

complaint

Mrs D complains that the debt plan she took through Debitum Limited was mis-sold and not administered properly.

background

Mrs D took a debt plan with Debitum in January 2011. She says that, at the time, she was steadily repaying her debts but that the Debitum representative told her that if she took the debt plan she would benefit from substantial debt write-offs by her creditors.

That turned out not to be the case, and Mrs D says that Debitum also failed to account properly for monthly repayments. Overall, Mrs D feels that she was misled about the benefits of the plan and how it would work.

Debitum didn't accept that the terms of the plan had not been clear, or that it had treated Mrs D unfairly. As things were not settled, Mrs D brought her complaint to this service where an adjudicator investigated it.

From the available evidence, the adjudicator did not consider that the way the plan operated, or the consequences for Mrs D's finances, had been made clear to her when the plan was sold. The adjudicator also found that taking the plan had left Mrs D in a worse financial position than before.

Overall, the adjudicator concluded that Debitum should put things right by:

- refunding all the payments Mrs D made under the plan; and
- paying Mrs D £750 compensation for her trouble and upset.

Mrs D responded to say she felt that was fair. Debitum did not respond, other than to ask for more time to reply. I'm satisfied that Debitum has been allowed a fair opportunity to say why it was not willing to offer the recommended settlement.

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've noted what Debitum has told us about the nature of what it sold to Mrs D, and why it considers that Mrs D's dissatisfaction should be directed at her creditors and not at it. But the terms of this plan were, in my view, unusual and potentially onerous. I'm not persuaded that its exact nature, inherent uncertainties and risks were made sufficiently clear to Mrs D when she was sold the plan.

I'm satisfied that, before she took the plan, Mrs D was managing with her regular payments to creditors and there's nothing I have seen that leads me to suppose this would have changed.

But entering the debt plan with Debitum changed that, and her financial and credit position was made substantially worse than before. In particular, she incurred default registrations from creditors.

Failure by Debitum to deal properly with Mrs D's change of address caused her to have to attend court and take emergency action to avoid a court judgement being entered by one of her creditors.

Mrs D paid a significant amount of money during the time the plan was in place, of which only a small proportion went towards the reduction of her debts. Debitum also mismanaged payments under the plan and does not seem to know what amounts it received from Mrs D. Taking everything into account, I can't see that Mrs D received any material benefit from taking the plan.

In all the circumstances, I agree with the adjudicator that it is fair that Debitum should refund all the money Mrs D paid and compensate her for the trouble and upset caused to her by taking the plan.

my final decision

My final decision is that I uphold this complaint and I direct Debitum Limited to:

- refund all the payments Mrs D has made under the plan (which is six months at £100 and 33 months at £120 – a total of £4,560); and
- pay Mrs D £750 in respect of trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 13 June 2016.

Jane Hingston
ombudsman