

complaint

Mr and Mrs R complain about a debt reduction agreement that they took out with NEO Media Solutions Limited, trading as One Debt Solution. They complain that it did not pay money to their creditors as it had agreed to do.

background

Mr and Mrs R entered into a debt reduction agreement with One Debt Solution. They made payments totalling £4,400 to One Debt Solution but only £1,255.95 was paid to their creditors. A county court judgement was made against them relating to one of their debts. Mr and Mrs R complained to One Debt Solution and asked it to cancel their agreement and to refund the payments that they had made. They were not satisfied with One Debt Solution's response so complained to this service.

The adjudicator recommended that this complaint should be upheld. She concluded that the agreement did not comply with the Office of Fair Trading's guidance about debt management issued in 2008. In particular, she concluded that One Debt Solution did not differentiate between the claims management services and debt adjusting services that were to be provided and that it did not properly warn Mr and Mrs R about the potential consequences of the agreement. She recommended that One Debt Solution should refund £3,144.05 to Mr and Mrs R and that it should reimburse £190 to them for the legal costs they incurred in connection with the county court judgment. She also recommended that it should pay interest on those amounts and that it should pay them £250 to compensate them for the distress and inconvenience that they had been caused.

One Debt Solution has not responded to the adjudicator's recommendations.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Neither Mr and Mrs R nor One Debt Solution has been able to provide a copy of the agreement. However, on the basis of the evidence available, I consider it to be more likely than not that: One Debt Solution was to provide claims management and debt management services to Mr and Mrs R; and that the agreement would not have been as clear as it should have been about the differences between the two services or the amounts that would be charged by One Debt Solution for those services. I therefore consider it to be more likely than not that the agreement did not comply with the Office of Fair Trading's guidance.

One Debt Solution says that Mr and Mrs R made irregular payments to it but their bank statements show that they made 22 payments of £200 each to One Debt Solution between January 2011 and October 2012, totalling £4,400. The evidence available to me shows that it only paid £1,255.95 to their creditors. The evidence shows that Mr and Mrs R entered into the agreement in January 2011 but one of their creditors obtained a county court judgment against them in February 2012 and One Debt Solution had not made any payments to that creditor between January 2011 and February 2012.

I therefore consider that it would be fair and reasonable for One Debt Solution to cancel the agreement and to refund to Mr and Mrs R £3,144.05 (which is £4,400 less £1,255.95) and to reimburse them £190 for the legal costs that they incurred in connection with the county

court judgment. I also consider that it should pay interest on those amounts. Mr and Mrs R will undoubtedly have been caused distress and inconvenience by these events and I consider that One Debt Solution should pay £250 to Mr and Mrs R to compensate them for that distress and inconvenience.

my final decision

For these reasons, my decision is that I uphold Mr and Mrs R's complaint. In full and final settlement of it, I order NEO Media Solutions Limited, trading as One Debt Solution, to:

1. Cancel the agreement at no cost to Mr and Mrs R.
2. Refund £3,144.05 to Mr and Mrs R.
3. Reimburse £190 to Mr and Mrs R for the legal costs that they incurred.
4. Pay interest on the amounts at 2. and 3. above at an annual rate of 8% simple from the date of payment to the date of settlement.
5. Pay £250 to Mr and Mrs R to compensate them for the distress and inconvenience that they have been caused.

If One Debt Solution deducts tax from the interest element of my award, it should send Mr and Mrs R a tax deduction certificate when making payment. They can then use that certificate to reclaim the tax if they are entitled to do so.

Jarrold Hastings
ombudsman