

complaint

Mrs C complains about a debt management plan she took out with Gregson and Brooke Ltd. She says the plan was meant to be helping her resolve her debt problems but it has not however done this. She feels she has not been treated fairly and has been charged excessively for five months.

background

The adjudicator who considered the complaint recommended it be upheld. After considering the circumstances of the complaint he found that Mrs C was not correctly informed about the different aspects of the plan she was entering into. He did not think Mrs C was made sufficiently aware of how the plan would work or the potentially significant consequences it could have on her creditors.

The adjudicator noted how much Mrs C had paid Gregson and Brooke, how much had been passed on to her creditors and recommend she receive a refund of what had not been passed to creditors, with interest.

Gregson and Brooke did not respond to the adjudicator's findings and the complaint has therefore been referred to me for consideration.

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 come to the same overall conclusions as the adjudicator for what are essentially the same reasons.

Before entering into the plan with Gregson and Brooke, Mrs C says she was already in a debt management plan that did not charge her for its services. She says she was persuaded by Gregson and Brooke during a sales call to take out a plan and she was led to believe her debts could be halved and fully repaid in five years.

Mrs C paid Gregson and Brooke £2,100 over five months and the evidence from Gregson and Brooke shows it passed on only £306 to her creditors. The remaining £1,794 was taken in costs or charges by Gregson and Brooke. None of Mrs C's debts have been halved and it is unlikely that any of the debts will, as a result of anything by Gregson and Brooke, be repaid in five years.

Mrs C says the way the plan worked was not made clear to her and she was not aware that she would continue to make regular monthly payments to Gregson and Brooke while it challenged her debts and did not pass on any significant monies to her creditors. I cannot be certain exactly what was discussed during the telephone discussion with Mrs C. However, having considered the available documentary evidence in this complaint, including the terms and conditions of the agreement, I do not think the potential consequences of the plan were made clear to Mrs C. Only minimal payments were passed on to Mrs C's creditors over the five months she made payments. I have not seen anything to indicate the creditors agreed to accept such minimal payments and the effects of making such low payments would be significant.

Having carefully considered all of the available submissions in this complaint I think that Gregson and Brooke failed to correctly inform Mrs C about the full details of her plan and the

potential consequences. Had she been correctly informed, I think it more likely than not that she would not have entered into the agreement.

Gregson and Brooke has kept a significant amount of the £2,100 Mrs C paid and this is to cover its costs and charges. I am not persuaded Mrs C was sufficiently told about the significant level of charges that would be applied. Nor have I seen sufficient evidence to demonstrate Gregson and Brooke has done sufficient work to justify such significant charges. I think it is unreasonable in the circumstances for Gregson and Brooke to keep the money it has not passed on to Mrs C's creditors and it should now refund the £1,794 that it has not passed to her creditors, with interest.

I also think that not being correctly informed about the plan and having payments not passed to her creditors would have been worrying for Mrs C. I note that Gregson and Brooke has done some limited work on Mrs C's account and I have taken this into consideration in my award. However, I still think that Gregson and Brooke should make an additional payment for the distress and inconvenience and £100 seems reasonable when considering what work has actually been done on the account.

my final decision

My final decision is to direct Gregson and Brooke Ltd to:

- refund all payments Mrs C made to it under the plan totalling £2,100, minus £306 it has already distributed to his creditors;
- pay interest at 8% per annum on the refunded payments from the date each payment was made to the date of settlement; and
- pay Mrs C £100 compensation for the distress and inconvenience it has caused her.

If Gregson and Brooke wishes to deduct tax from the interest element of my award it should provide Mrs C with a certificate of tax deduction so she may claim a refund, if appropriate.

Mark Hollands
ombudsman