

complaint

Mr H complains about a debt reduction plan he took out with Sterling Financial Security Ltd trading as Best Solution. He's paid them a monthly amount since 2008. He recently realised Best Solution was keeping most of his money. They'd made only token payments to the companies he owed money to.

background

In 2008 Mr H entered a debt reduction plan with Best Solution. He thought they would help him reduce his debts and also look into whether he'd been mis-sold payment protection insurance (PPI) policies. But he recently realised they'd paid only token amounts to the companies he owed money to (his 'creditors'). And they didn't do anything about PPI. He complained to them, but didn't get a reply. So he came to us.

Best Solution didn't reply to our adjudicator. But Mr H had helpfully given us statements showing the payments he'd made and also statements from his creditors showing the payments they'd received.

Our adjudicator upheld Mr H's complaint. Best Solution hadn't properly explained the debt reduction plan, or their fees. They had kept most of Mr H's money, and hadn't told him what this would mean for his debts. She said Best Solution should refund the money Mr H had paid them, less the money they'd passed on to his creditors. And she said Best Solution should also pay £300 to Mr H for inconvenience and distress. Mr H found out about this at a time he's been seriously ill.

Best Solution didn't reply, so the complaint's come to me for a final 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.

I think Best Solution is aware of this complaint, even though they haven't responded to Mr H or our adjudicator. Mr H has sent us copies of his letters to them. And having looked at everything I agree with the adjudicator's conclusions.

I've received Mr H's bank statements showing his monthly payments. And I've also received statements from his creditors. From this information I'm satisfied that Mr H has made a monthly payment to Best Solution almost every month between September 2008 and January 2015. In that time, he's paid Best Solution just under £6,000. And his creditors have received just a fraction of that money.

Like the adjudicator I'm not satisfied that Best Solution explained to Mr H they would be deducting such a large fee from the money he paid them. Had they done that I think he'd have stopped the debt reduction plan, and got other help with his debts (as he's now done). And I can't see that Best Solution explained the consequences to Mr H of making minimal payments over such a long period.

So I agree with the adjudicator that Best Solution must refund to Mr H the money he's paid them, with interest, less the payments I can see they've passed on to his creditors. They are not entitled to deduct their management fee from the refund.

Mr H entered the debt reduction plan to ease his financial difficulties. Instead he's paid a substantial amount and has seen his debts reduce by only a very small amount. He's discovered this at an already difficult time in his life, when he's been having medical treatment for a serious illness. I'm sure Best Solution' handling of this matter has added to his troubles, and has caused him upset, worry and inconvenience. I think £300 is fair compensation for this.

my final decision

My decision is that I uphold this complaint. I order Sterling Financial Security Ltd trading as Best Solution to:

- refund to Mr H £5,686.68 representing the payments he's made to them less the payments they've passed on to his creditors; and
- add interest to the payments Mr H paid to them between September 2008 and January 2015 at the simple annual rate of 8% from the date he made each payment to the date of settlement. If they deduct tax from this interest element of my award they should also send Mr H a tax deduction certificate when they pay him; and
- pay Mr H £300 for the upset, worry and inconvenience they've caused him.

Sterling Financial Security Ltd trading as Best Solution must pay the total compensation within 28 days of the date on which Mr H accepts my final decision. If they pay later than this they must also pay interest on the £300 from the date of the final decision until the date of payment at the simple annual rate of 8%.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 October 2015.

Amanda Maycock
ombudsman