

The complaint

Miss R complains that Bridgewater Support Solutions Ltd (Bridgewater) mis-led her into believing her credit file wouldn't be affected when she entered a debt management plan (DMP) with it.

What happened

In 2014 Miss R contacted Bridgewater for advice in relation to some outstanding debts that she was struggling to keep up payments on. Bridgewater advised her that she was eligible for a DMP to consolidate the debts and reduce her monthly payments. Miss R agreed to the plan and Bridgewater arranged it. Her new monthly payment included a fee charged by Bridgewater for managing the plan.

In 2018 Miss R was gifted money by her parents to pay the remaining balance off in full. It was around this time that she noticed her credit file contained two defaults relating to the consolidated debts.

In 2020 Miss R spoke to a mortgage advisor as she was looking to buy a property with her partner, the mortgage adviser told her that the defaults would affect her ability to get a mortgage.

So Miss R complained to Bridgewater – she said:

- Bridgewater specifically told her during her set up call that the DMP would not affect her credit rating.
- Bridgewater told her it would take her five years to clear her debts, but it would've taken longer than this as there was still a large amount outstanding when she made her final lump sum payment in 2018.

She also asked Bridgewater for call recordings of her calls with it from the time of setting up the DMP.

Bridgewater didn't uphold Miss R's complaint but responded saying: the estimated term for her DMP, which was based on the figures she gave it when setting it up, was five years and six months. When Bridgewater contacted the creditors, the actual figures differed by around £900, which increased the term. Had she continued with the plan it would have taken six years and two months to complete.

It also said when setting up the DMP on the telephone its adviser would have told Miss R of the potential affect on her credit file. It confirmed that it provided Miss R with a pack containing the following documents:

- Terms and conditions (T&C's)
- Frequently Asked Questions (FAQ's)
- The Debt Management Plan – Fact Sheet (Fact Sheet)

Those documents contain the following information:

T&C's:

"3. Our Responsibilities

3.6 During the negotiation process some creditors may continue to charge interest or other charges. We cannot always prevent these but they will be included to be paid off as part of the debt management plan.

3.7 Contractual payments shall not be met during the Debt Management Plan, particularly throughout the initial negotiation period of 6 months.

3.8 The Debt Management Plan is likely to impact on your credit file with the result being you might not be able to obtain credit in the short term and that there is some likelihood that you may not be able to obtain credit in the medium to long term either.

3.9 Reduced payments to your creditors will affect your credit rating.

3.10 Your creditors may issue default notices which will be registered against you on your credit file for up to 6 years."

FAQ's:

7. Does debt management affect my credit rating?

If you have already missed payments it is likely your creditors have recorded the information on your credit file. Your ability to obtain credit will be affected in the short term and may be affected in the medium to long term. However, it is very important that you do not take out credit while you are on the debt management plan as this could affect arrangements already in place. (Repaying debt over a longer period of time can increase the total amount of debt owed).

Fact Sheet:

Entering into a Debt Repayment Arrangement with your creditors will affect your credit rating in the short, medium, and long term. As contractual payments may be broken you may receive default notices from your creditors.

There is no protection against creditors taking recovery action.

On the last point it explained that it no longer had the call recordings due to the passage of time.

Miss R remained unhappy and so brought her complaint to this service. The investigator didn't uphold her complaint, in summary they said:

Bridgewater had a duty under the relevant regulations, in this case Consumer Credit Source Book (CONC), to provide Miss R with the advice it gave to her in a durable medium. He felt that although the call recordings were no longer available, it was most likely Miss R was had received the documents quoted above as she had signed the letter of authority that was sent to her with them in the pack. And as he felt the information in those documents was clear he was satisfied that she had been provided with the relevant information before entering into the DMP, and so Bridgewater had fulfilled the requirements set out in CONC.

He was also satisfied that the payment term was correct as per the information Miss R provided to Bridgewater and only changed once the creditors confirmed the correct outstanding balances.

Miss R disagreed with the investigator, she said:

- The absence of call recordings shouldn't fall into Bridgewater's favour
- The website isn't clear as it says "... Joining a DMP could affect your ability to obtain credit" Miss R thinks this should say "will" not "could"
- Desperate people can't be expected to read the terms and conditions with full understanding and something with such a huge impact should be explained clearly.

The matter has now been passed to me to decide.

What I've decided – and why

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

Where there's a dispute about what happened, I've based my decision on what I think's more likely to have happened in light of the evidence.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. However, I've given careful consideration to all of the submissions made before arriving at my decision. Having done so I have to tell Miss R that I won't be upholding her complaint, I'll explain.

Term of plan

Miss R has not questioned or disputed the amount she owed, just the time frame to pay it back, so I have not looked into the amount and have limited my findings to the length of the plan.

Miss R entered the DMP owing approximately £14,647, and her monthly payments were to be £267 per month, with £52.06 of this to be retained by Bridgewater for the management of the plan and the remaining £214.94 to be distributed among her creditors. So, assuming no further charges or interest was added by the creditors, which they are able to do, it would have taken Miss R five years and nine months to complete the plan. Given these figures I think it's unlikely Bridgewater could have confirmed to Miss R that the debts would be settled in four years. So, I don't require them to do anything regarding this point.

Advice

As has previously been explained Bridgewater had a duty under CONC 8 to provide copies of advice and any key facts that Miss R needed to be aware of in a durable medium. I'm satisfied it did this for the following reasons.

Bridgewater has advised me that it's set up calls contain certain scripted elements that are mandatory for the advisor to complete, these include, but aren't limited to:

- The disclosure of fees payable
- The estimated timescale to repay the debts
- Statement regarding the impact to credit file

Miss R confirmed in her complaint form to us that she knew there was a monthly management fee payable and that she was given an estimated timescale to repay the debt. Given that these mandatory scripted elements happened, I minded to believe that it's more likely than not that the statement regarding the impact to her credit file was also completed on the call.

Miss R has said that the absence of the call recordings shouldn't fall to Bridgewater's favour. But even if I were to set the above aside, the documents that were contained in her welcome pack were clear. They all either said the DMP *would* or *could* affect her credit rating.

I understand Miss R feels that the website is misleading, and she should have had definitive information about how her credit file would be affected, but I don't think it would have changed things for Miss R, even if that were the case. I say this because, the notes on Miss R's file, which are persuasive as they are from the time of the set up call, say that she was over stretched and had had her bank card cancelled because of payday loans. So, its clear she was in financial difficulties at that time. I'm also minded to think this because she said herself, when you are desperate you can't be expected to read the terms and conditions with any understanding. So, while I have every sympathy for Miss R's situation, I think she had found herself in a difficult position and needed a way to get back on track, for her the DMP felt like a suitable option at the time and so I'm persuaded that she would have entered into it regardless of the potential impact to her credit file.

It follows I think Bridgewater met its obligations to Miss R by telling her in a durable medium that her credit rating and her ability to obtain credit could be affected by her choice to enter into the DMP, and so I don't require it to put things right here for her.

I understand Miss R's strength of feeling about this and recognise the impact it is having on her life now, and I know she will be disappointed with this outcome. But my decision ends what we – in trying to resolve her dispute with Bridgewater can do for her.

My final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 2 September 2021.

Amber Mortimer
Ombudsman