

## **complaint**

Mrs P complains that she was not properly informed before entering into a debt management plan (DMP) through RG Debt Management Services Limited (trading as Debt Line).

## **background**

Mrs P contacted Debt Line in 2011 and it recommended the DMP. She agreed to have the DMP but later in 2011 cancelled her agreement with Debt Line. She says that the DMP was not an appropriate solution for her, as a debt relief order would have been better. She says she was not advised about other free services, or that there would be a monthly fee as well as initial set up fees. She also says she wasn't told that interest and charges would continue to accrue (which may have happened partly because timely payments weren't made), or that her credit file would be severely damaged.

Our adjudicator did not recommend that the complaint was upheld. She said that Mrs P's surplus income meant she would not be eligible for a debt relief order. The terms of the DMP explained the monthly fees, that it would affect the credit record and that Debt Line couldn't guarantee that interest and charges would be frozen. Appropriate payments, under the terms of the plan, had been made to a creditor during the short period Mrs P had the DMP. She said that Debt Line hadn't been obliged to tell Mrs P about free services.

Mrs P disagreed (through a representative). She argued that although guidance at that time did not specify that consumers must be advised of free services, it was a misleading omission not to do so. She also referred to a compliance review in 2010, which she said showed that the Office of Fair Trading (OFT) expected information to be given about free services. Debt Line did not comment.

## **my findings**

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

Since 2014 debt management companies have been under a duty to tell consumers that similar free services are available. But Debt Line's dealings with Mrs P were in 2011.

The 2010 review Mrs P quoted simply refers to having found that some companies were not volunteering information about free services – it does not impose any requirement that that must happen in future. There isn't any general requirement on businesses to tell consumers about other organisations offering similar services, and I can't see that it was misleading not to do so. It wouldn't have been necessary to impose the obligation regarding debt management in 2014 if that obligation had already existed.

So I don't think that, back in 2011, Debt Line acted wrongly if it didn't tell Mrs P there were similar free services.

As the adjudicator said, the written terms and conditions of the service (which would have been provided to Mrs P) made it clear that monthly fees were payable, that creditors might not be willing to freeze or reduce interest and charges, and that arrears on the account would increase initially because of the set up fees. Debt Line's records indicate that payments were made to creditors as described in the agreed terms: but Mrs P ended the agreement after a very short period.

From the income and expenditure figures recorded by Debt Line Mrs P would not have been eligible for a debt relief order.

While Mrs P would have been better off if she'd used a similar free service, or managed her debts herself, I haven't seen anything to convince me that Debt Line failed to give Mrs P appropriate information before she opted to use its services.

**my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 31 October 2016.

Hilary Bainbridge  
**ombudsman**