

The complaint

Mr C complains that Foundation for Credit Counselling trading as Stepchange Debt Charity (Stepchange) provided him with poor advice in relation to his debts.

Mr C is being represented in bringing his complaint, however, I'll refer to Mr C throughout this decision.

What happened

Mr C contacted Stepchange for help repaying his debts. Mr C says that Stepchange advised him to go into a debt management plan (DMP) to repay his debts – which Mr C went ahead with.

Mr C now says that a DMP wasn't the best option for him. And he only took out the DMP because he wasn't told about other options available to him. He says during the term of the DMP, he'd be required to pay around £32,000. Whereas, if he'd had declared himself bankrupt it would have cost £680. And he says as a result of the advice provided by Stepchange, he is now worse off financially.

Stepchange didn't uphold Mr C's complaint. It said that when it spoke to Mr C in January 2021, it let him know about other debt solution options, which included bankruptcy, however it noted that Mr C's preferred option at this time was a DMP.

An Investigator considered what both parties has said but they didn't uphold Mr C's complaint. They were satisfied that the evidence provided by Stepchange showed that Mr C was made aware other debt solution options were available at the time he took out the DMP in 2021. The Investigator considered information provided to Mr C during a review call in June 2022 – and while they accepted that Mr C wasn't told about other debt solution options at this stage, they were satisfied that Mr C was provided with this information after the call.

Mr C didn't agree with the Investigator's view. He still didn't think other options had been fully explained to him. And bankruptcy would have been a better option for him.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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.

Having considered everything available to me, I won't be upholding Mr C's complaint. As part of my decision, I have taken into account the relevant law and regulations, regulators rules guidance and standards, codes of practice and where appropriate good industry practice to reach a fair and reasonable outcome. This also includes the sections of the Consumer Credit Sourcebook (CONC) that Mr C's representative has referred to.

It's worth starting by saying this decision will be deciding on whether or not StepChange reached its recommendation correctly. It isn't for me to decide what debt solution I would have recommended. And while other debt solutions might have been available to Mr C, it doesn't necessarily follow that the DMP was unsuitable.

Stepchange no longer have a copy of the initial call that took place in 2021, when debt solutions were discussed with Mr C – this is unfortunate given that I can't know exactly what was discussed during the call. Stepchange has sent me a copy of information that was sent to Mr C after the call. The information sent to Mr C suggests he had chosen to take out a DMP, and as part of the document, it also confirms that other debt solutions, such as bankruptcy were available options. The document explains the benefits and risks of other available solutions. So, I can't fairly say that Mr C wasn't told about other options available to him at this time.

I have considered all of the information Stepchange gathered from Mr C when it initially set up the DMP for him. I can see it did a review of his income and expenditure, and the debts Mr C told it were outstanding. Initially, it was suggested that Mr C should pay £71.77 a month towards his debts, which would take him around 20 years and 9 months to repay. However, Mr C's plan was changed once StepChange received Mr C's payslips as it found he could afford pay £113 a month towards the plan. While the term of the plan seems long, Stepchange had said that Mr C was shortly due to pay off another debt, which would free up £202 a month to go towards the plan, and so the term of the plan would reduce to around 6 years with the increased payment amount. Based on all of this information, I don't find that the DMP was an unreasonable debt solution for Mr C.

In June 2022, Mr C contacted Stepchange for a review of his plan. Stepchange has said that it would have expected the advisor to discuss other debt solution options during the call – which it didn't do. So it does seem that it fell short here. But I note that Mr C was sent information after the call about other options available to him - which included the benefits, disadvantages, risks and costs involved of each solution available. So again, I think he was aware of the option of bankruptcy should he have wanted to do this – or he could have contacted Stepchange again for more information about what bankruptcy would mean for his situation. The DMP was still a debt solution option available for Mr C at this time. Mr C didn't raise any concerns during the call in relation to the plan. And while I accept the advisor should have provided Mr C with more information about the other solutions available to him during the call, this information was sent out to him at a later date.

I'm satisfied that Mr C was aware of insolvency options when he first set up the plan, and in June 2022 shortly after the plan was reviewed. I think it more likely that Mr C chose to go into and continue with the DMP in the knowledge that there were other options available to him.

I can see that Mr C made his last payment into the plan in July 2022, shortly after the review took place. The plan was then cancelled in September 2022. The payments made into the plan went towards reducing Mr C's overall debt. So, it's difficult for me to say that Mr C has lost out as a consequence of having the plan.

My final decision

For the reasons set out above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 April 2024.

Sophie Wilkinson
Ombudsman