

complaint

Mr and Mrs F complain that Money & More Limited did not advise them properly when discussing a debt management plan (DMP) and did not operate the plan properly.

background

In June 2012 Mr and Mrs F took on Money & More to set up and run a DMP. But they say that they had not been told that other organisations offered similar services free, about the management fees they would need to pay Money & More or about the effect the DMP would have on their ability to get credit. They also say that Money & More changed the terms, and that creditors were sometimes paid late and sometimes not paid at all.

Our adjudicator recommended that the complaint was upheld in part. She said she had seen no evidence that Money & More had not distributed payments in a timely manner, nor anything to suggest the terms and conditions had been changed without Mr and Mrs F being made aware. However she did not think that the fee structure had been made sufficiently clear. She recommended that the initial fee of £600 was refunded (with interest) and that Mr and Mrs F were paid £100 in recognition of trouble and upset caused.

Money & More disagreed. It said that the agreement had explained that the first and second monthly payments would be used as an administration fee and that the relevant amount would be paid to creditors from the third full payment onwards. Mr and Mrs F had also signed a form to say that fees had been explained to them.

Mr and Mrs F did not comment.

my findings

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

It seems the initial contact would have been a telephone call from Money & More. We asked for a call recording or failing that a script (to show what Money & More would have said), and were provided with one. But:

- it asks staff to say that there are no set up costs and all creditors are paid from the first payment (which was not the case for Mr and Mrs F);
- it asks staff to inform people about free debt advice, though in other correspondence Money & More said that was only added in 2014;
- it appears to be a more recent version, not one used in 2012.

So overall, I have no real idea what was said to Mr and Mrs F in the initial call.

Relevant guidance on debt management at the time from the Office of Fair Trading (OFT) indicates that it would have regarded it as unfair:

- not to provide a clear and balanced explanation of all the options including the advantages, disadvantages, debts for inclusion, costs and risks of each debt solution.

Neither the agreement nor the covering letter mentions any other options considered, any potential disadvantages of a DMP, the implications for Mr and Mrs F's credit record or precisely which debts were to be covered;

- not to provide the consumer with or signpost a source of impartial debt management options. Neither the agreement nor the letter does that, and Money & More has said the script only referred to free debt advice from 2014.

I accept that the agreement itself did explain the fee structure. On the first page it clearly set out list of actions Money & More would take it and said that it would pay the relevant amount monthly to creditors 'from the third full payment onward'. On the second page under a heading of 'cost information' it said Money & More would retain the first and second payments as administration fees, and explained about the later monthly fees. However it only gives them as a percentage, not an actual figure: so until they got their first statement Mr and Mrs F may not have realised that £52.50 of the £300 they were to pay each month would go to Money & More rather than their creditors.

Also the covering letter says 'You are not asked to pay (our) fees separately as they are already included in the reduced monthly repayment of £300.' And 'We require your first month's payment of £300. This payment goes towards your initial set up fee.' It does not make it clear in that letter that in fact a total of £600 would be taken before any payments would be made to creditors.

Although Mr and Mrs F signed to say the fees had been explained to them, that does not mean that that had been done in a way they understood.

Looking at the overall information given, I do not think that Money & More made the costs sufficiently clear or gave adequate information about other sources of debt advice. I haven't seen anything to show it mentioned the effect on Mr and Mrs F's credit record. But I think that was probably poor in any event, so the DMP may not have made it worse.

I have considered whether Mr and Mrs F would still have used Money & More's services had they been better informed about the cost and been aware of alternatives (which would have included free services). On balance I think they might not have done, but when they have had some benefit from Money & More dealing with creditors and negotiating lower monthly repayments I do not think it would be fair to expect all the fees to be refunded. Like the adjudicator, I consider it would be fair and reasonable for Money & More to refund just the initial £600 fee (with interest).

Like the adjudicator I have not seen anything to show that the terms and conditions were changed without Mr and Mrs F being made aware. Although I can see that there were two months (January and February 2014) when creditors were not paid, it seems that that was because Mr and Mrs F had not been able to make their usual monthly payment to Money & More. Other than that creditors do seem to have been paid promptly.

So I think just a further £100 for the trouble and upset regarding the fee arrangements is fair and reasonable.

my final decision

My decision is that I uphold the complaint in part. In full and final settlement I order Money & More Limited to pay Mr and Mrs F:

- a refund of both the two initial £300 payments, with 8% interest from the date each was made to the date of settlement; and
- an additional £100 for trouble and upset.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs F to accept or reject my decision before 29 June 2015.

Hilary Bainbridge
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