and is entirely inappropriate. If the garage is next to the shed, surely the problems regarding the distance of the cylinder to the house remain.

I am concerned that the minor relocation suggested by Tandem's own surveyor doesn't resolve the problems with the original installation – and so am currently minded to agree with Mrs F, that any remedial works should be carried out in line with survey one. I encourage

Tandem to review my concerns and explain why it still feels that its offer is a suitable remedy in any response it makes to my provisional decision.

I would also like to mention that I realise Mrs F would like the credit agreement cancelled, a refund of everything she's paid and to have her original gas system reinstated. So, to put her back in the position she was in before this installation. However, where a supplier hasn't carried out a service exercising reasonable care and skill (as is the case here), Tandem is responsible for ensuring the contract is performed correctly. So, with the CRA in mind, I don't think it's unfair for Tandem to try to rectify matters in the first instance.

I understand Mrs F's insurance company had offered to cover the cost of poor workmanship and it's estimated this to be £1,435 plus VAT less Mrs F's excess of £100. I am not aware of Mrs F's insurer's current position but if it is willing to pay that, I don't think it's unfair for Tandem to put this towards covering the cost of rectification works. But this is for Tandem and Mrs F's insurer to work out – although I would encourage Mrs F to facilitate this discussion. As she is the insurer's consumer, the insurer may be unable to discuss matters with Tandem directly without her authority. But, in any event, Mrs F should not suffer any losses in trying to retrieve this amount as the cost of rectification works under a s.75 claim is Tandem's to bear not Mrs F's.

Compensation for financial loss

I understand because of the system not working properly Mrs F has had serious concerns about the impact this has had on her utility bills. She says she's made significant sacrifices in heating her home to limit her bills and is worried about currently being in debit (by £700) with her utility provider. Compensation for distress and inconvenience isn't normally recoverable under this type of claim. I also have to be mindful that, as Mrs F is likely to be aware, the cost of energy has been increasing quite substantially over the past few years so some of the increases she's suffered is likely to be unrelated to the poor installation of the heat pump. The original surveyor did, however, comment that the setup of this installation (i.e. the cylinder being so far from the house) is causing significant energy waste. So, I think it's likely that Mrs F has suffered some loss in relation to her energy costs that are directly caused by the way this installation was carried out.

But due to the other factors mentioned (the rising cost in utility, the system being new and having no comparable costs) it is difficult to quantify how much financial loss she's suffered due to the poor installation in terms of utility cost. I think it's likely that the poor installation has caused Mrs F some financial loss, but it would be difficult to quantify this loss. In the interests of bringing matters to a close, I recommend Tandem pay Mrs F £700, in recognition that the breach of contract by G, likely did cause Mrs F to have to pay her utility providers more than she would have, had the system been correctly installed. If either party doesn't agree with this, I would ask that they comment on what they think is fair and explain why, in response to my provisional decision.

Mis-sale

I understand when Mrs F originally raised her concerns she mentioned that she was sold the system on the basis that it would save her money, but her bills have gone up substantially. As explained by our investigator, any claims regarding whether the savings in relation to the system have been misrepresented to her would be difficult to prove as it wouldn't be feasible to ascertain with any certainty whether the increases in costs are due to the system being misrepresented to her or because it wasn't installed correctly. So, I think as Tandem has mentioned, it will be pragmatic for Mrs F to wait until the remedial works have been completed, and once the system is in working order – she can reassess whether she still

feels she has been mis-led about the savings. To clarify, I haven't assessed any mis-sale concerns and make no findings in relation to that as part of this decision.

Overall, like Tandem and Mrs F agree, I'm satisfied that there has been a breach of contract on the part of G and Tandem is now responsible to remedy that. Currently I don't think Tandem's offer to carry out rectification works in line with survey two is a fair way to respond to Mrs F's s.75 claim, and I think the rectification works should instead be carried out in line with survey one. I think Mrs F has likely suffered financial losses in relation to her utility bills due to the way the system was installed – and Tandem should pay Mrs F £700 in recognition of the losses. If either party does not agree to this, they should explain why and what amount they do feel is reasonable and why.

Summary

- Based on everything I've seen, I currently think Tandem should put matters right in accordance with survey one and I'm not satisfied that the remedial works suggested by survey two are fair.*
- I also think that Mrs F has suffered financial loss to some degree due to the poor installation in relation to her utility costs although for the reasons explained, it is difficult to quantify this. So, I think as a fair compromise, Tandem should pay £700 to Mrs F, which is the amount Mrs F currently owes her utility provider.*
- If Mrs F's insurer is prepared to cover some of the costs related to the remedial works (the poor workmanship element), Mrs F should send this to Tandem. If not, Tandem is obligated to cover the full costs of the remedial works.*
- I make no findings in relation to Mrs F's mis-sale complaint in relation to the heat pump system – and if after the remedial works, Mrs F still feels she was mis-led – she can raise this with Tandem as part of a separate claim. If she remains unhappy with its response, she can make a complaint and refer that to this service in due course.*

