

complaint

Mr S complains about a Green Deal loan provided by Domestic & General Heating Limited.

Mr S says he didn't know he was taking out a loan. He says he thought the energy savings measures were free and that any costs would be covered by energy sold back to the National Grid.

background

In 2015 Mr S entered into a Green Deal arrangement with Domestic & General. He took out a loan for £9,950 to pay for solar panels and a new condensing boiler.

Mr S says he was introduced to the idea of the Green Deal by a Mr Y, to whom he paid £1,000 in cash. He says he didn't receive a receipt for this.

Mr S says that he didn't know he was taking out a loan and that, although he signed papers, he wasn't given copies until later. He says his written English isn't good.

Mr S says he only realised he'd taken out a loan when he received his next quarter's bill from British Gas.

Mr S complained to Domestic & General but it didn't uphold his complaint. It said Mr S had chosen the Green Deal after various options had been explained to him. It suggested that personal difficulties might have prompted the complaint. It also said that Mr S hadn't registered to receive the Feed in Tariff (FIT) although it had offered to help him with this.

Mr S then brought his complaint to us. One of our investigators wrote to Domestic & General on 20 March 2019 explaining why she thought the complaint should be upheld.

Briefly, she didn't think things had been fully explained to Mr S. She thought it unlikely he'd been made aware he was taking out a long-term loan. And she also had concerns about how the energy savings had been calculated and explained to Mr S. This was because the estimated savings appeared unrealistic and unachievable, making it likely that Mr S had been allowed to borrow more than should have been available to him under the scheme.

Our investigator set out her recommendation of what she thought Domestic & General should do to put things right.

With regard to the £1,000 which Mr S says he paid to Mr Y, our investigator concluded that she didn't have enough information to say whether or not this payment was in relation to the Green Deal measures. But she said she would look at this again if either party provided further information.

Our investigator then obtained, and showed Domestic & General, a copy of the pre-installation Energy Performance Certificate (EPC) dated June 2014 and copies of Mr S's energy bills both before and after the improvements were made.

Our investigator said that the pre-installation EPC appeared to show that the assessor had based his savings calculations on the assumption that Mr S didn't have an existing heating system and that he relied on electricity for heating and hot water.

She also pointed out that the energy bills appeared to show that Mr S's energy costs increased significantly following the installation, largely due to the addition of the Green Deal charges.

Our investigator asked Domestic & General if it wanted to comment further in the light of this new information.

Domestic & General asked for time to speak to Mr Y who, it said, had been its main contact with Mr S. However, despite further time being allowed, no further comments or arguments have been received.

The complaint has now been passed to me for a decision.

my findings

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

In deciding what's fair and reasonable I've taken into account the relevant law, regulations and best industry practice.

As the Green Deal provider Domestic & General's role was to provide the finance for the improvements being installed, manage the overall improvement project and meet various obligations set out in the Green Deal Code of Practice (CoP).

One of its obligations was to fairly and clearly explain the credit agreement and the fact that instalments payable under the plan would be added to Mr S's energy bill. It also had to notify Mr S of any savings estimates and whether these were likely to offset the instalments.

Mr S and Domestic & General don't agree on how all this was explained at the time. In this sort of situation I decide, based on the information provided, what's more likely than not to have happened.

It's not entirely clear what role Mr Y played in all this. From information supplied by Domestic & General it seems that Mr Y may have been a mutual acquaintance. He seems to have been a point of contact between Domestic & General and Mr S.

It's difficult to know how the Green Deal arrangement was explained to Mr S. But I'm inclined to agree with our investigator that Mr S believed the panels and boiler would be paid for by energy saved and sold back to the National Grid. Mr S has said that this was how the arrangement was explained. And that would broadly be in line with an explanation of how the Green Deal Scheme is supposed to work, albeit not a fully accurate description. It would also explain Mr S's concern and complaint when he found that he was being charged repayments through his energy bills.

So, on balance, I'm not persuaded that Domestic & General adequately explained to Mr S that he was taking out a loan or that he would need to repay this through his energy bills.

But, and more importantly in this case, I also share our investigator's concerns about the way the estimated savings were calculated and explained to Mr S.

