

complaint

Mr N complains that Harrington Brooks (Accountants) Limited has not administered his debt management plan properly.

background

Mr N began a debt management plan (DMP) with Advanced Debt Solutions (now Harrington Brooks) in October 2007, paying £320 per month. In late 2011 he asked Harrington Brooks to provide a statement of his plan, including the outstanding balance for each of his debts. Mr N says he was shocked to discover that his outstanding debts totalled more than £15,000 despite him having paid over £17,000.

Our adjudicator upheld the complaint in part. She was satisfied that Harrington Brooks had fulfilled its debt management duties in some respects but not others. She recommended that it:

- refund £1,349.15 of its fees, plus interest, because it had delayed or missed making payments to Mr N's creditors;
- refund £231.03, plus interest, in respect of interest added to a debt by one of Mr N's creditors as a direct result of Harrington Brooks' poor management of the DMP; and
- pay Mr N £150 for the distress and inconvenience this caused him.

However, our adjudicator explained that Harrington Brooks could not compel Mr N's creditors to freeze all interest on the debts and, having compared the total debt at the start of the DMP against Mr N's monthly payments, did not agree that the outstanding balance was too high.

Neither Harrington Brooks nor Mr N fully accepted those conclusions so the matter was referred to me.

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 uphold this complaint in part. I have, however, amended the redress proposed by our adjudicator.

Mr N says that he had four debts totalling approximately £19,000 when he started the DMP. However, this isn't right and I believe this incorrect starting point has caused much of the problem.

Harrington Brooks has given us a document it says was drafted at the start of the DMP from information provided by Mr N; this shows five debts totalling almost £23,200. I am satisfied that this document is genuine. It also supports our findings; the information we have received from Mr N's creditors shows that he had five debts totalling approximately £26,000 when he started the DMP in October 2007. So I am satisfied that the total debt was much higher than Mr N recalls.

By January 2012, Mr N had paid Harrington Brooks £16,320. Of this, Harrington Brooks retained approximately £3,300 in fees – 100% of the first two monthly payments plus 17.5% of the subsequent monthly payments – and distributed around £13,000 to Mr N's creditors.

Given a starting debt of £26,000, and given not all Mr N's creditors froze interest, I do not consider a balance of £15,427.38 in January 2012 to be unrealistic.

Whilst Harrington Brooks has distributed payments to Mr N's creditors, it is not entirely blameless. Its terms and conditions say that it will normally distribute payments "*within five working days*". The Office of Fair Trading (OFT)'s debt management guidance says "*delay that adversely affects the individual consumer's financial position and which exceeds five working days from receipt of cleared funds is unacceptable*".

The evidence shows that Harrington Brooks failed to meet this deadline at least 24 times to the end of 2012. In these months, distributions to creditors were typically two to three weeks after Harrington Brooks received Mr N's monthly payment, occasionally later than that and sometimes missed altogether. It also failed to answer correspondence from Mr N's creditors. These failings caused at least two of Mr N's creditors to issue arrears and default notices against him. One applied interest and charges to a debt when Harrington Brooks failed to renew a repayment arrangement.

On balance, I find that Harrington Brooks has not consistently met OFT requirements while administering Mr N's DMP. In the circumstances, I consider it reasonable for Harrington Brooks to refund 50% of its monthly fees to Mr N, plus interest. It should also refund the £231.03 interest that Mr N was charged by one of his creditors when Harrington Brooks failed to renew a repayment arrangement.

Finally, I find that Mr N has suffered a certain amount of distress and inconvenience as a result of Harrington Brooks' poor administration of his DMP. I consider an award of £150 is reasonable to reflect this.

my final decision

My final decision is that I uphold the complaint in part and order Harrington Brooks (Accountants) Limited to:

- refund 50% of all monthly fees taken to the date of this final decision, plus interest calculated at 8% simple per year from the date each monthly fee was taken to the date of settlement;
- refund £233.01 to Mr N in respect of interest added to one of his debts, plus interest calculated at 8% simple per year from January 2012 to the date of settlement; and
- pay Mr N £150 to reflect the distress and inconvenience this matter has caused him.

If Harrington Brooks considers that tax should be deducted from the interest element of my award, it should provide Mr N with the appropriate tax deduction certificate so that he is able to claim a refund if appropriate.

Simon Begley
ombudsman