

## **complaint**

Miss R and Mr W complain about a debt management plan they entered into with Grass Roots (Financial) Limited. They are unhappy about the way the plan has been administered and feel that Grass Roots has not done what it should have done when dealing with their respective creditors.

Miss R and Mr W also say they were not told about the charges that would be taken from the payments they made to Grass Roots, or the affect this would therefore have on the payments being passed to their creditors.

## **background**

The adjudicator who considered the complaint recommended it be upheld. She found that Grass Roots had not administered the plan correctly, it had failed to deal with the creditors in a reasonable time period and failed to pass on the required payments to creditors. The adjudicator also felt that Miss R and Mr W were not made sufficiently aware of the impact of entering into the plan on their respective creditors.

The adjudicator recommended Grass Roots refund the payments Miss R and Mr W made to Grass Roots, less the payments that had been passed to their creditors. She suggested interest be applied to the refunded payments and a further £200 be paid for the distress and inconvenience caused.

Grass Roots did not accept the adjudicator's findings. It did accept that it could have passed the payments to the creditors sooner and offered to pay Miss R and Mr W £200. It did not however feel that it should be required to refund what the adjudicator had proposed.

Miss R and Mr W did not accept the offer of £200 and as the complaint could not be resolved informally it has now been referred to me for consideration.

## **my findings**

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

Miss R and Mr W say they understood they were entering into an arrangement with Grass Roots where it would challenge the debts they had with their respective creditors initially, and then make payments to their creditors on their behalf if the debts remained. They say they were aware of some upfront fees but were not however aware of the on-going fees when Grass Roots moved to the second more traditional debt adjusting stage of the agreement.

I have considered the terms and conditions of the agreements that Miss R and Mr W signed and accept they do refer to the specific terms of the arrangement they were taking out. However, I must also consider what Miss R and Mr W say they were told, or not told, by the employee of Grass Roots who advised them to take out the plan. They say they were led to believe they would be debt free in five years and they were not told that fees would be deducted from the payments they made during the debt repayment plan part of the arrangement.

I appreciate Grass Roots say that its advisor would have followed a particular script but I cannot however be certain that this was the case. I note that the Grass Roots employee who advised Miss R and Mr W was a relative of Mr W but this does not however demonstrate that they were provided with the full details of the arrangement they were advised to take out. Miss R and Mr W have been consistent throughout their complaint and I find their submissions entirely plausible.

Miss R and Mr W paid four payments of £680 to Grass Roots so it could negotiate with their creditors about the validity or enforceability of their debts. They also paid a fee of £70 and a further £56 so minimal payments could be made to their creditors. Minimal payments of £1 were made to the creditors over the first few months, out of the £56 they paid, but I am not persuaded that Miss R and Mr W were fully aware of the implications these minimal payments would have on the creditors. I am also not satisfied that Miss R and Mr W were kept informed about the progress of their plan or the negotiations that had taken place with their creditors.

Miss R and Mr W say they were surprised to find out that the fees would be deducted from their payments during the debt management part of the arrangement and that only £156 of the £409 had actually been passed to their creditors. Miss R and Mr W stopped making the £409 per month payments once they realised how much was being kept in fees and how little was actually being passed to their creditors. The monthly administration fees were not insignificant here and I would expect these to have been clearly brought to Miss R and Mr W's attention before they agreed to enter into the plan.

Having considered all of the submissions that have been presented in this complaint I do not think the full terms, costs or implications of taking out the arrangement were made completely clear to Miss R and Mr W. Had they been fully informed I think they would not have agreed to take out the plan, or therefore make payments to Grass Roots that exceed £3,500.

Although I note that Grass Roots has offered to pay Miss R and Mr W £200, I do not think this goes far enough. As I do not think they would have entered into the agreement I do not think it would be reasonable for Grass Roots to keep the payments that Miss R and Mr W made. I accept that Miss R and Mr W should not receive a refund of all of the payments they have made, as some payments have been made to their creditors. Grass Roots should however refund all the payments Miss R and Mr W paid, with interest, less what has actually been passed to their creditors.

I also think that Grass Roots has caused Miss R and Mr W some inconvenience and it should make an additional payment in recognition of this. Having considered the circumstances here I think an additional payment of £200 is reasonable.

### **my final decision**

My final decision is that I uphold this complaint and I direct Grass Roots (Financial) Limited to:

- refund all of the payments that it received from Miss R and Mr W, with interest;
- less the payments that were passed to Miss R and Mr W's respective creditors; and,
- pay an additional £200 for the inconvenience caused.

When issuing the payment to Miss R and Mr W, Grass Roots should also provide a clear breakdown of the payments made to their creditors.

Should Grass Roots consider that tax should be deducted from the interest element of my award it should provide a tax deduction certificate so Miss R and Mr W can reclaim the tax if they are eligible to do so.

Mark Hollands  
**ombudsman**