

## **complaint**

Miss R 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. He concluded that the plan One Debt Solution set up for Miss R did not meet the Office of Fair Trading (OFT)'s debt management guidance, that it had failed to distribute payments to her creditors and that it had failed to reply to Miss R's requests for information about her plan. He recommended that One Debt Solution refund all payments not distributed to creditors, plus interest, and pay Miss R £200 to reflect the distress and inconvenience this matter has caused her.

One Debt Solution accepted these findings however it has not paid the recommended redress to Miss R. As a result, the matter has been referred to me for review and determination.

## **my findings**

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

Miss R entered a "*debt reduction programme*" with One Debt Solution in June 2010. She has provided bank receipts that show she paid a total of £9,110 to One Debt Solution between June 2010 and March 2012.

One Debt Solution provided a breakdown of payments to Miss R's creditors as at May 2012. This showed that it had distributed only £620.59 to her creditors at that time. One Debt Solution claimed that the remainder was its contractual fees: 8% of the total debt for managing the plan; a £75 "*processing fee*"; 25% of "*any disputed debt*"; and 15% of all payments made to creditors.

Like our adjudicator, I am not persuaded that the agreement signed by Miss R meets the requirements of the OFT's debt management guidance. For example, One Debt Solution did not clearly explain:

- the likely cost of the service – in particular, the 25% fee was at best unclear and at worst misleading;
- the likely duration of the plan;
- that Miss R's creditors did not have to accept reduced payments; or
- the consequences of stopping payments while One Debt Solution negotiated with her creditors.

One Debt Solution also failed to provide a clear statement of how Miss R's money was being disbursed to her creditors. These failings meant that Miss R was unaware that, almost two years after starting the plan, her debts had scarcely reduced.

In the circumstances, I do not consider One Debt Solution should be entitled to retain any of Miss R's payments as fees. It follows that I find it should refund all payments not distributed to Miss R's creditors, plus interest.

Finally, I am concerned that, having initially agreed to refund these payments and pay compensation for its failures in its handling of Miss R's plan, One Debt Solution has not done so. This has caused Miss R added distress. As a result, I have increased the compensation One Debt Solution should pay her for this. I consider an appropriate amount to be £300.

**my final decision**

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

- refund all payments not distributed to Miss R's creditors, totalling £8,489.41, plus interest calculated at 8% simple per year from the date each payment was made to the date of settlement; and
- pay Miss R £300 to reflect the distress and inconvenience this matter has caused her.

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

Simon Begley  
**ombudsman**