

The complaint

Mr W complains that MoneyPlus Group Limited trading as MoneyPlus Advice (MoneyPlus) mis-sold him a debt management plan.

What happened

Mr W entered into a debt management plan (DMP) managed by MoneyPlus in 2022. Mr W says MoneyPlus told him that it would help put him in a better place financially and that he wouldn't have any defaults as his creditors would place his accounts on hold. Mr W says that his credit score has decreased and he is in a worse position to get a mortgage than he was before the DMP. Mr W wants MoneyPlus to amend his credit file to remove any missed payments and defaults.

MoneyPlus said it hadn't made a mistake. It said that during its first call in November 2022, Mr W said he hoped to become a homeowner and get a mortgage in the future but not that he hoped to do so soon.

Mr W says MoneyPlus pushed him to make it look like his financial situation was worse than it was by telling him to increase his expenses so it would look like he had less money.

Mr W says that if MoneyPlus had told him that his creditors wouldn't accept his DMP, he wouldn't have gone through with it.

Our investigator didn't uphold Mr W's complaint. In summary, our investigator said:

- He thought the advice to take out the DMP was appropriate. He found that when Mr W discussed his income and outgoings with MoneyPlus it seemed as if the debts were affordable and that a DMP wasn't needed. However, Mr W was sure that he was struggling and wanted to reduce his monthly credit commitments to around £220. This led MoneyPlus to make some adjustments to Mr W's outgoings to arrive at the figure Mr W gave.
- He was satisfied that MoneyPlus gave Mr W the option to choose a free provider and that Mr W agreed to the DMP in writing after being given the chance to review the terms of the DMP.
- MoneyPlus told Mr W that he might incur charges, late payment markers or defaults and that being on a DMP may impact his ability to obtain a mortgage in the future.

- He was satisfied that MoneyPlus took the steps he would have expected when contacting Mr W's creditors and that MoneyPlus told Mr W that if his creditors made contact, he should tell them about the DMP and report this back to MoneyPlus.
- He didn't think MoneyPlus should have reasonably been aware of Mr W's vulnerability when speaking so didn't think it had acted unfairly to him.

Mr W responded to the view to say that MoneyPlus only asked him if he had a disability which meant he couldn't repay the lending – which he correctly answered no to. But Mr W said he does have a disability which MoneyPlus should have asked him about.

Mr W said that instead of trying to adjust his outgoings to make him fit a DMP MoneyPlus should have said he wasn't eligible. If MoneyPlus had done this, Mr W says he would have asked his family for financial help instead.

Mr W says he was concerned to find that his creditors were reporting missed payments after he'd expected MoneyPlus to contact them.

Mr W doesn't understand how his overall debt had increased from around £6,900 to £8,700 when he settled his debts.

Our investigator said he was satisfied that MoneyPlus took the actions it should have when Mr W told it that any creditors had been in touch. Our investigator thought it was possible that MoneyPlus could have asked Mr W if he was spending more than necessary but he didn't think that any pushback would have changed the outcome given Mr W was clear he was struggling financially. Our investigator also noted that Mr W left out one creditor which would have further reduced his disposable income, so the recommendation to enter the DMP wasn't incorrect.

Mr W's representative says they still think MoneyPlus should not have encouraged Mr W to make his financial situation appear worse than it was.

After considering the complaint, I issued a provisional decision on 15 November 2023 which said:

I realise that I have summarised this complaint in less detail than the parties and that I've done so using my own words. The rules that govern the Financial Ombudsman Service allow me to do so. But this does not mean that I've not considered everything the parties have given to us.

I don't intend repeating what our investigator has already said in his two views. This is because I agree with much of what our investigator told Mr W. I'm satisfied that during the initial set up call, MoneyPlus told Mr W that if he didn't already have defaults registered against his name, it was likely that his creditors would soon apply defaults. This was also reiterated in the welcome pack that MoneyPlus sent to him.

