

complaint

Mrs G complains that Debt Connect (U.K.) Limited has mis-managed a debt management plan ('DMP') she had with it. In summary she says it failed to pass all her payments on to creditors and that it is holding on to money which was intended to settle some of her debts.

background

Mrs G had been paying Debt Connect regular payments to pass on to her creditors, and during the DMP she had agreed to reduce those payments so that some money could be held on account to settle some of her accounts.

Our adjudicator worked out the fees which Mrs G had agreed to pay Debt Connect under the DMP and how many of her payments Debt Connect had passed to her creditors. After doing so he considered that Debt Connect had not distributed all of Mrs G's money to creditors and appeared to be still holding some money in her client account for settlement purposes. He recommended it refund her this plus simple interest.

He also noted that because Debt Connect had missed some regular payments to Mrs G's creditors it was not entitled to retain all the agreed management fees and should refund 30% of these to Mrs G.

Debt Connect has not provided any substantive response to our adjudicator's recommendations. Therefore, this matter has been passed to me for final determination.

my findings

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

I am unable to consider complaints about Debt Connect's management of the account while it did not hold a consumer credit licence. In line with our adjudicator, there is one payment Mrs G made to Debt Connect after it lost its consumer credit licence (on 18 November 2013) which I am not considering here as it relates to the handling of her account during an unlicensed period.

Debt Connect has failed to provide this service with a substantive response to this complaint. Therefore, I have had to rely on Mrs G's submissions, which I consider to be credible and consistent. From what she has said, and the wider evidence available I am satisfied that she had agreed with Debt Connect around January 2008 that she would pay it to distribute her money to creditors for a setup fee of £120 and a monthly fee of £100.

I consider that Mrs G then agreed to reduce her payments to creditors as part of a plan to put aside money to make full and final settlement offers to creditors. Letters confirm that Debt Connect would charge a £200 setup fee for this and 15% plus VAT of each settled debt.

From the persuasive bank records on file I am satisfied that from January 2008 to 18 November 2013 Mrs G paid Debt Connect a total of £41,720. From the creditor statements and other documentation on our file I am satisfied that Debt Connect distributed a total of £20,335.27 to Mrs G's creditors and that it settled two of her debts as part of its debt settlement service.

I have no reason to doubt what Mrs G says were the agreed fees for Debt Connect's services. I am satisfied that Mrs G was due to pay it a total of £320 in set up fees, £100 a month in management fees, and £347.96 in settlement success fees. This is a total of £7,568 (up to 18 November 2013).

These calculations show that after a deduction for its fees Debt Connect is still holding £13,816.73 of Mrs G's money. I do not consider that Debt Connect can fairly hold on to this money so it should refund this to Mrs G. Originally our adjudicator recommended that a small deduction be made from this amount to reflect the money that Mrs G owes another company which appears to be associated with Debt Connect. However, as this is a separate limited company I do not think this type of deduction is appropriate in respect of Mrs G's complaint against Debt Connect.

Furthermore, I consider that during its management of Mrs G's account Debt Connect has failed to pass on several payments to her creditors. I am not satisfied that (in line with Office of Fair Trading guidelines on debt management) Debt Connect made it clear to Mrs G that it was stopping payments to creditors, or that in doing so it was acting in her best interests. After looking at this record of mis-management I find that a 30% refund of the total monthly management and setup fees Mrs G paid it is fair and reasonable (excluding settlement success fees). This works out at £2,166.

I also consider that Debt Connect's failure to adequately respond to Mrs G's complaint has caused her distress and inconvenience. It should fairly pay her £250 to reflect this.

my final decision

My final decision is that I uphold this complaint and direct Debt Connect (U.K.) Limited to:

- refund Mrs G the £13,816.73 funds which are unaccounted for;
- refund her 30% of its management fees (which I calculate to be £2,166);
- pay 8% simple interest on the above refunds, from the date the payments were made, to the date of settlement; and
- pay £250 for distress and inconvenience.

If Debt Connect chooses to deduct tax from the interest element of my award it should provide Mrs G with a certificate of tax deduction so she may claim a refund, if appropriate.

Mark Lancod
ombudsman