

complaint

Mr and Mrs D complain about a debt management plan ("DMP") they entered into with Sterling Financial Security Ltd trading as Best Solution ("Best Solution"). They say the plan wasn't explained properly and that Best Solution didn't administer the plan properly. In around 2012, Mr and Mrs D were transferred onto a debt reduction plan. But to avoid confusion, I've referred to this as a DMP throughout.

background

Mr and Mrs D entered into the DMP in 2008. As part of the plan, Mr and Mrs D would pay Best Solution an amount each month. It would then negotiate with Mr and Mrs D's creditors, pass on money to them and deal with any correspondence. Between 2008 and early 2015, Mr and Mrs D paid Best Solution anywhere between £80 and £130 per month.

Initially, Best Solution paid around £80 a month to creditors. But after a few months this dropped to around £6 to £7. In return for providing this service, Best Solution charged a monthly fee. This was initially £25 per month but it gradually increased to £72 a month.

Earlier this year, Mr and Mrs D complained to Best Solution. They said that over the three years, Best Solution hadn't made payments to creditors for a total of ten months. They also said much of their money had been kept rather than passed onto creditors and that their debts had only gone down by a very small amount.

Best Solution accepted that over £1,300 had not been paid to creditors (and wasn't taken in fees). It agreed to pay that back in 28 days. But that was in July and it hasn't happened yet. So Mr and Mrs D complained to us.

One of our adjudicators looked at this complaint. He thought Best Solution should pay back the surplus money along with interest. He also thought Best Solution should pay Mr and Mrs D £150 for the unnecessary stress caused by this.

Best Solution didn't respond to the adjudicator. So the complaint was passed to me for a decision. Earlier this month, I wrote to both Best Solution and Mr and Mrs D's representative. I explained that, in addition to the adjudicator's suggestion, I was also thinking about directing Best Solution to pay back £900 of its fees.

my findings

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

Between 2012 and 2015, Mr and Mrs D paid Best Solution a total of £4,150. Of this money, around £1,067 was paid to creditors, £1,728 was kept in fees and £1,354 was surplus.

Best Solution properly agreed to repay the £1,354 surplus. It has no right to keep the money – it's not being used to pay creditors and it's not to be kept as fees. And as Best Solution hasn't given any reason why it should have kept this money, I also think it's fair that it pays interest to compensate Mr and Mrs D for not being able to use the money for other things.

Based on what I've seen – and the payments that were made – it seems likely that Best Solution initially did some work to negotiate with Mr and Mrs D's creditors. But after a while, the amounts it was paying dropped to £1 per creditor. And Best Solution hasn't given me any explanation of what it did to manage Mr and Mrs D's debts for them. For those reasons, I think Best Solution should refund some of the fees that Mr and Mrs D paid. This is not an exact science. But given that there's no real evidence of Best Solution managing Mr and Mrs D's debt for them – apart from making token payments and dealing with correspondence – I think it should refund £900. Again, I'm going to direct Best Solution to pay interest on this as I think it charged Mr and Mrs D for a service that they never really received.

Finally, I agree with the adjudicator that Mr and Mrs D should be paid £150 for the distress and inconvenience they've suffered as a result of this matter. Not only would they have been distressed to learn their debts hadn't really decreased. But they would also have been distressed by Best Solution not refunding them the surplus fees when it said it would.

my final decision

For the above reasons I uphold this complaint. I direct Sterling Financial Security Ltd to:

1. Refund Mr and Mrs D the surplus funds of £1,354. And pay them simple interest at the rate of 8% a year from the date of each surplus until the date it's repaid.
2. Refund Mr and Mrs D the last £900 of the monthly administration fee it charged. And also pay them simple interest at the rate of 8% a year from the date of each fee until the date it's repaid.
3. Pay Mr and Mrs D an additional £150 for the distress and inconvenience they've suffered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 30 December 2015.

Ross Crawley
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