

complaint

Mr and Mrs C complain that Assured Money Solutions Limited ("AMS") told them they would be debt free in five years under its debt management plan, but this hasn't happened.

background

Mr and Mrs C took out the debt management plan in 2011. They have paid regularly into the plan to clear their debts with a number of creditors. Mr and Mrs C have paid a total of £40,800 to AMS.

AMS is now in liquidation and is not responding to the complaint.

Our adjudicator obtained statements from most of Mr and Mrs C's creditors which showed that payments had been distributed by AMS, apart from the final September 2015 payment. Also some payments in 2015 were made late, so Mr and Mrs C incurred charges.

The adjudicator recommended that AMS should refund the final, undistributed payment of £800, plus interest. He also recommended AMS should pay Mr and Mrs C £250 compensation in recognition of any unnecessary charges and/or trouble and upset caused.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs C say they were promised that their debt management agreement would end in June 2016. They say they have paid more into the plan than the total amount of their debts in 2011, which was about £40,000.

Mr and Mrs C say AMS wanted to extend the plan beyond 60 months and waive its fee, but they were unhappy to keep paying into the plan.

I haven't found anything in the available marketing material that talks about being debt free within five years. But this might have been possible if AMS had succeeded in persuading Mr and Mrs C's creditors to freeze the interest on their various accounts.

AMS's terms and conditions say -;

"10. Your counsellor has made you aware that creditors in the initial stages of negotiation will continue to correspond with you, we have no way of stopping this and negotiations will take between 4 and 20 weeks before agreement is reached. In month 2 and 3 we will make token payments to your creditors whilst negotiations are under way for the creditor to freeze all interest and charges with regard to that particular account. If a creditor does not agree to freeze Interest we will withhold all monies within the clients account until they agree to do so."

AMS didn't manage to negotiate interest freezes on all of Mr and Mrs C's accounts. So, even if the creditors were being paid regularly, it would take longer to pay off the debts. Although I can see that some creditors reduced their rates.

Mr and Mrs C should have been told at the beginning that their creditors might not agree to freeze the interest on their accounts.

Not all of Mr and Mrs C's creditors have replied to our correspondence. But the account information we've received from the others indicates that AMS distributed payments to them most months of the plan. There were gaps some months when some or all creditors don't seem to have been paid. We don't have any explanation for this, as AMS is no longer responding to the complaint.

I have no reason to doubt that the payments to the other creditors, who haven't sent in information, followed a similar pattern.

The balance of Mr and Mrs C's monthly payments would have been kept in fees by AMS. Under its terms and conditions AMS was allowed to keep the first three instalments, apart from token payments to creditors in month 2 and 3. After that, it was entitled to keep 14.99% of the monthly payment for servicing the plan. Although, Mr and Mrs C were actually paying £90 per month in fees at the beginning, which later went up to £100. It is not clear when the monthly fee increased.

Even though AMS didn't manage to get all of Mr and Mrs C's creditors to freeze interest, it seems to have passed on their payments to their creditors in line with the debt management plan for the most part. So, I think it is fair that it should keep its fees for setting up the plan and for the months it passed on payments correctly.

However, there are gaps as follows:

- June 2015 – not all creditors paid;
- August 2015 – not all creditors paid;
- September 2015 – no payments distributed.

For this reason, AMS must refund the following to Mr and Mrs C:

1. Mr and Mrs C's payment of £800 for September 2015, plus interest at the gross rate of 8% simple per year from the date they made the payment (14 September 2015) until the date of refund;
2. the undistributed balance, including the monthly fee, for June and August 2015. I do not think AMS should be allowed to keep any fee for these months if it didn't distribute payments properly in accordance with the agreement.
AMS must also add interest at the gross rate of 8% simple per year from the date Mr and Mrs C made their monthly payments for each of these months until the date of refund.

Also, as some payments were delayed, I award £300 compensation to cover the charges Mr and Mrs C incurred and for the trouble this has caused them.

my final decision

My final decision is that I uphold Mr and Mrs C's complaint against Assured Money Solutions Limited.

I direct AMS to make payments to Mr and Mrs C in accordance with what I have said in the preceding paragraphs.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 22 February 2016.

Athena Pavlou
ombudsman