

complaint

Mrs G complains, on behalf of herself and Mr G, that Churchwood Financial Limited ("the firm") mis-sold them a debt management plan ("DMP").

background

In April 2009, Mrs G was cold-called by the firm to discuss with her its debt management services. Following discussions with Mr and Mrs G, they agreed with the firm to enter into a debt management plan. This was on the belief that they would be able to manage their debts more easily, and would save money in the longer term.

Unfortunately, this turned out not to be the case, and rather than being debt-free, Mr and Mrs G are still repaying their debts now. They're worse off than they were before they entered into the DMP, and believe they were mis-sold the plan.

They complained to the firm saying that they were worse off under their management than they had been previously when they were repaying their debts themselves.

The firm didn't agree on the mis-selling point, but did concede that its service hadn't been what it ought to have been. It offered a refund of the £700 DMP arrangement fee, with £118.08 interest accrued on the account. It also reduced the ongoing account management fee by 50% to £25 for the remaining term of the plan.

Mrs G didn't feel that this was enough to put things right, and she complained to this service. Our adjudicator considered all of the submissions, and spoke with the firm, and concluded that it had mis-sold the debt management plan.

She said that based on the way she and Mr G had conducted their accounts before the firm had become involved, it was likely that they'd have been better off if they'd continued to do so and not taken on the DMP.

She asked the firm to:-

- Refund the original £700 arrangement fee, and 50% of the monthly management fees paid from the start of the plan to date, with 8% interest p.a.
- To refund £803.18 interest in respect of account ending 27845
- To refund £384.52 interest in respect of account ending 74663
- Pay £350 compensation for the trouble and upset they've endured

The firm responded with a counterproposal, which was to:-

- Refund the £700 fee
- Refund £118.18 in interest
- Pay £350 compensation

It said it didn't accept that it should pay the two higher amounts of interest the adjudicator recommended, because it believed that Mr and Mrs G's account would have accrued interest even if they hadn't entered into the DMP.

And on the matter of the 50% refund of all monthly management fees to date, it said that it didn't think this was fair due to the substantial amount of work that would have been carried out.

The firm's counter-offer was put to Mr and Mrs G, but they didn't wish to accept it. Her position was that had the firm not misled her into agreeing to the DMP she'd be debt-free by now. She asked for an ombudsman review.

my findings

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

Having done so, I don't think that the firm's current offer is good enough. It doesn't do enough to put things right for Mr and Mrs G.

I don't agree that even without the DMP the same levels of interest would have accrued on the accounts, as prior to the plan Mr and Mrs G were making larger repayments thus bringing interest down.

Similarly, looking at the fact that it does seem the DMP was mis-sold, and also that the firm itself agreed to reduce the monthly management fees by 50% for the remainder of the term, I think the properly fair thing to do here is for the firm to apply that refund retrospectively, as recommended by our adjudicator.

Ultimately, I agree that without the DMP Mr and Mrs G would probably have continued to manage their debts themselves, and wouldn't be in such a bad position now, and the firm needs to take responsibility for this.

For these reasons, I fully endorse our adjudicator's original recommendations on settlement.

In addition to this I think an increase in the compensation amount to £500 is fair given all that Mr and Mrs G have had to go through and the situation they now find themselves in, noting that most of it could have been avoided had the mis-sale never taken place at all.

For these reasons, I'm upholding the complaint.

my final decision

My final decision is that I uphold the complaint, and now direct Churchwood Financial Limited to put things right by:-

- Refunding the original £700 arrangement fee, with 8% interest p.a.
- Refunding 50% of the monthly management fees paid from the start of the plan to date, with 8% interest p.a.
- Ensuring that the management fee remains at £25 for the remaining term
- Refunding £803.18 interest in respect of account ending 27845, with 8% interest p.a.
- Refunding £384.52 interest in respect of account ending 74663, with 8% interest p.a.
- Paying £500 compensation to Mr and Mrs G for the trouble and upset they've experienced throughout

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 3 July 2015.

Ashley L B More
ombudsman