

complaint

Ms B complains that NEO Media Solutions Limited (trading as One Debt Solution) did not distribute payments to her creditors.

background

Our adjudicator recommended that the complaint be upheld. In summary he said:

- he was not convinced the 'debt reduction' plan NEO set up for Ms B met the Office of Fair Trading (OFT)'s debt management guidance;
- he was not satisfied Ms B had been properly advised about the financial consequence of the plan before she entered it;
- he was of the opinion that Ms B believed the majority of her payments under the plan were going to reduce her debts and not to challenging the enforceability of those debts; and
- NEO has not provided sufficient evidence to show the amounts it paid to Ms B's creditors under the plan.

The adjudicator recommended that NEO refund all payments not distributed to creditors, plus interest, and pay Ms B £150 for the distress and inconvenience this matter has caused her.

NEO did not respond to the adjudicator's view.

my findings

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

Ms B has provided bank receipts to show she paid NEO a total of £700 between December 2011 and June 2012. She cancelled her plan when it became clear that her payments were not being distributed to her creditors as expected.

The monthly updates sent to Ms B with her schedule of creditors do not make it clear if NEO has forwarded any money to her creditors. It appears that instead of distributing Ms B's payments to creditors NEO was taking fees to challenge the enforceability of her debts.

From Ms B's submissions I am not persuaded this is the type of plan she wanted or expected. From the information provided I am not satisfied that the features of the plan were clearly explained to Ms B in accordance with the OFT's debt management guidance. More specifically I am not satisfied NEO clearly explained:

- the specific nature of the services supplied;
- the likely or anticipated costs of the service and what those costs cover;
- the duration of the plan;
- that regular payments to creditors would not be distributed while debts were being challenged;
- the potential consequence of stopping regular payments to creditors while NEO negotiated with them.

I do not think Ms B would have entered into this arrangement if she had properly understood it – and understood the cost of it.

I am not satisfied that NEO has clearly shown what money has actually been distributed to Ms B's creditors. Our enquiries have indicated that only one of her creditors has received payments totalling £26.20.

I am also not satisfied that NEO has performed work to justify its retention of any fees or management charges. It has indicated it was challenging Ms B's debts - but it has not provided sufficient evidence of any negotiations with creditors. Furthermore, at least two of Ms B's creditors under the plan have indicated that they have had no contact from NEO.

In the circumstances, I do not consider NEO should be entitled to retain any of Ms B's payments as fees. I find that it should refund her total payments of £700 with a deduction of the £26.20 already distributed to one of her creditors, which comes to £673.80. As Ms B has not had the use of that money since she paid it, NEO must also add interest to the refund at a gross rate of 8% per year simple.

NEO has been unresponsive and unclear in its communication with Ms B and this service. I believe this has caused Ms B unnecessary distress and inconvenience. I consider the £150 recommended by the adjudicator appropriate compensation for this.

my final decision

My final decision is that I uphold this complaint and direct NEO Media Solutions Limited (trading as One Debt Solution) to:

- refund all payments not distributed to Ms B's creditors, totalling £673.80, plus interest calculated at 8% simple per year from the date each payment was made to the date of this decision; and
- pay Ms B a further £150 for distress and inconvenience.

NEO must pay the above compensation within 28 days of Ms B accepting my decision. If it pays later than this it must also pay interest on the compensation at the rate set out above, to the date of settlement.

If NEO considers that tax should be deducted from the interest element of my award, it should provide Ms B with the appropriate tax deduction certificate so that she is able to claim a refund, if appropriate.

Mark Lancod
ombudsman