

The complaint

Mr G complains about Ikano Bank AB (publ)'s rejection of a claim he made under Section 75 of the Consumer Credit Act 1974 ("the Act").

What happened

In February 2020, Mr G purchased a solar panel system ("the system") from a supplier. He paid for the system using a fixed sum loan agreement from Ikano. This means that Mr G can make a claim to Ikano under Section 75 of the Act for losses resulting from any misrepresentation or breach of contract on the part of the supplier, instead of having to claim from the supplier directly.

In October 2021, a claims management company ("the CMC") made a claim to Ikano on Mr G's behalf. It said that the supplier had misrepresented the system as paying for itself through reduced energy bills and income.

Ikano rejected the claim. It did not think there had been a misrepresentation. Following this, the CMC submitted a complaint on Mr G's behalf about Ikano's response to the Section 75 claim.

Our investigator looked at what had happened and recommended the complaint be upheld. She felt something was wrong with the system since Mr G's electricity usage and bills had increased significantly since installation. She recommended Ikano inspect the system and put right any faults and refund Mr G's increased costs. And if that was not done then Ikano should unwind the credit agreement, remove the system, and refund Mr G what he had paid.

Ikano disagreed. It said that it was technically impossible for the system to have caused an increase in Mr G's electricity usage. That Mr G had provided inaccurate information to the supplier about his electricity usage at the time of sale (this was underestimated) and the supplier based its calculations of the benefits of the system on that inaccurate information. And in any case that Mr G was likely making significant savings from using the electricity generated by the system.

Because our investigator could not resolve the complaint, I've been asked to make a decision. I issued a provisional decision explaining I was not planning to uphold the complaint. This gave Ikano and Mr G an opportunity to respond with any further comments and information for me to take into account when making my final decision.

Ikano acknowledged my provisional decision but did not provide anything further. Mr G did not respond by the deadline. So my final decision is in line with provisional decision. And I am not upholding this complaint.

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.

I've decided not to uphold this complaint. I'll explain why.

The CMC says the supplier said the system would generate income and savings for Mr G. However, the quote provided at the time of sale only shows the system leading to savings for Mr G. No income is mentioned. I am aware that Mr G could potentially benefit from the Smart Export Guarantee (if he isn't already), which was introduced by the Government shortly before the sale took place. So, it is possible that the supplier mentioned this. But there is nothing to suggest that Mr G was provided with figures setting out what income he may receive.

The quote is fairly comprehensive in setting out the potential savings Mr G might achieve. It provides the following table setting this out:

Panel degradation	Yr	Elec. savings	Total income savings	Acc. grand total	Est. monthly return	Ann. ROI
100.00%	1	£503.92	£503.92	£503.92	£41.99	5.91%
99.60%	2	£537.23	£537.23	£1,041.15	£44.77	6.30%
99.20%	3	£572.76	£572.76	£1,613.91	£47.73	6.71%
98.80%	4	£610.63	£610.63	£2,224.53	£50.89	7.16%
98.40%	5	£651.00	£651.00	£2,875.53	£54.25	7.63%
98.00%	6	£694.04	£694.04	£3,569.57	£57.84	8.13%
97.60%	7	£739.93	£739.93	£4,309.51	£61.66	8.67%
97.20%	8	£788.85	£788.85	£5,098.36	£65.74	9.24%
96.80%	9	£841.01	£841.01	£5,939.37	£70.08	9.86%
96.40%	10	£896.62	£896.62	£6,835.99	£74.72	10.51%
96.00%	11	£955.90	£955.90	£7,791.89	£79.66	11.20%
95.60%	12	£1,019.10	£1,019.10	£8,810.99	£84.93	11.94%
95.20%	13	£1,086.49	£1,086.49	£9,897.48	£90.54	12.73%
94.80%	14	£1,158.32	£1,158.32	£11,055.80	£96.53	13.57%
94.40%	15	£1,234.91	£1,234.91	£12,290.71	£102.91	14.47%
94.00%	16	£1,316.56	£1,316.56	£13,607.27	£109.71	15.43%
93.60%	17	£1,403.61	£1,403.61	£15,010.88	£116.97	16.45%
93.20%	18	£1,496.41	£1,496.41	£16,507.29	£124.70	17.54%
92.80%	19	£1,595.35	£1,595.35	£18,102.64	£132.95	18.70%
92.40%	20	£1,700.83	£1,700.83	£19,803.48	£141.74	19.93%
92.00%	21	£1,813.29	£1,813.29	£21,616.77	£151.11	21.25%
91.60%	22	£1,933.18	£1,933.18	£23,549.95	£161.10	22.65%
91.20%	23	£2,061.00	£2,061.00	£25,610.95	£171.75	24.15%
90.80%	24	£2,197.27	£2,197.27	£27,808.22	£183.11	25.75%
90.40%	25	£2,342.55	£2,342.55	£30,150.77	£195.21	27.45%
90.00%	26	£2,497.44	£2,497.44	£32,648.21	£208.12	29.27%
89.60%	27	£2,662.56	£2,662.56	£35,310.78	£221.88	31.20%
89.20%	28	£2,838.61	£2,838.61	£38,149.38	£236.55	33.27%
88.80%	29	£3,026.29	£3,026.29	£41,175.68	£252.19	35.46%
88.40%	30	£3,226.39	£3,226.39	£44,402.06	£268.87	37.81%
Totals		£44,402.06	£44,402.06	£44,402.06	Ave. ROI:	17.34%

