

complaint

Miss D complains that NEO Media Solutions Limited (trading as One Debt Solution) (NEO) did not distribute payments to her creditors.

background

Our adjudicator recommended that the complaint be upheld. In summary he said:

- he was not convinced the plan NEO set up for Miss D met the Office of Fair Trading (OFT)'s debt management guidance;
- he did not think NEO had clearly explained the nature of the services, or the cost of those services;
- Miss D was not warned about the potential consequences of stopping regular payments to creditors while NEO negotiated with them.

The adjudicator recommended that NEO refund all payments not distributed to creditors, plus interest, and pay Miss D £200 for the distress and inconvenience this matter has caused her. He was also satisfied that NEO are directly responsible for £60 of charges incurred on one of Miss D's accounts.

NEO has not responded to the adjudicator's view. Therefore the matter has been referred to me for determination.

We have recently been told that NEO has entered into voluntary liquidation and a liquidator has been appointed. Miss D should note this development and the potential implications it may have for her in terms of recovering any money she is owed.

my findings

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

Statements show that Miss D paid NEO a total of £1,170 between November 2011 and July 2012. However, under the plan she entered, only a small amount of money was distributed to her creditors, while the rest was retained by NEO as part of a 'debt reduction' programme.

From the information provided, like the adjudicator, I am not satisfied that the features of the plan were clearly explained to Miss D in accordance with the OFT's debt management guidance. More specifically I am not satisfied NEO clearly explained:

- the specific nature of the service supplied;
- the likely or anticipated costs of the service and what those costs cover;
- that regular payments to creditors would not be distributed while debts were being challenged;
- the potential consequence of stopping regular payments to creditors while NEO negotiated with them.

From Miss D's submissions I am not persuaded she received the type of plan she wanted or expected - I do not think she would have entered into this arrangement if she had properly understood it. Furthermore, NEO has not offered persuasive evidence of any work done on Miss D's behalf that would justify it retaining management fees.

I agree with the adjudicator's recommendations – in that it is reasonable for Miss D to receive a refund of what she has paid NEO, less the amount it has paid to her creditors.

Interest should be added to each of the refunded payments from the date of each payment to the date of settlement.

This service has contacted the creditors under the plan. From the information provided I am satisfied that NEO has only distributed £180.81 to Miss D's creditors. Therefore this will be deducted from the refund due to her.

On the majority of Miss D's accounts it is difficult to establish exactly how much, if anything, she has been charged by creditors as a direct result of NEO's failings. However, in these particular circumstances, I am satisfied that due to NEO's inaction Miss D lost the benefit of a frozen charges arrangement on one of her accounts - and incurred £60 of charges as a result. Therefore I am satisfied NEO should pay Miss D this amount too.

I agree that Miss D has been caused distress and inconvenience by NEO. It has been unclear in its communication with both Miss D and this service. In this instance I find a compensation figure of £200 is appropriate.

my final decision

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

- refund all payments not distributed to Miss D's creditors, totalling £989.19 plus interest calculated at 8% simple per year from the date each payment was made to the date of settlement; and
- pay Miss D £60 to compensate her for the charges incurred on one of her accounts; and
- pay Miss D a further £200 for distress and inconvenience.

NEO must pay this award within 28 days of Miss D accepting my decision. If it pays later than this it must also pay interest on the £60 compensation for charges incurred and the £200 distress and inconvenience compensation at the rate set out above, to the date of settlement.

If NEO considers that tax should be deducted from the interest element of my award, it should provide Miss D with the appropriate tax deduction certificate so that she is able to claim a refund, if appropriate.

Mark Lancod
ombudsman