

## **complaint**

Miss L has complained that First Finance Money Management Limited did not manage her debt management plan effectively. She is particularly concerned that interest and charges continued to be added to the credit card account, which was part of the plan.

## **background**

Miss L took out a debt management plan with First Finance in 2010. She only had one credit card debt – of more than £8,000 – which formed the only aspect of the plan. First Finance contacted Miss L's credit card provider to see whether they would freeze interest and charges on her account. This didn't happen.

First Finance paid monthly amounts to the credit card company on Miss L's behalf. These were paid by cheque and often arrived late which meant further fees being added to Miss L's account. They also missed at least three monthly payments. The credit card provider sold on the debt in 2012. Miss L's debt was now more than it had been when she entered into the plan.

Although Miss L is now arranging to pay off her debt, and no interest and charges are being applied, she has complained that First Finance did not help her when she requested them to.

Our adjudicator recommended that her complaint was upheld. He felt that there was sufficient evidence to show that if income and expenditure information had been provided to Miss L's credit card company, they would have suspended interest and charges. Therefore it was fair for First Finance to put Miss L's debt in the position it would have been if this had happened. In addition he thought £300 compensation should be paid to Miss L for the distress caused.

First Finance strongly disputed this and did not consider this to be fair, although they did offer to pay back management fees and interest. They believed the credit card company were also at fault for not freezing interest and charges.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive, or contradictory, as some of it is here, I reach my decision on a balance of probabilities – that is to say, what I consider is most likely to have happened in the light of the evidence that is available and the wider surrounding circumstances.

It's worth stating upfront that I do not believe it is fair that Miss L's debt increased during the time First Finance were managing it. I have seen the letters they sent to her credit card company asking them to freeze interest. In return, First Finance was asked to provide them with information about Miss L's income and expenditure so that they could assess this properly.

I have seen no evidence to indicate this was ever provided. I accept that First Finance's records are incomplete and they can't show what happened one way or the other. They believe that it's most likely that the credit card company did not update their records. On balance, I don't believe this is what happened. I consider that First Finance did not complete

the information requested by the credit card company and this led to charges continuing to mount up.

It is clear that First Finance did not manage Miss L's debt effectively. For instance they continued to make monthly payments by cheque knowing that these were regularly credited to Miss L's account late with further fees being charged.

Whilst First Finance wonders that the credit card company may be at fault, I don't agree with their assessment. The credit card company will be aware of best practice which means they should suspend interest and charges. I believe they would have done this if First Finance had provided what was needed.

This all leads me to conclude that I broadly agree with our adjudicator's conclusions and the redress he recommended. As First Finance did not provide the service I believe they agreed with Miss L, the fair and reasonable redress is that she should be put in the position she would have been in if she had never entered the debt management plan.

I appreciate this places a considerable liability and cost on First Finance and I haven't done this lightly. I was encouraged that First Finance accepted that management fees and interest should be refunded but I believe that the payments Miss L made to First Finance should also be used to offset her debt.

And finally I do believe their actions have increased the problems that Miss L has had and therefore £300 redress should be paid to her for the distress caused.

### **my final decision**

For the reasons stated above, my final decision is to uphold Miss L's complaint against First Finance Money Management Limited and instruct them to:

- Pay the equivalent of the interest charged to Miss L's credit card from 2010 to 2012, which is £496.17, to the current owner of Miss L's credit card debt;
- Pay all the money that Miss L paid to First Finance, except the management fees, to the current debt owner. This works out at £1,836.36;
- Refund Miss L all the management fees she paid to First Finance which works out at £440, along with 8% interest from the dates the payments were made until the date of settlement; and
- Pay Miss L £300 for the distress caused to her.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss L to accept or reject my decision before 2 March 2015.

Sandra Quinn  
**ombudsman**