

complaint

Mr F complains about a Green Deal loan provided by MW Heating & Plumbing Limited.

Mr F says he wasn't aware he was taking out a loan. He says he was led to believe he was getting a new boiler free under a government scheme. It was only later that he became aware he was being charged a fee for this through his energy bills.

background

Mr F says that in July 2015 he was cold-called by a company that said it was fitting free boilers in the area for people on certain benefits. Mr F received tax credits and had young children at home. He says he was told he would qualify for a free boiler.

Mr F says he had had a free boiler installed two years earlier, qualifying for a government grant at that time. It was still under guarantee. The company told him he would still be able to have a new boiler and this one would be more suitable for his property.

Mr F went ahead and the new boiler was installed in September 2015. Mr F says he then noticed that payments were being taken from his energy bill. He says he tried to get information from his energy supplier but, having got nowhere, he contacted the Citizens Advice Bureau (CAB).

The CAB says Mr F contacted it in February 2016 about a "fee" he was paying to his energy provider. It investigated and found that the payment was for a boiler installed by MW Heating. It wrote to MW Heating and obtained a copy of the credit agreement.

Mr F complained to MW Heating. He said he hadn't signed the credit agreement and that the signature on it wasn't his.

MW Heating didn't uphold the complaint. It said it had spoken at length to the company that had installed the boiler and that Mr F had signed the credit agreement after having it fully explained to him. It said Mr F had subsequently asked for a new boiler to be fitted at his father's house. It said it was only after his father had qualified for a free boiler that Mr F had complained.

Mr F then brought his complaint to us. One of our investigators wrote to MW Heating on 10 December 2018 explaining why she thought the complaint should be upheld.

Briefly, she didn't think things had been fully explained to Mr F. She thought it unlikely he'd been made aware he was taking out a loan. And she also had concerns about how the energy savings had been calculated and explained to Mr F. This was because the calculations had been based on the assumption that Mr F didn't have an existing heating system and that he used electric heaters for heating and water. She thought that on this basis the estimated savings were likely to have been exaggerated.

Our investigator set out her recommendation of what she thought MW Heating should do to put things right.

MW Heating didn't agree. It said that Mr F's existing boiler wasn't working and that in these circumstances the Green Deal Assessor was required to input into the government approved

software that there was no heating system. It didn't think it was fair that it should have to bear the cost of Mr F's new boiler.

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 MW Heating'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 F's energy bill. It also had to notify Mr F of any savings estimates and whether these were likely to offset the instalments.

Mr F and MW Heating don't agree on what was said at the time. In this sort of situation I decide, based on the information provided, what's more likely than not to have happened.

I've thought about this carefully. I don't know whether or not Mr F signed the credit agreement. But if he did I think it's unlikely he knew he was taking out a loan or that the details of the arrangement had been fully explained to him.

MW Heating says that Mr F's existing boiler was broken. That seems unlikely. Mr F has sent us a copy of the guarantee in relation to his existing boiler. This ran from 14 December 2013 to 9 December 2015. Mr F was cold-called by the Green Deal installer in July 2015 and the new boiler was installed in September 2015.

I think If Mr F's existing boiler had been broken when the installer visited in July it's more likely that he would have claimed on the guarantee, rather than waiting several months for a replacement, particularly as he had a young family.

And I think it's unlikely that Mr F would knowingly have agreed to take out a loan to pay for a new boiler when his existing one was relatively new and under guarantee. He may well have been attracted to having a newer boiler with a fresh warranty if it wasn't going to cost him anything, particularly if the salesman told him it would be better suited to his property. But he was on a low income with a young family. So I don't think he'd have wanted to take out a loan in these circumstances.

MW Heating says that after it had fitted Mr F's boiler he asked it to fit one for his father too. MW Heating says it thinks Mr F's complaint was prompted when he found out his father qualified for a free boiler. I can see why it might say that. But I think it's just as likely that Mr F was pleased to have a new free boiler and wanted his father to benefit from the same deal.

Mr F says he tried to get information from his energy company as soon as he noticed the charges on his energy bills and that he contacted the CAB when he couldn't get a satisfactory explanation. That ties in with what the CAB has told us.

So, on balance, I don't think MW Heating adequately explained to Mr F that he was taking out a loan or that he would need to repay this through his energy bills.

I also share our investigator's concerns about how the estimated savings were calculated and explained to Mr F.

The Green Deal Assessor calculated the savings on the basis that Mr F had no boiler and only electric heating for power and water.

This will have exaggerated the savings that could realistically be achieved. In this case the estimated savings were said to be over £1,700 (£1,765 is shown in the credit agreement).

The Energy Savings Trust suggests that a boiler replacement for a mid-terrace house such as Mr F's could save between £95 and £180 a year. The actual saving would depend upon the efficiency of the old boiler. Mr F's existing boiler was only two years old, so it's arguable that he wouldn't even achieve the lower savings.

In any event 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.

Mr F borrowed £3,200, with an annual repayment of around £423. So it seems he was able to borrow a lot more than should have been available to him under the scheme. And it doesn't seem as if the estimated golden rule was properly and accurately explained to him.

MW Heating has said that if a boiler wasn't working the Assessor was required to input into the software that there was no heating system. I don't think that's correct. My understanding is that in this situation the Assessor should still record a heating system present (albeit not working). Otherwise the estimated savings will be exaggerated.

Under clause 54 of the CoP MW Heating was required to explain to Mr F the impact of the installation in terms of savings on his energy bills and any additional cost. If MW Heating had done this I think it would have been apparent that Mr F already had a boiler and that the estimated savings were too high.

So in addition to not adequately explaining to Mr F that he was taking out a loan I think MW Heating failed to properly explain the savings estimates to Mr F in relation to the instalments to be paid.

For these reasons I don't think MW Heating met its obligations under the Green Deal Code of Practice in this case. I don't think it acted fairly towards Mr F and I think he lost out as a result.

I now have to consider what MW Heating 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 F he wouldn't have taken out the loan and wouldn't have had the new boiler fitted. It would be difficult to achieve that outcome now that Mr F's boiler has been replaced.

Our investigator recommended that Mr F should be allowed to keep the new boiler but that MW Heating should unwind the credit agreement and refund any instalments already paid with interest.

I think that's fair.

I've taken into account that Mr F has a newer boiler than before and I've considered whether it would be fair to make an allowance for that.

But in this case I don't think it would. That's because Mr F's existing boiler was relatively new and I'm satisfied that it was in working order. So Mr F didn't need a new boiler at all. In these circumstances I think a fair outcome will be for MW Heating to cancel the loan completely and to let Mr F keep the boiler.

I'm aware that MW Heating has offered to pay Mr F £400 for the trouble and upset caused and I think that's fair.

my final decision

I uphold this complaint.

In full and final settlement MW Heating & Plumbing Ltd should:

1. Unwind the credit agreement and remove any record of Green Deal finance from Mr F's credit file
2. Refund any instalments paid with 8% simple interest from the date of payment to the date of settlement.
3. Pay Mr F £400 compensation for the trouble and upset this matter has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 October 2019.

Sue Wrigley
ombudsman