

## **complaint**

Mr and Mrs M complain that Debt Advisory Line Limited (“DALL”) didn’t provide them with satisfactory advice when it sold a debt management plan to them.

## **background**

Mr and Mrs M complain that DALL didn’t clearly explain the charges for the debt management plan (“DMP”) they took out with it in 2008, nor did it explain the effect of the DMP on their credit files. Before they contacted DALL, Mr and Mrs M said that they were able to afford the monthly payments they were making to their five creditors. They were looking for debt consolidation so that they would only need to make one monthly payment. They were repaying between £300 and £400 a month to their creditors. They also said that the expenses shown on DALL’s income and expenditure form were incorrect and over-estimated. Although DALL’s form showed they only had £150 spare a month, this was incorrect as the form showed £105 for public transport which they never used, and £180 per month for fuel. But as they only had one car which they only used on the weekends, this was inaccurate.

Mr and Mrs M explained that they specifically asked DALL if the DMP would affect their credit rating as they wanted to buy a house, and were told by DALL it would have no effect. They also said that they agreed to a DMP because they were told that interest would stop on their debts. Mr and Mrs M had also considered a debt consolidation loan, but had decided on the DMP because they thought it was free. They had stopped the DMP after a year, but were concerned that the DMP had affected their credit ratings. They had been unable to buy a house shortly after agreeing to the DMP and couldn’t get credit until about a year ago.

The adjudicator was persuaded by Mr and Mrs M’s version of events. She believed that if they had understood the impact that entering into the plan would have on them, they wouldn’t have chosen to enter into it. She referred to Mr M’s credit card statements from one creditor which showed that he was meeting that creditor’s minimum repayments. She was persuaded by this that it was most likely that the minimum repayments for the other creditors were being met too.

The only contractual document which DALL had been able to supply to this service was its Terms of Business which it said was current at the time Mr and Mrs M agreed to the DMP. It didn’t have a copy of any of the other information supplied to Mr and Mrs M due to the passage of time. The adjudicator noted that the Terms of Business did not contain any information about the effect of the DMP on credit ratings. So, she wasn’t satisfied that Mr and Mrs M were provided with clear and concise information regarding their debt management plan. So, she recommended that DALL compensate Mr and Mrs M by issuing a refund for any set up fees that were charged.

DALL disagreed and responded to say, in summary, that it always informed its clients of the fees and the impact a DMP would have on their credit rating on the initial phone call and then again on the welcome call after the clients had read and returned the welcome pack. It referred to its Terms of Business (TOB) that would have been issued in 2008 and which it had sent to this service. It said that the TOB fully explained the fees and the impact the plan would have on a client’s credit file, and that Mr and Mrs M accepted these by signing part of the welcome pack.

It noted that Mr and Mrs M had signed its income and expenditure form to say, "We confirm this is an accurate reflection of our financial position to the best of our knowledge." The form showed that Mr and Mrs M's monthly disposable income (£150) was lower than their creditors' contractual payments (£165). So it could not see how the adjudicator could assume that all of the creditors were paid up to date.

Mr and Mrs M disagreed and said that the information in the expenditure and income form was incorrect, and that extra expenses were added which were not discussed when they agreed to the plan. They also said that the damage done to their credit profile and the stress caused by this over the last seven years was their main issue, and that any compensation awarded should also reflect this.

### **my findings**

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

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

It's unfortunate that I haven't seen any of the documents which Mr and Mrs M were given at the time they agreed to the DMP, or heard any of the relevant calls. DALL said that it had sent this service the TOB which was current at the time but I don't think that it was. DALL had told us that it didn't become a member of a trade body, DEMSA, until 2010, but the TOB sent to us referred to DALL being a member of DEMSA. So, it was likely that the TOB was applicable to a period from 2010 onwards, but it was not relevant in 2008. But I do note that there was no mention of the effect on credit rating of a DMP in the TOB.

Mr and Mrs M didn't think that a DMP was the best option for them as they could afford to pay the minimum payments on their debts. I am also persuaded that their expenditure was over-estimated on DALL's income and expenditure form, so that I think they had enough money to repay the minimum payments. But, I am aware that interest will normally accrue to a debt whilst minimum payments are made, and so Mr and Mrs M's debts would've continued to increase. I can see that Mr and Mrs M were aware that interest would stop on their debts if they agreed to a DMP, and so proceeded with it. Because interest generally stops on most debts if a DMP is entered into, I think it likely that Mr and Mrs M would've benefitted from this. Whilst in the absence of DALL's contractual documents, I cannot safely conclude that Mr and Mrs M knew about the fees for the DMP, I think that any interest savings would've been greater than the monthly management fees payable, as the debts amounted to over £10,000. For this reason, I don't think that a refund of the monthly management fees is appropriate.

Mr and Mrs M also said that they were told that the DMP wouldn't affect their credit ratings. Again, in the absence of documentation and phone call recordings, it's difficult for me to know what was discussed and what information was provided. But I can see that buying a house was important to Mr and Mrs M. And, like the adjudicator, I'm persuaded that Mr and Mrs M could've continued to pay their minimum payments on their debts without entering into a DMP as their credit rating was important to them. So, on balance, I think that Mr and Mrs M wouldn't have agreed to the DMP if they'd been told by DALL that their credit rating would be adversely affected. But, I also don't know whether Mr and Mrs M's credit score might have been adversely affected by the size of their debts and the fact that they

were making minimum repayments. I've also not seen their credit files and so I don't know if there were any other adverse entries on the files which might have affected their ability to get credit, regardless of the DMP.

Ultimately Mr and Mrs M did agree to the DMP. So, overall, I think that the adjudicator's recommendation of a refund of any set up fees paid to DALL is appropriate compensation.

**my final decision**

My decision is that I uphold this complaint in part. In full and final settlement, I order Debt Advisory Line Limited to refund to Mr and Mrs M any set up fees paid to it for their debt management plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 1 September 2015.

Roslyn Rawson  
**ombudsman**