I also agree with our investigator that MoneyPlus made Mr W aware that it couldn't guarantee that his creditors would accept the DMP and that creditors may go on to apply defaults.

The reason why I intend upholding Mr W's complaint is because, based on the information Mr W gave about his income and expenditure, I don't think MoneyPlus's recommendation to enter into a DMP was suitable.

MoneyPlus is subject to the Financial Conduct Authority rules in respect of debt management. The rules oblige firms such as MoneyPlus to give advice that is in the best interest of a customer and that is appropriate to their individual circumstances. The same rules oblige firms such as MoneyPlus to provide lenders with an accurate account of a customer's income and expenditure.

I appreciate Mr W had taken on additional debt during the Covid pandemic and that he wanted to reduce his monthly credit commitments to a more manageable level. However, based on the information Mr W gave to MoneyPlus during the set up call, it appeared that he had enough disposable income to afford his current credit commitments. Mr W even says at one point during the call that he is usually left with around £400 at the end of each month.

I'm not persuaded that the account MoneyPlus provided of Mr W's income and expenditure was accurate. It included a figure for rent even though Mr W, by his own admission, was living with family and did not pay rent.

During the call, MoneyPlus told Mr W that his creditors needed to be able to see that he was struggling. MoneyPlus told Mr W that if he was going to reduce his monthly credit commitments to the level he wanted – around £220 – it would have to make his income and expenditure reflect this. I think that MoneyPlus encouraged Mr W to be less than truthful about his personal circumstances to make himself eligible for a DMP instead of exploring other options to help manage his debt. This might have included borrowing money from family as Mr W ended up doing. Or MoneyPlus could have looked at areas where Mr W could make financial savings.

I take our investigator's point that Mr W left out one of his creditors when speaking to MoneyPlus. And that if this creditor had been included, it would have reduced Mr W's disposable income. But this doesn't change my view that when faced with expenditure information from Mr W that didn't match up to the picture of financial struggle that he presented, MoneyPlus should have done more than it did to establish whether a DMP was a suitable option for him.

MoneyPlus also had access to Mr W's credit file so it should have been aware that apart from one credit account, he didn't have any late payments at the time and none of his accounts were in default. Mr W also told MoneyPlus that he had brought the arrears up to date that day. I think this should have made MoneyPlus even more cautious about recommending the DMP, given the negative impact it was likely to have on Mr W's credit file.

At the start of the call, Mr W told MoneyPlus that his biggest concern was getting a mortgage so that he could buy a house. Although MoneyPlus says it wasn't aware that Mr W had an imminent desire to take out a mortgage, I can't hear that it probed him further on this point. Instead, MoneyPlus said that Mr W wanted to be debt free so that he could start rebuilding his credit score. Again, I think that given Mr W's financial circumstances at the time, rather than helping improve his credit score, the DMP was likely to put him in a worse position than he already was.

Overall, I don't consider MoneyPlus's advice to enter into the DMP was in Mr W's best interests. Because of this, MoneyPlus should put Mr W back in the position he would have been had the DMP not been set up. Part of this should also involve paying Mr W compensation for any upset caused to him. As I am asking MoneyPlus to refund the fees Mr W paid for the DMP, I don't think a significant award of compensation is justified. I consider £200 is a fair award to reflect the inconvenience caused to Mr W.

I then set out how I thought MoneyPlus should put things right for Mr W.

Further submissions

Mr W's representative responded to my provisional decision to say that Mr W was happy with the outcome. However, he would like to have a full audit trail detailing any late payment and default charges added by Mr W's creditors. Mr W says he cannot access his MoneyPlus portal to view this information after closing his account in April 2023.

MoneyPlus disagrees with my provisional decision. It acknowledges that the conversation about Mr W's income and expenditure could have been handled better than it was. However, MoneyPlus doesn't agree that the income and expenditure was fundamentally wrong.

