

complaint

Mr R complains about a debt management plan he entered into with Money Debt And Credit Limited. He feels he was misled into taking out the plan as he was told he would be debt free in three years and his credit rating would not be affected. He has however now been told this was incorrect.

background

The adjudicator upheld the complaint. He found that Mr R had not been correctly informed about various aspects of the debt management plan before he entered into it. He felt that had Mr R been correctly informed he would not have entered into the plan as he was looking to join a government backed scheme that was free.

The adjudicator recommended Money Debt And Credit refund all that Mr R had paid, with interest, less the amounts that had been passed on to Mr R's creditors.

Money Debt And Credit did not accept the adjudicator's conclusions. It had already accepted that some of what Mr R had been told before entering into the plan was "not entirely accurate". However, it said that the debt management plan brochure and terms and conditions were sent to Mr R before he entered into the plan. It also says a breakdown of how the £315 early exit fee was calculated would have been supplied to Mr R had it been requested.

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 upheld this complaint.

Money Debt And Credit accepts that some of what Mr R was told before he entered into the debt management plan was not true. In particular, Mr R would not be debt free within three years of entering the plan, his credit file would likely be affected and creditors would likely continue to add charges and interest to the debts at least until the plan was up and running.

Whilst it seems clear that Mr R was misled I must consider what affect this had on his decision to take out the debt management plan and what if anything else would have alerted him to the fact that the information was incorrect.

I understand Mr R had initially been considering using a free government advice service to manage his debts. Using a free debt service is likely to have a similar affect on someone's credit file to when they pay for the same service. It appears the reason Mr R did not proceed with the free service is because he was told it would affect his credit file. I consider it more likely than not that the reason Mr R decided to enter into the plan with Money Debt And Credit was because of what he was told during his initial discussions.

Although I cannot be sure exactly what was discussed, the email of 9 December 2012 says it is to confirm the conversation. It seems clear to me that the email is likely to be an accurate reflection of what was discussed. I consider it more likely than not that Mr R was induced into the agreement by what he was told by Money Debt And Credit's agent/employee. Had

he been correctly informed I consider it more likely that Mr R would not have entered into the plan and instead gone with the free service he was also considering.

Money Debt And Credit argues that Mr R should have been aware through the documentation he would have received before he entered into the plan. Mr R says he did not get a copy of the agreement terms and conditions and it is not clear from Money Debt And Credit's records exactly what was sent. From the information that has been presented in this case I cannot be satisfied that Mr R did receive full details of the debt management plan terms and conditions before he entered into the plan.

Money Debt And Credit also argues that Mr R could have cancelled the plan sooner if he was concerned about what he had been told. Mr R says he could not afford to pay the £315 he was told he would need to pay to end the plan. This seems plausible, considering the circumstances, and I can therefore see why Mr R continued with the plan for some while longer.

Although I accept Money Debt And Credit has carried out work on behalf of Mr R it has charged an initial set up fee and regular monthly fees to do this work. Had Mr R been correctly informed I think it more likely he would not have incurred these fees, as he would have taken the free government backed scheme. Money Debt And Credit should therefore refund the fees it took from the payments Mr R made, with interest.

I agree with our adjudicator that this would have caused Mr R a degree of distress and inconvenience and in addition to refunding the above, it should also pay £150.

my final decision

My final decision is that I uphold this complaint and direct Money Debt And Credit Limited to:

- refund the fees and charges it has applied to Mr R's agreement since he took it out, including the initial set up fees;
- apply interest at 8% simple per year from the date of each payment until the date of settlement; and,
- pay an additional £150 to Mr R for the distress and inconvenience caused.

If Money Debt And Credit Limited believes that tax should be deducted from the interest element of my award, it should provide Mr R with the appropriate tax deduction certificate so that he is able to claim a refund if appropriate.

Mark Hollands
ombudsman