

complaint

Mr M complains that ClearDebt Limited shouldn't have sold him an Individual Voluntary Arrangement ("IVA"). The complaint is brought to this service on Mr M's behalf by an independent adviser. But for ease, I shall refer below to all actions being taken by Mr M unless stated otherwise.

background

Mr M approached ClearDebt in around January 2012 to assist him with a debt. He said that he was vulnerable at the time. And he was employed and had no assets. Mr M is unhappy that he wasn't made aware of other options and that ClearDebt sold him an IVA. He said he had only one creditor with an outstanding balance of less than £10,000. Mr M also said his relationship with the creditor hadn't broken down. He believes there were other more suitable options available to him at the time. And Mr M now understands that a fee free debt management plan would have been more suitable for him. ClearDebt didn't provide any information in relation to the complaint.

The investigator concluded that ClearDebt hadn't acted reasonably in the absence of any evidence from ClearDebt. Because of this, she thought that ClearDebt should refund all the fees Mr M paid to the IVA. She also said that ClearDebt should pay Mr M £200 compensation.

ClearDebt didn't provide a response to the investigator's recommendations.

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 can see that ClearDebt was aware of Mr M's complaint as it acknowledged his complaint letter on 26 May 2016. ClearDebt also acknowledged this service's request for information about the complaint on 3 January 2017, but hasn't provided any information to us.

I note that at the time the IVA was sold that the Office of Fair Trading's Debt management guidance dated September 2008 applied. This said that debt management services must be carried out with due care, skill and fairness and that all advice given should be in the best interests of the consumer. I note that Mr M said that the only solution he had been referred to was an IVA, with no discussion about other options. But, I understand that IVAs are expensive, and may be suitable where there are at least two debts and two creditors, and where a consumer doesn't want to deal with his creditors directly. I can see that this wasn't the case here as Mr M only had one debt, one creditor, and was happy to deal directly with his creditor.

So, I don't think that ClearDebt acted reasonably in only referring Mr M to an IVA. And, I can see that there were other options that Mr M could have considered. So, in the absence of any evidence from ClearDebt, I'm not persuaded that ClearDebt acted appropriately. And I agree with the investigator that ClearDebt should refund all the fees Mr M paid to the IVA, and that it should pay Mr M £200 compensation.

my final decision

My decision is that I uphold this complaint. In full and final settlement of this complaint, I order ClearDebt Limited to:-

1. Refund all the fees Mr M paid to the IVA; and
2. Pay Mr M £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 April 2017.

Roslyn Rawson
ombudsman