

## complaint

Miss T complains that she is unhappy about a debt management plan ("DMP") she entered into with Valour Financial Management Limited, ("VFML"). The complaint is brought to this service on Miss T's behalf by a claims management company. But for ease, I shall refer below to all actions being taken by Miss T.

## background

Miss T entered into a DMP with VFML. She complained that:-

- She wasn't made aware that the same or similar service could have been provided free of charge.
- She wasn't made aware of the monthly fees deducted from her payments which were not being paid to her creditors.
- She wasn't made aware that any creditor's recovery action could continue.
- Distributions to her creditors weren't made frequently.
- Reviews of her account weren't conducted to ensure that the plan and the payments being made were appropriate.
- She wasn't made aware of the impact on her credit rating by reducing payments to her debts.
- She wasn't made aware of the setup fee taken by VFML.

The adjudicator didn't recommend that the complaint should be upheld. She could see that Miss T had signed VFML's client authority form. By signing this, Miss T confirmed that she agreed to be bound by VFML's terms and conditions and had read the compliance information supplied. The adjudicator noted that the information pack supplied to Miss T outlined the monthly costs for VFML managing the DMP. It also stated that it charged a creditor negotiation and management plan set up fee. This was also reflected in the terms and conditions. The adjudicator also noted that the terms and conditions said:-

*'Entering onto a debt management plan can adversely affect your credit rating in the short to medium term. Valour Financial Management cannot guarantee that all creditors will accept the proposed plan and that they will freeze interest and late charges.....Account information such as payment history including reduced, late or missed payments is collected by Credit Reference Agencies until the account is closed and then held on a consumer's credit record for a further six years'.*

So, the adjudicator concluded that Miss T was fully aware she was entering into a DMP and the impact this would have.

Miss T responded to say that VFML hadn't informed her that she could receive the same service without the necessity to pay a fee, and referred to the provisions of the Office of Fair Trading's Debt Management Guidance 2012 ("the Guidance") which was applicable at the time she entered into the DMP. In particular she referred to paragraph 2.5d of the Guidance. This referred to a debt management company providing to a consumer, where appropriate, the availability of help and debt advice from not-for-profit organisations.

The adjudicator responded by referring to paragraph 3.23g of the Guidance. This gave as an example of an unfair practice, the failure of a debt management company to refer the consumer, where appropriate, to a not-for-profit advice organisation. The Guidance said that this would be the case where the consumer didn't have enough disposable income to meet the cost of the debt management company's fees. The adjudicator said that VFML had confirmed that Miss T paid £93 per month to it which was inclusive of its fees of £39.99 and that £53.01 was distributed to her creditors. So, she noted that Miss T could afford the fees and her monthly plan, and so it wasn't appropriate to refer Miss T to not-for-profit organisations following the Guidance.

Miss T disagreed and queried, in summary, why the Guidance existed if debt management companies didn't have to abide by it?

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As Miss T has only raised the issue of VFML's lack of referral to not-for-profit organisations in her response to the adjudicator's view, I only propose to deal with this aspect of her complaint in my decision.

I can see that when Miss T entered into the DMP, the Guidance said that a referral to free debt advice should be made where appropriate to do so, for example, if Miss T couldn't afford the fees and her monthly plan payments. But I can't see that this was the case in Miss T's circumstances.

But, I have also read the Client Authority Form which Miss T signed. This says, just above the signature box, that she confirmed that she had read the important compliance information and had been adequately signposted to alternate free to consumer services and consented to be bound by VFNL's standard terms and conditions. I also note that clause 13.3 of VFNL's terms and conditions said that *"You also agree that we have made you aware of.....a non fee charging debt management provider"*. So, I think it's clear from these documents that Miss T had been signposted to alternate free to consumer services. It follows that I don't find that VFML has done anything wrong in rejecting Miss T's complaint.

**my final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 22 August 2016.

Roslyn Rawson  
**ombudsman**