

complaint

Ms C's complained about a debt management plan she entered into with Debitum Limited. She's unhappy that despite her paying £240 a month her debts weren't settled.

background

Ms C entered into a debt management plan with Debitum in 2010. She says it agreed that it would arrange a settlement with her creditors, which meant she only had to make reduced payments. And that after she made the agreed payments she'd be clear from her debts. Ms C agreed to pay Debitum £240 a month – which she says she paid for 26 months.

Ms C says she later found out that her creditors hadn't agreed to settle her debts and were asking her to repay the full amount owed.

Ms C says Debitum's treated her unfairly. She says she stuck to her agreement to make payments. So she thinks Debitum should take responsibility for her outstanding debts – because it had promised that these would be settled.

Debitum hasn't responded to Ms C's complaint.

An investigator at this service looked into Ms C's complaint. He thought Debitum had acted unfairly. So he suggested it refund the amount Ms C had paid it, less any money it had passed on to her creditors. He also suggested that Debitum pay Ms C an additional £400 for the trouble and upset caused as a result of the service it had provided her.

I issued my provisional decision for this complaint in June 2017. In it, I explained that I was planning to uphold Ms C's complaint. This was because:

- I'd reviewed all the information we'd been given from when Ms C entered into her plan with Debitum. It looked to me like the service Ms C thought she was agreeing to – and paying her monthly instalments for – was for Debitum to sort out the settlement of her debts.
- And she was also told Debitum would, at the very least, pay her creditors the amount sent out in the original letter sent to settle her debts.
- But it didn't look like Ms C's creditors ever agreed to accept the reduced payments to clear the debts. So it didn't look like Debitum provided her with the service she expected. Neither, did it look like Debitum made any attempt to explain that no agreement had been reached and that there was a risk she'd still have to repay her debts in full.
- We'd been given documents which seemed to have come from Debitum. These indicated that Debitum didn't actually pass on the full amounts it had told Ms C it was going to each month.
- Given her financial situation, I thought it was unlikely Ms C would've agreed to this service if she'd known that Debitum wouldn't be passing on the agreed amounts. Nor did I think she would've agreed to this if she'd realised that Debitum hadn't reached an agreement with her creditors.

- At the end Ms C was left with a debt to pay that was higher than if she'd paid the money directly to his creditors, instead of via Debitum. So I thought Debitum should compensate Ms C to put things right.
- To put things right, I suggested Debitum repay Ms C the total amount of the payments she made to it, less the amounts it passed to her creditors. I explained how I'd reached an amount felt was the right compensation for this. I also suggested it pay Ms C an additional £400 for the trouble and upset its action had caused her.

Neither Ms C nor Debitum have responded to my provisional decision, to provide new information or comments. As the deadline for providing responses has passed, I've decided to go ahead and issue my final decision.

my findings

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

As no new information's been given, I don't see any reason for me to change what I'd previously said in my provisional decision. So for the reasons explained above and in my provisional decision, I'm upholding Ms C's complaint.

From what I've seen, I don't think it's likely Ms C would've gone ahead had she known what would've happened. So Debitum needs to compensate her to put things right.

putting things right

Ms C's told us she made 26 payments, each for £240, to Debitum. She's also given us bank statements from across the period she was making these payments, to show they were made.

I'm satisfied that Ms C made these payments. This means she paid Debitum a total of £6,240.

Debitum did pass on some of the money it received to Ms C's creditors. So, this means some of her debts were reduced. It's hard to say exactly how much Ms C would've paid her creditors had she not entered into the plan with Debitum. But I can say it's more likely than not she would've paid at least the £240 that she passed to Debitum.

So I think Debitum should pay Ms C the total amount of the payments she made to it, less the amounts it passed to her creditors.

The difficulty in this case is that Ms C's debts were passed to different businesses by her creditors as part of the debt collection process. So it's not been straightforward to understand exactly how much of the amount she paid to Debitum went towards her debts.

But I've looked over all the information we've been given through Debitum. And the best information we've got shows £1,951.88 was passed on. So that means the difference is £4,288.12.

I asked both Ms C and Debitum to let me know if they had other information that shows a different amount was paid. But nothing further has been given. So, I'm satisfied it's fair for Debitum to repay Ms C this amount.

From what I've seen it looks like Debitum's actions in this case have also caused Ms C a significant amount of trouble and upset. In particular, she's had to suffer the distress of finding out that her debts haven't been cleared despite her taking action over the past six years to sort things out. So, as a result, I agree with our investigator's suggestion to ask Debitum to pay Ms C an additional £400 in recognition of this.

my final decision

I uphold this complaint. My decision is that Debitum Limited should pay Ms C £4,688.12 to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 21 August 2017.

Adam Williams
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