

complaint

Mrs N complains that Usave Money Limited (trading as The Money Group) advised her to enter a debt management plan but this did not improve her financial position.

background

The Money Group advised Mrs N to enter a debt management plan in August 2010. Its initial fee of £600 was to be paid from Mrs N's first two monthly payments of £300. Once the plan was set up, the Money Group transferred the administration of it to a partner company.

Mrs N later complained that the plan had not improved her financial position and that she should not have been advised to start it.

Our adjudicator upheld the complaint. She was not persuaded that The Money Group had acted in Mrs N's best interests by advising her to enter the debt management plan. She recommended that The Money Group refund its initial fee, plus interest, and pay Mrs N £50 to reflect the distress and inconvenience the matter has caused her.

The Money Group did not accept 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 the complaint.

First, I'm sorry that it has taken so long for this complaint to reach me for my final decision and for any frustration that this has caused either party.

The Office of Fair Trading (OFT)'s debt management guidance states: "*All advice given should be in the best interests of the client. Debt management programmes are not suitable for all debtors, and DMCs must exercise all due discretion, in the best interests of the debtor, in deciding whether or not take a debtor as a client.*" I am not persuaded that The Money Group did so.

The Money Group contacted Mrs N by telephone in August 2010. I have listened to a recording of the initial call with Mrs N. Mrs N explained that she had only two creditors: a credit card debt of £4,500 that she was repaying at £100 per month and a loan of £8,000 that she was repaying at £150 per month. While I accept Mrs N said she was getting "*close to the edge*" regarding her monthly repayments, it becomes apparent during the phone call that she had sufficient disposable income to simply increase repayments to these two debts.

I am satisfied that this would have been the most appropriate advice in this case.

I accept that The Money Group's advisor – for the most part – explained the key features of the plan, including any fees and how long it might take Mrs N to pay off her debts. But this does not outweigh the fact that the plan was inappropriate. Mrs N was already managing her debts adequately. I am not persuaded that The Money Group should have advised her to enter a debt management plan as I do not consider this to have been in her best interests.

Mrs N's primary reason for continuing that first discussion with The Money Group was that she wanted to clear her debts as quickly as possible. The Money Group advisor stressed

several times how quickly the plan could be set up – he describes this as The Money Group's "*priority service*". However, payments to Mrs N's two creditors did not begin until December 2010, over four months later. Even allowing for the fact that the first two payments (August and September) would be taken as an initial fee, I understand why Mrs N would feel that she had been misled.

I find that The Money Group should refund its initial fee, plus interest. I also find that Mrs N has suffered a certain amount of distress and inconvenience as a result of The Money Group advising her to stop her existing payments and enter the plan. I consider an award of £100 is reasonable to reflect this.

my final decision

My final decision is that I uphold the complaint and order Usave Money Limited (trading as The Money Group) to:

- refund Mrs N's initial fee of two payments of £300, plus interest calculated at 8% simple per year from the date each payment was made to the date of settlement; and
- pay Mrs N £100 to reflect the distress and inconvenience this matter has caused her.

If The Money Group considers that tax should be deducted from the interest element of my award, it should provide Mrs N with the appropriate tax deduction certificate so that she is able to claim a refund if appropriate.

Simon Begley
ombudsman