

complaint

Ms R complains that NEO Media Solutions Limited (trading as One Debt Solution) charged excessive fees and did not distribute payments to her creditors.

background

Our adjudicator recommended that the complaint be upheld. In summary she said:

- as NEO had not had any success in recovering money, or challenging the enforceability of her accounts it was not entitled to charge the 'Management Fee'
- the paperwork is unclear about what the 'Debt Schedule Fee' is for and what NEO is entitled to charge for general work on the account
- NEO is only entitled to charge the administration fee

The adjudicator recommended that NEO refund all payments not distributed to creditors, plus interest, but retain the £75 upfront administration fee and the 15% administration fee of any payments made to creditors.

NEO did not respond to the adjudicator's view. We have recently been told it has entered into voluntary liquidation and a liquidator has been appointed. Ms R should note this development and the potential implications it may have for her in terms of recovering any money she is owed.

my findings

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

NEO says that Ms R has paid it £700. Ms R agrees with this. However NEO has indicated that this money (except for £30.82 which it says has been paid to creditors) has been retained as fees while it challenged the enforceability of Ms R's debts.

Ms R says that she thought her debts would be challenged for the first three months, but understood her money would then be distributed to creditors. She says she was aware of the one off administrative fee, but thought the other fees would be a percentage of the subsequent monthly payments to creditors. Ms R appears to be surprised that almost all of the money she paid NEO has been kept as fees.

I find Ms R's submissions credible. I am not persuaded the plan she received is the type she wanted or expected. From the information provided I am not satisfied that the features of the plan were clearly explained to Ms R in accordance with the Office of Fair Trading's debt management guidance.

In particular, I am not satisfied that NEO has clearly explained the specific nature of the services supplied, and the likely or anticipated costs of the service, and what those costs cover. I also do not find that NEO has clearly explained the potential consequences of stopping regular payments to creditors while it negotiated with them.

It appears that Ms R clearly understood the one off upfront £75 administration charge was applicable. It also appears that NEO has done some work in relation to this fee. Therefore, in

the particular circumstances of this complaint I believe it is reasonable that Ms R should pay this fee.

However I am not persuaded that NEO has provided persuasive evidence to justify the other fees it has retained. I do not find it has performed work to justify its retention of the 'Management Fee'. This fee appears to be based on successful negotiations with creditors. NEO has indicated it was challenging Ms R's debts - but it has not provided sufficient evidence of any successfully disputed debts or successful recovery of money from creditors.

I also agree with our adjudicator that other fees such as the 'Debt Schedule Fee' are not clearly explained in the contract and should not be retained in this instance.

It is unclear exactly what NEO has paid to Ms R's creditors. It said it paid £30.82. After contacting Ms R's creditors our adjudicator has not been able to confirm if this figure is correct. From the information provided it appears that any payments made to creditors were either made by Ms R's prior debt management firm or by Ms R directly.

On balance, I am not satisfied that NEO has made any payments to Ms R's creditors. Therefore, in this case Ms R will be awarded the £700 she paid NEO with a deduction for the £75 administration fee. NEO are not entitled to retain an administration fee for monthly payments to creditors in this instance.

NEO has been unresponsive and unclear in its communication with Ms R and this service. I believe this has caused Ms R unnecessary distress and inconvenience. I consider an additional award of £150 appropriate compensation for this.

my final decision

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

- refund all payments not distributed to Ms R's creditors, with a deduction of the £75 upfront administration fee, totalling £625, plus interest calculated at 8% simple per year from the date each payment was made to the date of settlement; and
- pay Ms R a further £150 for distress and inconvenience.

NEO must pay this award within 28 days of Ms R accepting my decision. If it pays later than this it must also pay interest on the £150 distress and inconvenience figure at the rate set out above, to the date of settlement.

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

Mark Lancod
ombudsman