

The complaint

Mr V complains that Ikano Bank AB (publ) rejected a claim he made under section 75 of the Consumer Credit Act 1974 (the Act).

What happened

In 2020, Mr V purchased a solar panel and battery system including a voltage optimiser (the system) from a supplier. He paid for this using a fixed sum loan agreement with Ikano, which was repayable over ten years after a 12-month payment deferral period.

In 2022, a claims management company (CMC) made a claim to Ikano on Mr V's behalf. It said that Mr V bought the system on the understanding that the system would be self-funding and would pay for itself. But Mr V said that hadn't happened. The CMC said that if Mr V had known how little benefit he would receive compared to his monthly loan repayments Mr V wouldn't have bought the system.

Ikano rejected the claim. It said that the sales document included an estimate of the benefits of the system, allowing Mr V to easily compare the costs and benefits of the system.

Unhappy with this Mr V made a complaint, which Ikano rejected. The Financial Ombudsman Service was then asked to look into what had happened. Our investigator didn't think the complaint should be upheld. Mr V remains unhappy, so I've been asked to make a decision.

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.

Section 75 of the Act would make Ikano liable for any misrepresentation or breach of contract on the part of the supplier when selling the system to Mr V. So, I've thought about whether or not there was a misrepresentation or breach of contract on the part of the supplier.

I've decided not to uphold this complaint, for much the same reasons as our investigator.

Mr V says he was told the system would be self-funding and so expected the benefits of the system to cover more of his loan repayments than has actually happened. Alongside his recollection of what he was told, the sales documents also provide important information about what is likely to have been discussed.

Mr V signed the sales document and the loan agreement on the same day. So, I'm satisfied that he saw them and that they were likely discussed with him.

The sales document showed the "year 1 benefit" of the system to be £404.10. And the "30-year benefits" to be £30,303.80. It separately had a breakdown which showed those benefits were made up of:

- On-site self-consumption (of electricity generated by the solar panels as its generated).
- SE additional benefits (relating to the battery).
- Voltage optimiser estimated savings.

It also included the following qualification about the stated benefits:

Total lifetime benefits across 30 years, calculated based on the EPVS approved applicable products listed below with inflation for electricity set at 7.03% per annum These figures are based on future estimates and cannot be guaranteed. Year 1 benefits are calculated using industry methodologies and validated by EPVS.

With this in mind I think it is clear that the benefits of the system shown on the sales document were estimates. They were not guaranteed. So, I don't think it would be reasonable to expect the actual benefits to exactly match those shown on the sales document.

Comparing the estimated year 1 benefits of £404.10 to the monthly loan repayments of £159.49 (shown on the loan agreement) I think it is clear the system would not be self-funding in the first year. So, I think it is unlikely that Mr V would've been told the system would immediately be self-funding in that the benefits would immediately cover the loan repayments.

The estimated benefits stated on the sales document do not appear to be unreasonable in that they were based on reasonable assumptions. So, I would not say there was a misrepresentation or breach of contract just because the actual benefits realised are less than the estimates shown on the sales document.

It is likely that Mr V was told the system would be self-funding overall, given the 30-year estimated benefit of £30,303.80 significantly exceeds the total of £19,138.69 that Mr V had agreed to pay under the loan agreement. Even if the actual benefits have been less than estimated at the time of sale, it still appears reasonably likely that the system will be self-funding in this way.

Overall, I am not persuaded that there was a misrepresentation or breach of contract that would mean that Ikano ought to have accepted Mr V's claim. As such, I don't think it has done anything wrong. So I'm not uphold this complaint.

My final decision

For the reasons I've explained, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 29 December 2023.

Phillip Lai-Fang
Ombudsman