

## **complaint**

This complaint is about a second charge loan Mr and Mrs T took out on the advice of Basik Money Ltd. The money lent was used to consolidate a large number of existing debts, some of which were included in a debt management plan (DMP).

Mr and Mrs T, who have third-party representation, complain that consolidating the debts in the DMP was unsuitable advice, because they weren't interest-bearing. Also, they were still left with some outstanding debts, and because of that they took out a third charge loan later.

## **background**

The details of this complaint are well known to both parties so I won't repeat them again here. Instead I'll give a brief summary of the current position and then focus on giving the reasons for my decision.

Our investigator recommended the complaint be upheld; she said that Mr and Mrs T should only have been advised to consolidate interest-bearing debts that lay outside the DMP. To resolve the complaint, she proposed Basik do the following:

- Calculate how much it will cost Mr and Mrs T to repay the debts consolidated to the second charge over the term of that loan; that is, capital plus interest plus fees (A);
- Calculate how much it will cost Mr and Mrs T to repay the debts consolidated to the third charge over the term of that loan; that is, the unconsolidated cost from the date of advice to the date of the third charge then consolidated thereafter (B);
- A+B gives the total costs of their indebtedness.

Then:

- Calculate how much it would have cost to repay the debts consolidated into the second charge if they had remained in the DMP, from the date of the advice to the date the DMP would end (C);
- Calculate how much it would have cost to repay the debts consolidated into the third charge (that were on the schedule but weren't consolidated - totalling £5,585.29) if they had been consolidated into a loan at the same rate and over the same term, entered into at the same time, as the second charge (D);
- C+D gives the position Mr and Mrs T should have been in. The redress is then (A+B) - (C+D) which is the extra overall cost of the advice they received from Basik.
- If Mr and Mrs T choose to use the resulting lump sum to repay some or all of their debts, Basik should pay any early repayment charges (ERC).

The investigator recognised that this would leave the problem of some debts still being outstanding. But by taking the redress to the end of the term of the various debts rather than just to the settlement date, she concluded Mr and Mrs T would benefit from having the redress "up front". They could then choose to use that to pay down the outstanding debts (and if they did that Basik should also reimburse any ERCs etc).

The investigator also reasoned that if there were still any debts left, that would be unfortunate to some extent - but it wouldn't be fair to ask Basik just to clear Mr and Mrs T's

debts. And if things had gone as they should have, they would still have some outstanding debts now anyway; the redress being proposed would mean Basik covering their *extra* debt, not their entire debt.

Basik asked for the case to be reviewed by an ombudsman, chiefly because of a dispute over which debts had and hadn't been listed in the point-of-sale documentation.

### **my findings**

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

Basik hasn't said anything in its response to the view, to justify recommending Mr and Mrs T consolidate the debts that were in their DMP. All it has done is argue the fine detail about which debts were listed in the point of sale documentation and which were not.

I accept there was some omissions and anomalies in the schedule of debt, but I don't consider Basik was at fault for not identifying them, and Mr and Mrs T signed to confirm they'd given the right information. In the end, this isn't an argument that affects the broader outcome, because ultimately, Basik should not have recommended Mr and Mrs T consolidate their DMP debts, only any interest-bearing debts that lay outside it.

I agree with the investigator that the redress being proposed is a fair settlement to the complaint. That said, it's a settlement that doesn't produce a known outcome; the exact value of the settlement will only be known once Basik has carried out the necessary calculations in accordance with the specified formula. I appreciate this approach requires something of a "leap of faith" from Mr and Mrs T, but the formula is designed to produce a fair settlement, and the eventual amount paid will flow from that.

This approach also requires Mr and Mrs T and Basik to co-operate with each other to a degree that's not been present up to now. Implementing the settlement requires both parties to engage with each other without recrimination about what has gone before. I do hope that will prove possible, if only to avoid a fresh complaint in future about how Basik implemented the settlement of this one.

### **my final decision**

I uphold this complaint, and in full and final settlement, direct Basik Money Ltd to calculate and pay Mr and Mrs T redress as set out above. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 21 February 2021.

Jeff Parrington  
**ombudsman**