

complaint

Mrs V complains about a debt reduction agreement that she took out with NEO Media Solutions Limited, trading as One Debt Solution. She complains that it did not pay money to her creditors as it had agreed to do and that it did not refund her money to her when she requested it to do so.

background

Mrs V entered into a debt reduction agreement with One Debt Solution. She made payments totalling £4,500 to One Debt Solution but only £487.89 was paid to her creditors. She asked One Debt Solution to cancel her agreement and to refund her money to her but she did not receive a response so complained to this service.

The adjudicator recommended that this complaint should be upheld. He concluded that the agreement did not comply with the Office of Fair Trading's guidance about debt management issued in September 2008. In particular, he concluded that One Debt Solution did not differentiate between the claims management services and debt adjusting services that were to be provided and it did not ensure that Mrs V was fully aware of the potential consequences of the agreement. He recommended that One Debt Solution should refund the funds that had not been paid to Mrs V's creditors under the agreement and all management fees for the periods when funds were not forwarded to creditors. He also recommended that it should pay interest on that amount and that it should pay £200 to Mrs V to compensate her for the distress and inconvenience that she had been caused.

One Debt Solution has not responded to the adjudicator's recommendations.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

One Debt Solution was to provide claims management and debt management services to Mrs V. I do not consider that the agreement is as clear as it should be about the differences between the two services, or the amounts that would be charged by One Debt Solution for those services. I therefore consider that the agreement did not comply with the Office of Fair Trading's guidance. I also consider that One Debt Solution did not deal with Mrs V's creditors properly or adequately communicate with her. Mrs V made 15 payments of £300 each, totalling £4,500, to One Debt Solution between August 2010 and October 2011 but the evidence available to me shows that it only paid £487.89 to her creditors. Mrs V wrote to One Debt Solution in November 2011 to cancel her agreement and asked it to pay her money to her creditors. When it did not do so, she asked it to refund her money (less the amounts that it had paid to her creditors and its fees) but again it did not do so.

I therefore consider that it would be fair and reasonable for One Debt Solution to cancel the agreement and to refund to Mrs V £4,012.11 (which is £4,500 less £487.89) with interest. I do not consider that One Debt Solution should be entitled to retain the fees that it has charged to Mrs V. Mrs V will undoubtedly have been caused distress and inconvenience by these events and I consider that it would be fair and reasonable for it to pay £200 to her to compensate her for that distress and inconvenience.

my final decision

For these reasons, my decision is that I uphold Mrs V's complaint. In full and final settlement of it, I order NEO Media Solutions Limited, trading as One Debt Solution, to:

1. Cancel the agreement at no cost to Mrs V.
2. Refund £4,012.11 to Mrs V.
3. Pay interest on that amount at an annual rate of 8% simple from the date of payment to the date of settlement.
4. Pay £200 to Mrs V to compensate her for the distress and inconvenience that she has been caused.

If One Debt Solution deducts tax from the interest element of my award, it should send Mrs V a tax deduction certificate when making payment. She can then use that certificate to reclaim the tax if she is entitled to do so.

Jarrold Hastings
ombudsman