

## **complaint**

Miss Y complains about debt management advice and administration provided by Money Debt and Credit Limited ("MDC"). She says she was not told about MDC's monthly management fees for a debt management plan and says the plan was not in her best interests. She also says her debts went up and she then felt pressured to enter an Individual Voluntary Arrangement (IVA).

## **background**

In early 2010 Miss Y entered into a debt management plan with MDC. Towards the end of 2010 MDC recommended Miss Y enter into an IVA instead; as the informal arrangement was not reducing her debts and the amount she could afford to give to her creditors had gone down.

In August 2011 Miss Y complained to MDC about its overall service and the information given when she took out the debt management plan. She said she was told she would only pay a £500 fee and nothing else. She also said she was not kept informed of the outcome of creditor negotiations and that one of her creditors (which I will call "Creditor 1") was not paid. Miss Y was unhappy that she had been dealt with by different staff members and said she felt she had no choice but to take the IVA as her debts had gone up.

Our adjudicator did not uphold the complaint. She felt the written information MDC had sent to Miss Y set out the initial and monthly fees it would charge. The adjudicator also noted that MDC had distributed payments to Miss Y's creditors; including Creditor 1. However, some payments were returned from Creditor 1 because one of Miss Y's accounts had been closed when her debts with Creditor 1 were consolidated. The adjudicator felt it was likely that MDC had sent email statements to Miss Y. And she considered it likely Miss Y had also been made aware of her options when being advised to enter into the IVA.

Miss Y did not agree with the adjudicator's findings. She says she received a poor level of service and attention and her debts went up as a result. She does not feel the service she received was worth the management fees she paid.

## **my findings**

I have considered what Miss Y and MDC have said and provided, to decide what is fair and reasonable in the circumstances. Having done so – and whilst I realise this will be disappointing for Miss Y – I do not uphold this complaint.

## **was the debt management plan appropriate for Miss Y?**

According to the information MDC took about Miss Y's position, she had around £19,000 of unsecured debt and could afford to contribute £500 a month. If Miss Y's creditors agreed to freeze interest and charges, Miss Y could expect to be in a debt management plan for a little over 3 years. So it appears a debt management plan was an appropriate solution for her at that time.

I have considered Miss Y's account of what she was told about the fees; that she would pay one £500 fee and nothing else. It is unfortunate that MDC does not have (or has not kept) a recording of the call where the plan was first discussed. I accept it is possible Miss Y might not have been given all the information about the fees in that call, although it is also possible

she was. However, MDC also sent a brochure to Miss Y before she signed up to the plan which clearly explained the two different fees it would charge her. So on balance I think it is likely Miss Y was made aware there was a monthly, as well as an initial, fee.

The brochure also explained to Miss Y that MDC would ask her creditors to freeze interest and charges, but that it could not guarantee they would do this. From the evidence I have seen, it appears MDC did write to Miss Y's creditors with offers of reduced payments. It also asked them to freeze interest and charges. Some of her creditors accepted those requests. Others did not. Again this is unfortunate. However, I am not persuaded, overall, that this was due to a lack of activity on MDC's part, or that it failed to do what it had agreed to do.

It seems MDC distributed payments to Miss Y's creditors as it said it would, in the amounts it said it would. However, there was clearly some confusion with Creditor 1 – as Miss Y had more than one account with them. Creditor 1 did accept an offer of reduced payments on one of Miss Y's accounts for six months (and it agreed to freeze interest and charges).

However, it later consolidated that account with two other accounts. This meant the agreed payments MDC sent to Creditor 1 for that particular account were being returned.

Perhaps MDC could have done more, and sooner, to find out why the payments were being returned. And I have considered Miss Y's submissions that she was only given updates when she called. I accept this is possible. However, MDC has said it emailed monthly statements to Miss Y – at least one of which she received. It does seem to have had her correct email address. So again on balance I think MDC is likely to have done what it had agreed to do, and was required to do.

Miss Y is clearly unhappy that her account was referred to different staff members. However, I cannot say that MDC had to make sure Miss Y only ever dealt with the same member of staff. And I have not seen any direct evidence that this impacted on MDC's ability to manage Miss Y's account, or means it was not entitled to charge her a fee for its services.

Overall I think it was appropriate for MDC to initially recommend a debt management plan as an informal solution to Miss Y's debt problems, based on her circumstances at the time that advice was given. And overall it seems to have administered that plan appropriately.

### **was the IVA appropriate for Miss Y?**

Towards the end of 2010 MDC reviewed Miss Y's position. Some of her creditors had frozen interest and charges and those debts had gone down. Others had not, and those debts had gone up. And it seems Miss Y was less able to afford the £500 monthly contributions. Given this, I think it was reasonable for MDC to review whether the debt management plan remained an appropriate option for Miss Y and to conclude that an IVA was more appropriate at that stage.

The IVA proposal on file indicates that Miss Y was initially able to pay £319 towards her liabilities for 60 months. It seems her creditors modified that to £384 for 6 months and then payments of £434, subject to reviews if Miss Y's circumstances changed. I understand that Miss Y is still in the IVA.

I have considered Miss Y's submissions that she felt pressured to take the IVA. However, given her circumstances and the reduced amounts she could afford to pay against her increased debt, it seems an IVA was an appropriate option for her at that time. I also find it

likely that Miss Y was given enough information about the IVA to make an informed choice. I am not persuaded she was led to believe it was her only option – although it seems it was an appropriate option given her financial situation.

#### **other matters**

At various times during her complaint Miss Y has mentioned that there was some confusion about her IVA payments. This seems to relate to the staged payment increases needed to meet the modifications insisted on by her creditors. Unfortunately the nature of the IVA once it is approved means it is not something this service can consider. If Miss Y has any concerns about the way her IVA supervisor is administering the IVA payments she will have to contact the supervisor directly. The supervisor will have their own complaints process.

Miss Y has also mentioned that she believes she is in an IVA where there is 'no ceiling' to the payments she is making and where she will be paying 'an indefinite amount' back to her creditors. If Miss Y is in any way unsure of what she has to pay under her IVA and how long she has to pay it for, she might again find it helpful to speak to her IVA supervisor for clarification.

#### **my final decision**

My final decision is that I do not uphold this complaint and I therefore make no order or award against Money Debt and Credit Limited.

Dawn Griffiths  
**ombudsman**