

## **complaint**

Mr T complains that NEO Media Solutions Limited (trading as One Debt Solution) did not pass on to his creditors payments he made to it under a debt management agreement, and refused to return his payments after he cancelled his agreement with it.

## **background**

Our adjudicator recommended that this complaint should be upheld. He considered that NEO's agreement with Mr T did not comply in a number of respects with the Guidance on Debt Management issued by the Office of Fair Trading in 2008. In particular:

- it was not written in plain and easily understandable language, and did not clearly differentiate between claims management and debt management activities of the plan;
- it did not clearly explain that the debt adjusting activities would not commence until liability for the debt had been established;
- it did not explain that all Mr T's monthly payments could be absorbed by NEO's fees, with nothing being passed on to his creditors, or the consequences if this happened, for example that his debts might then increase; and
- the agreement said that NEO would attempt to stop interest and charges being added, but did not warn Mr T that creditors did not have to agree to this.

The adjudicator considered that Mr T had seen no benefit from entering into the agreement with NEO; indeed his financial situation had worsened. He recommended that NEO refund the £2,400 Mr T had paid, with interest, less any sum it had actually passed on to his creditors. From enquiries he had made, he concluded that two creditors had received a total of £175.96. He also recommended that NEO pay Mr T compensation of £200 for the distress and inconvenience it had caused him.

Mr T accepted the adjudicator's recommendation. However, NEO has failed to respond to this service, and so this complaint has been passed to me to issue a final decision.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I find that I agree with the adjudicator's conclusions, and for broadly the same reasons.

I have considered the documentation which Mr T signed. I find that this does not clearly differentiate between the different aspects of the plan, or explain clearly the way charges would be taken and the way payments would be made to creditors. NEO did not adequately explain the nature and effect of the agreement Mr T was to sign, and did not pass on payments he made to his creditors, as he expected it to do. I consider, therefore, that NEO breached, in a number of respects, the Guidance on Debt Management issued by the Office of Fair Trading in 2008.

I conclude that NEO should refund to Mr T £2,224.04, being the £2,400 he paid to NEO, less the £175.96 it actually passed on to his creditors. In addition, NEO should pay interest on the money Mr T paid it from the date he made each payment until settlement.

I also agree that NEO should pay Mr T compensation of £200 for the distress and inconvenience it has caused him.

**my final decision**

My decision is that I uphold this complaint and direct NEO Media Solutions Limited (trading as One Debt Solution) to:

1. pay Mr T £2,224.04, plus interest on each payment he made to NEO at the annual rate of 8% simple from the date he made the payment to the date of settlement; and
2. pay Mr T £200 for distress and inconvenience.

If NEO does not pay this award in full within 28 days of Mr T accepting this decision, I direct NEO to pay interest, at an annual rate of 8% simple, on the £200 compensation from the date of this decision until this complaint has been settled in full.

If NEO considers that it has to deduct tax from the interest element of my award, it should send Mr T a tax deduction certificate when making payment, which he can use to reclaim the tax, if he is entitled to do so.

I remind NEO that my decision and award is enforceable through the courts, if Mr T accepts it.

Lennox Towers  
**ombudsman**