



complaint

Miss K complains about the administration of a debt management plan by NEO Media Solutions Limited ("NEO"). She says payments were not distributed to her creditors in the way she expected.

background

Miss K entered into the agreement with NEO in 2011. NEO says that the agreement was not for a standard debt management plan. NEO says it first tries to dispute the debts with the creditors. During this period it will make only token payments to creditors. If the creditors are able to provide proof of the credit agreement only then does the customer move onto a standard debt management plan.

our initial conclusions

Our adjudicator recommended that Miss K's complaint be upheld. As NEO had failed to respond to his request for information about how Miss K's payments had been used, he was satisfied that they had been retained by NEO contrary to the agreement. He also did not feel that the consequences of not making payments (apart from nominal payments) to creditors had properly been explained to Miss K.

The adjudicator therefore recommended that NEO refund the difference between the payments made by Miss K to NEO and the payments passed on to her creditors, together with interest. He also recommended an award of £200 to compensate Miss K for the distress and inconvenience caused.

NEO did not respond to the adjudicator's recommendations. Therefore, Miss K's complaint has been passed to me for review.

my findings

I have considered all the available evidence to decide what is fair and reasonable in all the circumstances of this complaint. Having done so, I uphold Miss K's complaint for the reasons I give below.

NEO says before Miss K entered into the agreement it discussed the suitability of a debt reduction plan with her alongside other options, though it does not specify what these were. It says it discussed Miss K's financial situation and concluded she was eligible for the debt reduction plan. NEO also says it explained how the plan would be administered and the fees involved and provided Miss K with an information pack.

NEO says several of Miss K's creditors supplied the requested credit agreements whereupon a debt management plan was put in place and Miss K was asked to make payments on a monthly basis. It says Miss K missed eight of these payments which has impacted on the payment arrangements with her creditors. NEO also argues that it has achieved "beneficial tangible results with regard to the two unenforceable creditors", although it names a client other than Miss K in this paragraph of its letter.

Overall, I am satisfied that the services provided by NEO involve debt adjusting and are covered by the Office of Fair Trading's debt management guidance. Therefore, I have also taken into account the guidance in force at the time of the agreement.

Miss K has provided statements to show that she has paid a total of £1,120 to NEO. NEO says that £238.48 in total was paid to four of her creditors, although its 'creditor schedule breakdown' suggests that five of Miss K's creditors had been offered payments, with two creditors not responding to its requests for credit agreements. Miss K has also provided evidence that some of her creditors were receiving only token payments.

NEO has therefore retained £881.52 of Miss K's payments. NEO has not provided a statement of Miss K's account to demonstrate the amounts and timings of payments received and distributed. Nor has it provided a breakdown of fees it considers it is entitled to.

I have considered NEO's representations and the documentation it has provided. Whilst NEO says Miss K was assessed as suitable for its debt reduction plan, it has not provided any evidence in support of this claim. It has not provided any information about the options it says it discussed with Miss K. Nor has it explained why Miss K's debts were suitable for this type of agreement. I have taken into account the call scripts provided, but as NEO has not responded to this service's request for call recordings, I cannot be satisfied that adequate explanations were given.

In addition, I do not find that the agreement itself clearly sets out the nature of the service(s) being proposed, the estimated total costs of the service(s), the timescales of each stage, or the risks associated with entering into this type of agreement.

For these reasons, I am not persuaded that NEO complied with the OFT's guidance about how such agreements should be sold and administered. Therefore, I am not satisfied that Miss K entered into the agreement having been given clear information about how it would work or how her payments would be used.

In the circumstances, I find that Miss K should receive a refund of what she has paid NEO, less what has been passed to her creditors. Interest should also be added to each of the refunded payments from the date of each payment to the date of settlement.

I also agree with the adjudicator that Miss K has been caused distress and inconvenience and NEO should pay her an additional £200 in recognition of this.

my final decision

My final decision is that I uphold Miss K's complaint and direct NEO Media Solutions Limited to:

1. pay Miss K £881.52 (£1,120 less £238.48), plus interest calculated at a rate of 8% per year simple, from the date she made each payment to the date of settlement; and
2. pay Miss K a further £200 for distress and inconvenience.

I understand NEO Media Solutions Limited is required to deduct basic rate tax from the interest element of my award. Whether Miss K needs to take any further action will depend

on her financial circumstances. More information about the tax position can be found on our website.

Miss K should refer back to NEO Media Solutions Limited if she is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Finally, I remind NEO Media Solutions Limited that my decision and award is enforceable through the courts.

Athena Pavlou
ombudsman