

complaint

Mr and Mrs M complain about a debt reduction agreement that they took out with NEO Media Solutions Limited, trading as One Debt Solution. They complain that it did not pay money to their creditors as it had agreed to do.

background

Mr and Mrs M entered into a debt reduction agreement with One Debt Solution in October 2011. They made payments totalling £4,500 to One Debt Solution but only £156 was paid to their creditors and Mr M received a charging order relating to one of his debts. Mr and Mrs M complained to One Debt Solution and asked it to cancel their agreement and to refund the payments that they had made. They were not satisfied with One Debt Solution's response so complained to this service.

The adjudicator recommended that this complaint should be upheld. He concluded that the agreement did not comply with the Office of Fair Trading's guidance about debt management. In particular, he concluded that One Debt Solution did not differentiate between the claims management services and debt adjusting services that were to be provided and that it did not properly warn Mr and Mrs M about the potential consequences of the agreement. He was unable to hold One Debt Solution directly responsible for the charging order. He recommended that One Debt Solution should refund £4,344, with interest, to Mr and Mrs M and that it should pay £250 to compensate them for the distress and inconvenience that they had been caused.

One Debt Solution has not responded to the adjudicator's recommendations. Mr and Mrs M say that it should pay them more compensation.

my findings

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

It is clear from the agreement that One Debt Solution was to provide claims management and debt management services to Mr and Mrs M. I do not consider that the agreement is as clear as it should be about the differences between the two services or the amounts that would be charged by One Debt Solution for those services. I therefore consider that the agreement did not comply with the Office of Fair Trading's guidance. One of Mr M's creditors rejected the repayment offer proposed by One Debt Solution and it obtained a charging order. I am not persuaded that there is enough evidence to show that One Debt Solution acted incorrectly in its dealings with that creditor. Mr and Mrs M asked One Debt Solution to cancel their agreement, to refund their payments and to pay them compensation. It agreed to cancel their agreement but refused to pay any amounts to Mr and Mrs M. They had made ten payments of £450 each, totalling £4,500, to One Debt Solution but the evidence available to me shows that it had only paid £156 to their creditors.

I consider that it would be fair and reasonable for One Debt Solution to cancel the agreement (if it has not already done so) and to refund to Mr and Mrs M £4,344 (which is £4,500 less £156) with interest. Mr and Mrs M will undoubtedly have been caused distress and inconvenience by these events. Awards of compensation made by this service for distress and inconvenience tend to be modest. I consider the £250 compensation recommended by the adjudicator to be fair and reasonable in these circumstances and to be

consistent with other awards made by this service where comparable amounts of distress and inconvenience have been caused.

my final decision

For these reasons, my decision is that I uphold Mr and Mrs M's complaint. In full and final settlement of it, I order NEO Media Solutions Limited, trading as One Debt Solution, to:

1. Cancel the agreement at no cost to Mr and Mrs M.
2. Refund £4,344 to Mr and Mrs M.
3. Pay interest on that amount at an annual rate of 8% simple from the date of payment to the date of settlement.
4. Pay £250 to Mr and Mrs M to compensate them for the distress and inconvenience that they have been caused.

If One Debt Solution deducts tax from the interest element of my award, it should send Mr and Mrs M a tax deduction certificate when making payment. They can then use that certificate to reclaim the tax if they are entitled to do so.

Jarrod Hastings
ombudsman