

complaint

Mr H complains that Victorstone Financial Limited has mis-managed his debt management plan and cannot account for all the money he has paid to it.

background

Mr H entered into a debt management plan with Victorstone in 2012. This involved his making a monthly lump sum payment to Victorstone which – after deduction of fees – would be distributed to his creditors in reduction of his four debts.

Mr H says that, based on the literature that Victorstone had given him, he expected to be able to complete his plan after 24 months, but discovered that the outstanding balance of his debts was greater than anticipated. Mr H agreed to continue with the plan for a further year, and says that Victorstone assured him it would try to get him a settlement deal with his creditors.

In 2015, Mr H got letters from creditors, telling him that payments were not being received. Mr H contacted Victorstone to find out what was happening and to ask for a breakdown of payments made, but says that he was unable to get any response.

Using information from his creditors, Mr H calculated that a significant part of what he paid to Victorstone was unaccounted for. He ended the debt management plan with Victorstone in June 2015 and is now repaying his debts through a debt advice charity.

Mr H brought his complaint to this service, after which Victorstone sent him a final response to his complaint. It said it had established that there was a discrepancy of £190.42 which was uncashed by creditors and delay in issuing two of his monthly payments. It offered to refund the £190.42, together with two monthly fees totalling £52.50. It later offered a further £100.

As things weren't settled, an adjudicator investigated the complaint. The adjudicator got evidence from Victorstone and Mr H, and also from Mr H's creditors. From the evidence, the adjudicator concluded that there had been a substantial number of missed and late payments by Victorstone and that £1,794.19 of the money Mr H paid to Victorstone was unaccounted for.

Taking everything into account, the adjudicator recommended that Victorstone should:

- refund 50% of the management fees it had charged;
- pay Mr H the late payment fees incurred on one of his debts;
- refund the £1,794.19 (together with interest calculated from the date of payment); and
- tell Mr H's creditors of the errors it made and ensure it hasn't resulted in adverse information on his credit report.

Victorstone did not agree with the adjudicator and said, in summary:

- Mr H did not tell it when he paid off two of the debts. He should have done, so that it could adjust repayments. That creditor seems to have continued to accept payments sent to them.
- It will need to be provided with full statements for the two settled accounts, and payments cashed by the creditor after settlement will have to be returned to Mr H by that creditor. It won't refund those.
- It will also need to see Mr H's statements for the debt on which late payment fees were incurred, as proof.
- It doesn't accept that it mismanaged Mr H's plan – 32 monthly distributions were made to creditors and less than 25% of payments were delayed. So it is not willing to refund 50% of the management charges.

Victorstone then asked for more time to consider the evidence. It provided a new payment record for Mr H, and said there had been problems due to overhaul of its IT systems requiring a lot of manual input. It made a new offer totalling £535.05 to settle the complaint and also provided ledger cheque accounts in support of its case.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It was only after Mr H brought his complaint to this service that he was able to achieve a proper overview of the amounts he had paid, and where they had gone. That's because Victorstone appears to have been unable to provide him with accurate accounts.

Victorstone has given us a number of different iterations of figures during the course of our investigation. Having considered these against the evidence showing what Mr H paid to it and what his creditors received, I am not persuaded that I can give much weight to Victorstone's accounting evidence.

It is easy to see what Mr H sent to Victorstone – because he has shown us his bank statements with regularly monthly payments of £150 going out to Victorstone. We've had to get accounts from Mr H's creditors, to cross-check what they received. Even allowing for some adjustments in relation to accounts repaid during the plan, I agree with the adjudicator that there is money missing.

The reason Mr H went to Victorstone was because he needed help to manage his debts. Yet, in spite of his making his plan repayment each month, he still ended up getting letters from creditors and debt collectors and incurred late payment fees. I find that this was down to the way Victorstone administered the plan.

We have seen standard letters that Victorstone wrote to Mr H's creditors in 2015, in which it said that Mr H "*has a shortfall in their available income with which to meet their current credit commitments*". It's not clear why such letters were sent, given that Mr H had not deviated from the £150 he had paid to Victorstone since he began the plan in 2012. If this represented Victorstone's professional attempts to get concessions on Mr H's debts then it was a rather poor effort.

Looking at everything that has been provided in this case, I find that Victorstone gave a poor standard of service to Mr H. All this came to a head at the time Mr H and his wife were expecting their first child – Mr H says they felt insecure, vulnerable and distressed and I do not doubt that.

Because of the level of financial information-gathering and assessment we have had to carry out, this complaint has taken some time to investigate. So the parties have been waiting quite a while for a determination of the complaint.

I consider that the redress recommended by the adjudicator is broadly fair, but – given the particular circumstances here – there is potential complexity in some elements of it, which I would like to overcome.

For example, calculating the interest on the refund would be a significant accounting operation which I have no real confidence in Victorstone's ability to carry out properly – and it would add yet further time, when Mr H has already waited long enough.

I am also conscious that Victorstone cannot remove adverse credit information registered by third parties. Because Mr H had already been in difficulty with debt his credit file will, inevitably, reflect that and so I don't consider it would be possible to reliably assess what (if any) part of that related directly to Victorstone's shortcomings.

Taking everything into account in this case, I have arrived at redress which I consider to be fair, clear and workable. It will provide both parties with certainty and enable settlement to be finalised quickly. This is what I find Victorstone must do:

- refund 50% of the management fees it charged, which is £414.38;
- pay Mr H £132 in respect of the additional late payment fees he incurred;
- refund the £1,794.19; and
- pay Mr H £600 to cover trouble and upset and an element of interest.

For simplicity, I have expressed my award as one total figure.

my final decision

My final decision is that I uphold this complaint and I direct Victorstone Financial Limited to pay Mr H £2,940.57.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 July 2016.

Jane Hingston
ombudsman