Putting things right

- Tandem should carry out remedial works in line with survey one*
- Tandem must pay Mrs F £700 in recognition that she has suffered some financial loss due to the breach of contract of G.*
- Tandem can work with Mrs F to retrieve any amounts her insurer is obligated to pay towards the rectification works under her insurance claim for poor workmanship.*

In response to my provisional findings, Mrs F said she would prefer to use her own contractor to carry out the rectification works. She also re-iterated that the best possible outcome for her would be to remove the system altogether and have her gas boiler system reinstated. Tandem provided evidence that the existing heat pump Mrs F has, didn't breach any permitted development rights, so they didn't think it was necessary to buy a new heat pump.

On review of the new evidence submitted by Tandem, I wrote to both parties explaining the following:

Thank you for your patience while I've reviewed the evidence and comments provided by both parties. As you are aware, I originally felt Tandem ought to carry out the rectification works in line with survey one – and this included replacing the existing heat pump with one with lower sound levels as recommended by survey one.

However, Tandem has since submitted a report carried out by Energy Performance Validation Scheme (EPVS) which is an independent certification standard, and it's confirmed that Mrs F's existing heat pump would pass the noise limit of 42 decibels. (please see attached reports)

So, having considered the new evidence, and bearing in mind the original survey simply said the location was "likely" chosen for the sound levels – I'm inclined to agree with Tandem, that the sound levels of the existing heat pump aren't in breach of any permitted development rights and therefore it isn't necessary to replace it with a different one.

But, for the reasons stated in my provisional decision, mainly concerns over the distance of the heat pump and tank in the shed to the house, I am still of the view that the works ought to be carried out in line with survey one, and I'm not satisfied that the minor relocation (as suggested by survey two) will resolve the problems Mrs F is experiencing.

So other than not requiring a new heat pump to be bought, the remaining works should still be carried out in line with survey one as recommended in my provisional decision, and the remaining redress recommended remain unchanged.

I understand Mrs F has again requested the full removal of the system, with a gas boiler system reinstated and a full refund of everything she's paid. But for the reasons I've already explained, I don't think that there are grounds for me to order that in the first instance without giving Tandem an opportunity to put matters right in the first instance.

Mrs F has also requested using her own company to carry out rectification works. Usually, businesses such as Tandem do use its own installers to carry out rectification works so they can manage the costs as well as ensure the work is carried out to an acceptable standard. I don't think that's unfair when there may be considerable costs involved in such rectification works and to avoid the risk of further problems occurring if the rectification works aren't carried out correctly. So, I don't think it's unfair for Tandem to use its own contractor. If Tandem does, however, wish to allow Mrs F to use her own contractor – it can let me know by the deadline set out below.

To be clear I intend to order Tandem to:

- Tandem should carry out remedial works in line with survey one but without the need to replace the existing heat pump.*
- Tandem must pay Mrs F £700 in recognition that she has suffered some financial loss due to the breach of contract of G.*
- Tandem can work with Mrs F to retrieve any amounts her insurer is obligated to pay towards the rectification works under her insurance claim for poor workmanship.*

Mrs F responded appearing to accept the above amendment but only asked for any rectification works to be carried out as soon as possible due to the winter months approaching. Tandem did not respond or make any additional comments.

As explained above, I think in the first instance it is fair for Tandem to have the opportunity to repair the system and therefore I don't think it's fair to compel Tandem to replace the heat pump system with an entirely new gas boiler system. And I also think it's fair for Tandem to use its own contractor to carry out the rectification works so it can manage the works.

I also agree the works should be carried out swiftly so that Mrs F doesn't have to suffer another winter without proper access to heating and water and ask Tandem to action the works as soon as possible.

Summary

For the reasons explained, I uphold Mrs F's complaint. I think there has been a breach of contract and I think Tandem should put things right. Due to the reasons explained above, I think Tandem should carry out rectification works in line with survey one but without the need to replace the existing heat pump. I think Mrs F has likely suffered some financial loss due to the poor installation of the system although, for the reasons explained, it is difficult to quantify this. So, as a compromise, I think Tandem should pay Mrs F £700 which is the amount she is in debit by with her utility provider.

Putting things right

- Tandem must carry out remedial works in line with survey one but without the need to replace the existing heat pump.
- Tandem must pay Mrs F £700 in recognition that she has suffered some financial loss due to the breach of contract of G.
- Tandem can work with Mrs F to retrieve any amounts her insurer is obligated to pay towards the rectification works under her insurance claim for poor workmanship.

My final decision

For the reasons I've explained, I uphold this complaint and Tandem Bank Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 13 August 2025.

Asma Begum
Ombudsman