

## **complaint**

Mr and Mrs M complain that Debitum Limited told them that they would be debt free after five years in a debt management plan, ("DMP") with it. But, after completing the DMP, they were unhappy to discover that they still owed substantial sums to their creditors.

## **background**

Mr and Mrs M entered into a DMP with a debt management company, ("A"), in 2010, which appears to have been passed to Debitum in March 2011. Mr and Mrs M had five active debts at the time, although six debts were noted originally. Mr and Mrs M were told by Debitum at the outset that they would be debt free within five years. In reliance on this, Mr and Mrs M paid regular monthly payments of £440 to Debitum from 2011 until 2015 (except for two months), and one payment of £300. In total, Mr and Mrs M had sent to Debitum £25,930.00, but Debitum had only passed a total amount of £9,893.00 on to their creditors. So there was a shortfall of £16,037. And, after almost five years of sending £440 per month to Debitum, Mr and Mrs M's creditors have told them that they still owe significant sums towards their debts.

The adjudicator could understand why the "debt free within five years claim" would induce a customer into engaging with Debitum, and she had no doubt that is what happened in this instance. Whilst Debitum hadn't provided any information to this service, the adjudicator had seen various documents provided by Mr and Mrs M from Debitum. The adjudicator said she hadn't seen anything to suggest that Debitum had complied with even the most basic of its obligations as a DMP provider. The adjudicator also thought that it was quite evident that Mr and Mrs M had been misled regarding what Debitum could offer, and as a result their financial situation had worsened. The adjudicator didn't think it was fair or reasonable for Debitum to retain any fees in this instance. To resolve this matter, she said that Debitum should:

- Refund £16,037 to Mr and Mrs M; and
- Pay them a further £500 compensation

Debitum hasn't provided a response to the adjudicator's view.

## **my findings**

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

I note that Debitum hadn't provided any information to assist with the adjudicator's investigations, nor has it responded to her recommendations. I also note that Debitum ceased trading in May 2016. But I've seen copies of Debitum's initial correspondence with Mr and Mrs M's creditors as well as evidence from Mr and Mrs M's creditors to show what most likely had happened.

I can see that Debitum wrote to the creditors in around March 2011 with a proposal to the effect that each should write off the balance of Mr and Mrs M's debt after receipt of 56 monthly payments (of a different amount for each creditor) plus a £5 cheque which was sent with its letter. It said that if the creditor accepted the cheque, then this would mean that the creditor considered Debitum's proposal to be acceptable. As Debitum's proposal meant that a large amount of each debt would have to be written off by each creditor, I can understand

why Mr and Mrs M were willing to accept Debitum's advice and make the repayments. But I can't see that Debitum had clearly explained the terms of the DMP and the risks of its proposal to Mr and Mrs M. And I've seen nothing to suggest that the creditors had agreed to write off their account balances simply because they chose to accept a £5 cheque towards Mr and Mrs M's debts.

I can also see that Mr and Mrs M paid a substantial amount of money to Debitum whilst the DMP was in place, but only a relatively small amount of this actually went towards the reduction of their debts. The creditors' payment records show that in some months Debitum didn't send them any payments or only sent greatly reduced payments.

I have a great deal of sympathy for the position in which Mr and Mrs M now find themselves. In the circumstances, I don't think that Mr and Mrs M received any material benefit from taking out the DMP. I agree with the adjudicator that they were misled regarding what Debitum could offer, and as a result their financial situation has substantially worsened. In the circumstances, I agree with the adjudicator that it is fair that Debitum should refund £16,037 to Mr and Mrs M and pay them £500 for the trouble and upset caused to them by Debitum's actions.

### **my final decision**

My decision is that I uphold this complaint. In full and final settlement, I order Debitum Limited to refund £16,037 to Mr and Mrs M and pay them £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 16 January 2017.

Roslyn Rawson  
**ombudsman**