

## **The complaint**

Mr B complains that Ikano Bank AB (publ) rejected his claim under sections 75 and 140 of the Consumer Credit Act 1974.

## **What happened**

In December 2018, Mr B agreed to purchase a solar panel system from a supplier using an Ikano loan. The first payment on the loan was deferred for six months. When repayments started Mr B contacted Ikano to query the repayment, as he thought he'd agreed to a lower amount. Ikano sent him a form to complete if he wanted to dispute this, but he didn't follow this up.

In January 2023, a claims management company ("CMC") made a claim to Ikano on Mr B's behalf alleging that the system had been misrepresented by the supplier and Mr B's relationship with Ikano was unfair on him because:

- The supplier said the system was self-funding in that the Feed-In Tariff ("FIT") payments would cover the monthly loan repayments, but it did not.
- He was told that his electricity bills would reduce by about £10 per week.
- Mr B did not realise interest was charged during the deferral period (he thought this was interest-free). Had he known this he wouldn't have deferred his first repayment.
- Mr B agreed to repayments of £65 per month but the actual loan repayments were £94.18 per month. When he queried this with the supplier he was told this was decided by the lender and that the FIT payments would cover the repayments anyway.
- Mr B was not aware of the total amount payable under the loan agreement.
- The lender paid commission to the supplier, but Mr B was not told about this.

Ikano rejected the claim. It said there was no misrepresentation and that its relationship with Mr B was not unfair on him. Ikano said the sales documents made clear the system would not be self-funding on a monthly or annual basis, and that the loan agreement and other documents made clear what Mr B had agreed to pay.

Unhappy with this, Mr B made a complaint and asked the Financial Ombudsman Service to look at what had happened. Our investigator didn't think there was a misrepresentation. But noted Mr B had contacted Ikano when he received a letter reminding him that the repayments were about to start and how much these were, to complain that the repayments were more than he had agreed to. So, our investigator recommended the loan be adjusted so that no interest was charged in the six-month deferral period.

Ikano disagreed. It pointed to the various documents Mr B had signed at the time of sale and after the installation of the system which clearly showed the monthly loan repayments and total amount payable, as well as the total charge for credit on the loan agreement.

Because our investigator was unable to resolve the complaint, I was asked to make a decision. I issued a provisional decision explaining why I was not planning to uphold this complaint.

Ikano acknowledged the provisional decision but did not provide anything further by the deadline I gave. Neither Mr B nor the CMC responded by the deadline. As a result, my final decision is in line with my provisional one and I do not uphold 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.

#### Misrepresentation

I do not think it is likely that the alleged misrepresentations took place. The sales documents clearly show the estimated benefits of the system in the first year would be up to £251.17 – less than half of which was from FIT payments. This is significantly less than the loan repayments (even the lower amount of £65 per month mentioned in the letter of claim as being what Mr B thought he'd agreed to).

It seems unlikely that the supplier would've created these documents, which Mr B saw and signed at the time, while telling Mr B that the FIT payments would cover the monthly loan repayments and that he would save £10 per month on his electricity bills.

#### Unfair relationship

One way a relationship between a creditor and debtor may be unfair on the debtor is if a significant amount of commission is paid but the debtor is not told about this. In this case no commission was paid, so this is not a factor here.

I think it is open to debate whether Mr B understood that the loan would accrue interest during the six-month repayment deferral period. My understanding is that this was interest-free as long as the loan was repaid before the first repayment date. But otherwise, interest would be charged for the whole loan term – including the first six months. This is fairly complex, so it could be that Mr B did not understand how it worked. Whether that was because he was misled by the supplier I do not know.

Mr B has confirmed he could not have paid the loan off in full during the first six months. So, he was always going to be charged interest for that time. However, I think Mr B knew what he was agreeing to pay including the total charge for credit. This was clearly shown on the loan agreement.

The loan agreement, validation sheet (both signed by Mr B on 14 December 2018), and satisfaction note (signed by Mr B on 23 January 2019) also all showed the monthly loan repayments were £94.18, and the total amount payable was £11,300.90. This means that Mr B knew, or ought to have known, exactly how much he had to repay including all the applicable interest. I don't think the supplier would've told him his repayments or total amount payable were different to this.

The suggestion that Mr B thought he'd agreed to lower loan repayments is undermined by this and by the inconsistency in what he thought those loan repayments would be. When contacting Ikano, as discussed below, Mr B said he'd agreed to repayments of £84 per month, but when making the claim the CMC said he'd agreed to repayments of just £65 per month.

Added to this is the fact that Mr B did not pursue the matter further at the time of receiving the letter reminding him of the repayments starting. At that time, he contacted Ikano to query the repayment amount – saying it was more than the £84 he expected. Ikano's call notes

from the time say that Mr B was going to discuss this with the supplier, and he was sent a form to complete if he wanted to pursue it further with Ikano. Mr B never returned the form.

The CMC has implied that following this call Mr B spoke to the supplier and was reassured that the FIT payments would cover the loan repayments, so he didn't pursue it further. However, I do not think that is plausible and persuasive enough for me to uphold the complaint on this point.

By the time of those conversations, Mr B would've received his first quarterly FIT payment, which would not have been enough to cover three monthly loan repayments. Even if Mr B wanted to wait for more FIT payments (to account for seasonal changes), then he would've known just over a year after installation that the first-year FIT payments did not cover one year's loan repayments. Despite this, he took no further action until the CMC made the claim on his behalf in January 2023 – around three years after he ought to have realised there was a problem. I think that suggests that the FIT payments received in the first year did match his expectations at that time.

Overall, I am not persuaded that a court would conclude that the relationship between Ikano and Mr B is unfair on him.

### **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 B to accept or reject my decision before 22 February 2024.

Phillip Lai-Fang  
**Ombudsman**