

complaint

Miss D, represented by a claims management company ("CMC"), complains that Gregory Pennington Limited ("GPL") mis-sold her a debt management plan ("DMP"). Her CMC says she wasn't told that free debt management services were available, and that bankruptcy was a more suitable option for her.

background

Miss D entered into a DMP with GPL in 2008. It was agreed that she would pay £100 per month. Miss D's CMC says the DMP wasn't suitable for her and that she should've been advised to become bankrupt as she would've been debt-free quicker. It also said that GPL didn't tell Miss D about free services that were available.

Our investigator didn't uphold the complaint. She explained that when Miss D took out the DMP, GPL wasn't required to signpost her to free services. So she didn't think it had done anything wrong relating to this. She also felt that the DMP was affordable for Miss D – and this was demonstrated by her maintaining the payments until she fully repaid her debt. So our investigator said that bankruptcy wasn't a better option for Miss D as this would've been considered a last resort.

Miss D's CMC disagreed with our investigator. It said that bankruptcy should've been discussed with her. And it feels that GPL wasn't acting in Miss D's best interests as it didn't discuss similar services for free. So the complaint has been passed to me to reach 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.

similar services for free

Miss D's CMC has made reference to regulatory guidelines that were around at the time of sale. But when Miss D entered into her DMP, GPL wasn't required to tell her that she could get similar services for free elsewhere. And I can see that it made Miss D aware that she would have to pay a fee for her DMP. So I don't think GPL has done anything wrong here.

bankruptcy

Miss D's CMC says that bankruptcy would've been a more suitable option for her. And that GPL should've advised her of this option as she would've been debt-free in a shorter amount of time and at less cost. But I don't think we can say it would've been better for Miss D when looking at her circumstances.

Insolvency proceedings like bankruptcy are solutions to severe financial difficulties. These will have a long lasting impact on a consumer. One of the aims of a DMP is to help a consumer manage their debt when they're struggling without resorting to solutions like this. Miss D was 22 at the time she took out her DMP, and becoming bankrupt could've had significant effects on her for the future. When she approached GPL she completed an income and expenditure form which showed she had £100 per month of disposable income

to use to repay her debt. Miss D made her monthly payment consistently without any issues and then repaid her outstanding debt in 2014 using a lump sum.

As this DMP was successful for Miss D, it's hard for me to say that she should've been advised to petition for bankruptcy. So I don't think GPL has done anything wrong by not recommending this option.

my final decision

For the reasons above, I don't uphold Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 13 February 2017.

Charlotte Wilson
ombudsman