

complaint

Mr and Mrs R complain about the way that Sterling Financial Security Ltd trading as Best Solution managed their debts.

background

In around November 2007, Mr and Mrs R entered into a debt management plan (DMP) with Best Solution. They agreed to pay an initial set up fee and a monthly charge to Best Solution who in return would manage their debt and distribute money to their creditors. In around 2015, Mr and Mrs R realised that payments were not being made to their creditors as they had expected.

They asked us to look at their complaint. Our adjudicator upheld their complaint. Best Solution did not reply to our requests for information or to our adjudicator's view and so the matter needs an ombudsman's decision.

my findings

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

We found it very difficult to contact Best Solution despite using their business address. This means that we do not have any information from them to use when considering this complaint.

Mr and Mrs R have given us some information about their debts, including some letters sent to them by Best Solution. They also sent us some information from their creditors and their bank statements. Our adjudicator also contacted the creditors in the plan.

Mr and Mrs R said that when they entered into the plan they agreed to pay an initial fee of £995 and thereafter pay £430 per month. They understood that £30 per month would be retained in management fees and that the rest would be distributed amongst their creditors.

Mr and Mrs R also provided a letter from Best Solution dated June 2012 in which it advised them that it was moving them onto a Debt Reduction Plan (DRP). They said that Best Solution did call them when it changed the plan over but it told them that it would work in exactly the same way. However, in 2015, having been contacted by some of their creditors, Mr and Mrs R were shocked to learn how little of what they had paid Best Solution had made its way to their creditors.

There were six creditors in the plans. We obtained as much information as we could from them as to what had actually been paid. It would appear that in the initial years of the plan payments were being made to creditors and that most payments were being distributed to creditors. In around June 2012, the regular payments to the creditors stopped. Thereafter the payments made became irregular with some creditors being paid only token payments of £1 or £2 for a time.

Although Mr and Mrs R said they were aware that some of their payments would be taken in fees, I do not think Best Solution should be able to keep all of those fees. That is because I am not satisfied that Best Solution correctly managed the DRP.

Given its lack of response, it has not shown us how it managed the money that Mr and Mrs R had paid to the plan during the period of the DRP and payments to creditors were irregular. Nor has it shown us that it actually did any work during the DRP to try to challenge or reduce their debt. Nor has it provided us with any evidence to show that it was sending regular monthly statements to Mr and Mrs R highlighting to them that during the DRP it was taking most of their monthly payments in fees.

In the absence of clear and detailed representations from Best Solution as to why it is entitled to keep its fees, I am not satisfied that it should keep any fees from June 2012 onwards.

In order to arrive at a quantifiable and fair outcome, I think that Mr and Mrs R should be refunded all the money they paid to Best Solution from June 2012 onwards, which we calculated as £11,422.45 less the £5,041.51 that we have identified as having been passed to their creditors in that time. It should also add 8% simple interest per year to the resulting sum. It must not deduct any management fees from the refund for the period from June 2012 onwards.

Mr and Mrs R went into the DMP/DRP to ease their financial position. Instead they have paid a substantial amount of money to Best Solution and not made the inroads into their debts that they expected. They also found it hard to get a meaningful response from Best Solution. I think that Best Solution's actions have caused Mr and Mrs R unnecessary frustration and worry. I think it should pay them £250 compensation for this distress.

my final decision

My final decision is that I uphold this complaint. I direct Sterling Financial Security Ltd trading as Best Solution to:

1. refund Mr and Mrs R £6,380.94;
2. pay 8% simple interest per year from the date of each payment Mr and Mrs R made to the date of settlement; and
3. pay Mr and Mrs R £250 for the distress that it has caused them.

If settlement is not paid within 28 days of when Mr and Mrs R accept this final decision further interest, at the same rate as above, should be added to the payment of £250 from the date of this decision until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 21 January 2016.

Siobhan Kelly
ombudsman