

## **complaint**

Mr and Mrs D have complained that their debt management plan with Harrington Brooks (Accountants) Limited was unsuitable and not properly explained to them, and has adversely affected their credit rating.

## **background**

Mr and Mrs D entered into a debt management plan with Harrington Brooks, through an intermediary. They explained that although they had not been having problems meeting their monthly repayments, they preferred to make just one monthly repayment (which would be the case under the debt management plan). They say they were also told that they would be debt-free after five years.

Mr and Mrs D told us that they specifically asked if entering into the plan would affect their credit rating, as they were hoping to apply for a mortgage. They say they were told it would not impact on their credit rating.

Mr and Mrs D did subsequently decide to buy a property, and spoke to a financial advisor, who said they would not be able to apply for a mortgage because they had a debt management plan. It also emerged that Mr and Mrs D's creditors have still been charging interest, so they will not be debt-free within the five years they believed.

I note that Mr and Mrs D brought a separate complaint against the intermediary. This has now been settled, and the intermediary has refunded them its £240 fee.

The adjudicator recommended that the complaint should be upheld and that all fees should be refunded and £250 compensation paid. Harrington Brooks disagreed, as it felt the intermediary was responsible for any issues with the plan.

## **my findings**

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

First, I am satisfied that the intermediary acted as Harrington Brooks' agent. This is because it introduced Mr and Mrs D to Harrington Brooks, and was essentially selling them Harrington Brooks' debt management plan. Accordingly, Harrington Brooks, as principal, is responsible for not only its own actions, but also those of the intermediary.

Harrington Brooks has not provided recordings of any of the conversations it had with Mr and Mrs D, or any persuasive evidence of what may have been said. On the other hand, Mr and Mrs D have been clear and consistent about what was said. Given they wished to apply for a mortgage, and did in fact do so, I am satisfied they would not have entered into the plan if there was any concern it would affect their application. Further, they were not having trouble making their monthly repayments, so I am persuaded they would only have entered into the plan if they felt there to be a benefit – here, that they would be debt-free in five years. For these reasons, I am satisfied, on balance, that the debt management plan was not appropriate for them.

For the avoidance of doubt, it is not disputed that Harrington Brooks has been accurately recording the payments Mr and Mrs D had been making to it, and that proportionate payments were made to their creditors. They have now withdrawn from the plan and are negotiating independently with the creditors.

Given that I am satisfied the plan was inappropriate, I consider it fair for Harrington Brooks to refund the fees it charged to Mr and Mrs D, adding 8% interest. If the £240 refunded to Mr and Mrs D by the intermediary was initially paid to Harrington Brooks, it need not refund this (otherwise Mr and Mrs D would be receiving it twice). It is also clear to me that Mr and Mrs D suffered distress and inconvenience because the plan was not what they had expected, and affected their financial planning. I agree with the adjudicator that £250 compensation is appropriate to address this.

I have seen no evidence to satisfy me, on balance, that Mr and Mrs D were not given a mortgage because they had entered into the plan. Accordingly, I cannot find that the plan was responsible for any problems in obtaining a mortgage.

### **my final decision**

It is my final decision to uphold this complaint.

I require Harrington Brooks (Accountants) Limited to:

- a) refund all of the fees taken by it from the payments made by Mr and Mrs D (less the £240 paid by the intermediary, if this was in reality initially paid to Harrington Brooks), adding 8% simple interest per annum, from the date each fee was paid, to the date of settlement; and
- b) pay Mr and Mrs D £250 compensation for the distress and inconvenience caused.

Elspeth Wood  
**ombudsman**