

complaint

Mrs A complains about a debt management plan she entered into with Debts Reduced Ltd. She says she was not fully informed about the charges that would be applied to the plan and she is unhappy about the amounts that have actually been passed on to her creditors.

background

The complaint was considered by one of our adjudicators, who recommended it be upheld. He found that Mrs A was not correctly informed about the charges that would be applied to the plan or the affect this would have on the payments being made to her creditors. He felt that had she been correctly informed Mrs A would not have entered into the plan.

The adjudicator recommended Debts Reduced refund the payments Mrs A made, less what had been passed to creditors, with interest. He also recommended a further amount be paid for any distress or inconvenience that had been caused.

Debts Reduced did not accept the adjudicator's conclusions so the complaint has been referred to me for final consideration.

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 have come to the same overall conclusions as the adjudicator, for what are broadly the same reasons.

Debts Reduced is required to ensure that Mrs A was fully informed before she agreed to take out the debt management plan. This included, amongst other things, being clear about what charges she would be expected to pay and what impact any charges would have on any payments that were to be passed to her respective creditors.

Mrs A says she paid an initial fee of £149 and believes this was the costs of setting up the plan. She says she was not aware that a further £200 would be retained by Debts Reduced from her first two monthly payments. Having considered the circumstances of this complaint I find Mrs A's submissions to be plausible. She cancelled the plan once she became aware of the charges and the impact they had on payments to her creditors. I have considered the terms and conditions of the debt management plan and that Mrs A signed to say she had read and understood these. However, these do not demonstrate in my view that Mrs A was fully aware of the charges that would be applied to her plan.

Had Mrs A been correctly informed I think it more likely than not that she would not have entered into the plan. I therefore think that Debts Reduced should now refund the payments that Mrs A made towards the plan, less any payments that had been passed to her respective creditors. The adjudicator's enquiries demonstrate that Mrs A paid Debts Reduced £549 and only £130 was passed to creditors. Mrs A should therefore receive a refund of the £419 not passed to creditors, plus interest.

I also think that Mrs A has been caused some worry and upset by not being correctly informed by Debts Reduced and this has had an impact on her relationship with her respective creditors. In the circumstances, Debts Reduced should make an additional payment of £100 to Mrs A for any distress and inconvenience caused.

my final decision

My final decision is that I uphold this complaint and direct Debts Reduced Ltd to:

- refund the £419 it received from Mrs A which was not passed to her creditors; and,
- pay an additional £100 for the distress and inconvenience caused.

Interest should be added to the refunded payments at 8% simple per year from the date of each payment to the date of settlement. Interest should also be added, at the same rate, to the £100 above if settlement is not made within 28 days of Mrs A accepting this decision.

If Debts Reduced Ltd believes that tax should be deducted from the interest element of my award it should provide a tax deduction certificate so Mrs A can reclaim the tax if she is eligible to do so.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs A to accept or reject my decision before 9 February 2015.

Mark Hollands
ombudsman