

complaint

Miss G complains that Blue Finance Management Limited (trading as DEBTPLAN Direct) (the business) set up a debt management plan (DMP) for her that was not in her best interest and did not tell her about the upfront charges.

background

Miss G says that the business called her in February 2014, and asked if she had any debts. Miss G had one creditor and says she thought the business would help her pay this off quicker. She paid the agreed £300 per month for the first three months but then received a letter from her creditor saying she was in arrears. Miss G says that she was not told that she would have to pay £300 per month to the business and make payments to her creditor for the first two months. She says that she was making her repayments with her creditor before the business contacted her and that by entering into the DMP her financial situation has been made worse. She also says that a family member contacted the business on her behalf and the business suggested that Miss G's debt should not have been taken on.

The business says that although Miss G only had one debt, it could have helped her by getting the interest and charges frozen on the account. It says that its fees are set out in its terms and conditions and that Miss G signed the client declaration confirming that she agreed to the terms. The business says that Miss G contacted it in April 2014, to say she could not afford the £45 management fee and that this was reduced to £25. It also says that Miss G made six payments, three of £300 and three of £25. It offered to refund Miss G £80 to cover the management fees but this was declined. It says that it then refunded £75 following a chargeback request.

The adjudicator said that a DMP is rarely suitable for a customer who only has one debt. He said that although the business said it could have got the interest and charges frozen, there was no evidence that it had approached the creditor to do this and that it would have probably been better had Miss G done this directly. The adjudicator was not convinced that it was in Miss G's interests to make the payments of £300 a month to the business and said that had she made these to her creditor it would have had a sizeable impact on her debt. He also said that these payments did not seem affordable for Miss G. He accepted that Miss G had signed the agreement and it was her responsibility to read the terms and conditions. But says that given she cancelled the agreement once she became aware that her creditor had not been paid, this suggested she had not understood the fees properly. The adjudicator said that Miss G should be refunded the fees she had paid and paid compensation.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Miss G did not approach the business but was called by it asking if she had any debts. At this time she had only one creditor. The debt was for an amount of just over £3,500 and she was making monthly payment of just over £100. Miss G has said that she was making the monthly payments required but that when the business said it could help her with this debt she thought it would help her clear the debt sooner.

I understand that Miss G signed the client declaration therefore accepting the terms and conditions of the agreement and that these set out the fees charged. However, I do not find that the DMP was in Miss G's best interest.

As the adjudicator has said, DMPs are not usually suitable for a person with just one debt. He pointed out that the business' literature said that a significant part of the benefit of a DMP is that a person can manage multiple creditors and combine multiple payments into a single monthly payment. Miss G had one debt that she was managing and so I cannot see that this benefit was available to her.

The business has said that it could have frozen the interest and charges on Miss G's account. While I accept this could have happened, there is no evidence to show that this was discussed. Given the size of Miss G's debt and that she was managing her account; I find that it would have been better for Miss G to discuss any concerns she had about repayment directly with her creditor. The set up fees were £600 and there was an ongoing management fee. Had Miss G paid this money to her creditor this would have made a sizeable reduction to her outstanding debt.

Miss G cancelled the plan when she became aware that her account with her creditor was in arrears. She says this was the first time she has ever been in arrears. While I accept that the set up fees are set out in the terms and conditions, I also accept that Miss G did not realise that she had to pay both the business and her creditor for the first two months.

Overall, I find that the DMP was not suitable for Miss G. Because of this Miss G should be put back in the position she would have been in had the DMP not been set up. I understand that Miss G has been refunded £75 and find that she should now be refunded all outstanding fees less payments made to her creditor. She should also be refunded for the default fees applied by her creditor.

I also find that this issue has caused Miss G stress and upset. She has had to involve family members to assist her and feels that her relationship with her finance provider has been affected. Because of this, I find that the business should pay Miss G £100 compensation.

my final decision

My final decision is that I uphold this complaint.

I direct Blue Finance Management Limited (trading as DEBTPLAN Direct) to:

- refund Miss G all remaining fees paid minus what was paid to her creditor;
- pay 8% simple per annum interest on each payment from the date it was made until the date of settlement;
- pay £24 to cover default fees charged by her creditor;
- pay £100 in compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss G to accept or reject my decision before 24 April 2015.

Jane Archer
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