In the first year, the savings are estimated to be £503.92. The quote sets out that this is based on Mr G spending £133.66 per month on electricity at the time of sale, which equates to £1,603.92 per year. With the estimates for later years based on the electricity price increasing by 7.04% per year.

The table indicates that after 12 years Mr G would likely have made savings exceeding the cash price of the system. And comparing his total loan repayments to the cumulative benefits in the table I can see that it would take an estimated 17 years for the savings to exceed to the total cost of the system including loan interest.

The quote also states that, "Depending on your usage and seasonal changes the electricity savings will vary." And that, "The table above represents certain increases in RPI inflation and assumed price increases to energy costs as averaged by the Office for National

Statistics. These figures could go up or down.”

Later in the quote, where the total cost to Mr G (£14,283.30 payable over 120 monthly instalments) and first year benefit (£503.92) is set out clearly, it has the following note:

“PLEASE NOTE: The performance of renewable energy systems is impossible to predict with certainty due to the variables that affect performance from location to location and from Year to Year. The above estimate is calculated based upon the Microgeneration Certification Scheme (‘MCS’) Standards.”

There is another table in the quote, comparing the estimated savings to the loan repayments, that makes it clear that the savings would not exceed the monthly loan repayments within the loan term.

In the Frequently Asked Questions section of the quote, it includes Additional Savings Information including:

“The performance of solar PV systems is impossible to predict with certainty due to the variation of solar radiation from location to location and from month to month.

“Savings are dependent on individual circumstances and may be higher or lower than those stated above and are based on the manufacturers own figures.”

“The savings are based on case studies and your existing bills, these figures could go up or down.”

“The table shown represents certain increases in RPI inflation and assumed price increases to energy costs as averaged by the Office for National Statistics. These figures could go up or down.”

So, while the quote does provide estimated savings from purchasing the system, it also clearly states the assumptions on which this is based. And warns that those assumptions may not be matched by the reality – meaning the savings may not match what is shown in the quote. I think that is to be expected, particularly given the estimates look 30 years into the future.

Overall, I don’t think it would be reasonable to say there was a misrepresentation where the assumptions made by the supplier were reasonable. Particularly in terms of savings which will largely depend on how the customer uses electricity in their home. Given how the supplier calculated the estimated savings, I am satisfied that the assumptions were reasonable.

The suggestion is that Mr G has made no savings, because his electricity bills have increased significantly since the system was installed. But I don’t think that is accurate. Firstly, the savings made are not made in the sense that a customer’s bills will reduce relative to how much they were before installation. Rather, their bills after installation will be less than they would’ve been if the system had not been installed. So, it is difficult to see what savings are made. And the more a customer uses electricity during daylight, when the solar panels are generating electricity, the more they are likely to save.

Mr G has said his circumstances and usage have not changed. But the installation occurred in February 2020, just before the Covid-19 pandemic led to significant restrictions over the following year or more (up until the claim was made), which meant that people spent far more time at home than previously. Spending more time at home will inevitably lead to increased electricity usage. And I think this is likely the main reason why Mr G’s electricity

usage increased following installation, rather than there being a problem with the system itself.

As Ikano points out, it is also hard to think of a way that a solar panel system such as Mr G's could cause an increase in usage when it is simply generating electricity which will be used in the home or exported to the electricity grid.

If Mr G feels there is a fault in the system he should contact the supplier and ask them to investigate this. But, based on the meter reading that the CMC has provided us, it appears that the system is working and has generated much more electricity than expected. So, it seems likely that Mr G will have benefitted from using some of that electricity and will have spent less buying electricity from his energy supplier than he would've done had he not purchased the system.

Over time, I think it is likely that the benefits of the system in terms of savings (and income if Mr G has or does sign up to the Smart Export Guarantee) will be more than the amount he paid for the system.

For these reasons and based on the information I have available to me, I don't think there was a misrepresentation on the part of the supplier. So, I do not think that Ikano acted unreasonably when it rejected Mr G's Section 75 claim.

My final decision

For the reasons I've explained, I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 December 2023.

Phillip Lai-Fang
Ombudsman