The way the Green Deal Scheme works is that the annual repayments shouldn't be more than the first year's projected savings. The Green Deal provider has a duty to make sure this "golden rule" is satisfied and clearly explained to the consumer.

The Green Deal Finance agreement in this case shows estimated savings for the first year of £2,141.

Based on this level of estimated savings Mr S was able to borrow almost £10,000, the entire cost of the two energy savings measures.

But even allowing for the fact that energy consumption will be affected by a number of factors, including occupancy, it's difficult to see that that energy savings of this level could be achieved simply by changing the boiler and installing solar panels. As our investigator pointed out this projected saving is likely to be more than the average household will pay for energy in a year.

From the pre-installation EPC, issued in June 2014, it seems likely that this happened because the assessor based his calculations on the assumption that Mr S didn't have an existing heating system and that he used electricity for heating and water. The EPC notes "no system present, electric heaters assumed".

But Mr S says he already had a gas boiler and that this was in working order. And the business has also said that the existing boiler was "replaced and upgraded". It hasn't said that a completely new type of heating system was installed.

Moreover, Mr S's energy bills appear to show that whilst his costs increased markedly after the installation his overall energy consumption didn't change much and neither did the breakdown between gas and electricity consumption. There doesn't seem to be anything to suggest that the source of heating changed.

So, on the basis of the evidence I've seen, it seems more likely than not that the estimated savings were inflated and the golden rule was not met. In other words Mr S was allowed to borrow more than should have been available to him under the scheme and his repayments were significantly more than he could realistically have been expected to achieve in savings.

Under clause 54 of the CoP Domestic & General was required to explain to Mr S the impact of the installation in terms of savings on his energy bills and any additional cost.

If Domestic & General had done this I think it would have been apparent that the estimated savings were too high for Mr S's situation.

So, in addition to not adequately explaining to Mr S that he was taking out a loan I think Domestic & General failed to properly explain the savings estimates to Mr S.

For these reasons I don't think Domestic & General met its obligations under the CoP in this case. I don't think it acted fairly towards Mr S and I think he lost out as a result.

I now have to consider what Domestic & General should do to put things right.

Where we uphold a complaint our general approach is to aim to put the consumer as nearly as possible in the position they'd be in if things hadn't gone wrong.

In this case, I'm satisfied that if things had been properly explained to Mr S he wouldn't have taken out the loan. It's clear that Mr S was looking to reduce his energy costs. So it's difficult to see that he would have agreed to take a long-term loan which, in fact, increased those costs.

However, as our investigator explained, to put Mr S back in the position he would have been if he hadn't taken out this loan would require Domestic & General remove Mr S's boiler and replace it with the model he had previously. That's unlikely to be cost effective for Domestic & General and would put Mr S to considerable inconvenience.

So, our investigator recommended that Mr S should be allowed to keep the new boiler but that Domestic & General should unwind the credit agreement and refund any instalments already paid with interest. I think that's fair in the circumstances.

She also recommended that Domestic & General should remove the solar panels from Mr S's property at no cost to him. I think that's fair also. But I'm aware that this might be difficult for Domestic & General and that it might be disruptive for Mr S. So Domestic & General may, if it prefers, leave the panels in place. I understand Mr S would be content with that.

I've taken into account that Mr S has a newer boiler than before and that he may derive some benefit from this. So I've decided not to make any further award for the trouble and upset Mr S has been caused.

I've also taken into account that Mr S has said he paid a £1,000 deposit to Mr Y. However, the evidence we've seen suggests that the Green Deal measures were funded entirely from the Green Deal loan. So, in the absence of any further information about this, I make no award in relation to this amount.

my final decision

I uphold this complaint.

In full and final settlement Domestic & General Heating Ltd should:

1. Cancel the credit agreement and write off any outstanding loan balance.
2. Remove any record of Green Deal finance from Mr S's credit file.
3. Refund any instalments paid with 8% simple interest from the date of payment to the date of settlement.

If Mr S accepts my decision Domestic & General may, if it wishes, remove the solar panels from Mr S's property at no cost to him. Domestic & General should let Mr S know within 28 days of his accepting my decision if it wishes to remove the panels.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 February 2020.

Sue Wrigley
Ombudsman