MoneyPlus agrees that Mr W gave some contradictory information but it doesn't agree that it instructed him to fabricate his expenditure or that it encouraged Mr W to make unreasonable adjustments.

MoneyPlus says that it was unreasonable to expect Mr W's family to cover his share of household costs and that Mr W had discussed paying rent with his family so it was reasonable to include this amount.

MoneyPlus doesn't think it is reasonable to expect it to have viewed Mr W's wish to buy a property as an immediate plan. MoneyPlus says that it made it clear to Mr W that his credit file would be impacted and that he should not take out further credit.

MoneyPlus doesn't agree that it should not have recommended the DMP because Mr W's credit file would be impacted. MoneyPlus points out that Mr W indicated that he was struggling to maintain his current payments.

Finally, MoneyPlus says that although I did not raise Mr W's vulnerability as a reason for upholding his complaint, as I had mentioned it in my decision, MoneyPlus wanted to provide some context.

MoneyPlus says that it asked Mr W at the start of the call whether he had any disability, health condition or illness that would affect his ability to repay the debt. MoneyPlus points out that Mr W said no to this question and that he didn't display any indications of vulnerability during the call. MoneyPlus says that while its staff are trained to recognise drivers of vulnerability, they are not health care providers or counsellors. However, MoneyPlus says that if staff had concerns about an individual, they would signpost them accordingly.

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 can see that MoneyPlus agrees that it could have handled the income and expenditure call better than it did but says it didn't encourage Mr W to make unreasonable adjustments. I appreciate that I have a different view of the call to MoneyPlus but having listened to it, I still think there was a mismatch between what Mr W was telling MoneyPlus and what he wanted to achieve that should reasonably have led MoneyPlus not to recommend the DMP.

I take on board MoneyPlus's comments that Mr W had discussed paying rent to his family but he was not paying rent at the time and does not seem to have been under pressure to do

so. In fact as soon as Mr W made his family aware of his financial situation, they helped him to repay his debts. So, I am not persuaded that without MoneyPlus suggesting to Mr W that he include an amount for rent, he would have done so. And without including rent within his income and expenditure, his disposable income would not have been so low for the DMP to appear a reasonable option.

I accept MoneyPlus didn't think Mr W's wish to buy a house was an immediate wish and that it did warn him the DMP would impact his credit file. But I still think MoneyPlus could have asked Mr W more about his plans to buy a house than it did. However, as this is not the main reason why I am upholding Mr W's complaint, I don't think I need to say more on this aspect of his complaint.

I am grateful to MoneyPlus for what it has said about Mr W's vulnerabilities not being evident during the call. Again, as I did not uphold this aspect of Mr W's complaint, I don't think I need to say more here.

Despite the arguments that MoneyPlus has raised, I still think the advice it gave to Mr W to enter into the DMP was not in his best interests. So I still think it is reasonable to make my final decision along the same lines as my provisional decision.

When responding to my provisional decision, Mr W's representative asked for a full audit trail of late payments and default charges added by his creditors. As part of the resolution of Mr W's complaint involves MoneyPlus refunding any late payment or default charges charged during the DMP, it seems likely that MoneyPlus would be able to provide a record of these to Mr W so I have included a direction to that effect.

Putting things right

MoneyPlus should:

- refund Mr W all the fees that he has paid minus what was paid to his creditors;
- pay interest at 8% a year simple on each payment from the date it was made until the date of settlement;
- refund any late payment or default fees charged by Mr W's creditors during the DMP and provide Mr W with details of these late payment and default fees;
- remove any reference to the DMP from Mr W's credit file;
- work with Mr W and any creditors who have reported negative information on Mr W's credit file (because of the DMP) to remove that information; and
- pay Mr W £200 compensation for the upset and inconvenience caused to him.

My final decision

My final decision is that I uphold this complaint and direct MoneyPlus Group Limited trading as MoneyPlus Advice to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 February 2024.

Gemma Bowen
Ombudsman