

The complaint

Mr A complains Bridgewater Support Solutions Ltd trading as DFH Financial Solutions mis-sold him a debt management plan (DMP).

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

Mr A has said due to his personal circumstances changing, he ended up with debts on three credit cards. He said he had a long conversation with DFH, and they said they'd freeze the interest on the credit cards and would set up a DMP. Mr A says he asked five times about whether this would impact his credit score and was promised each time it wouldn't. He began making the payments to the DMP but says in December 2023 found out only two of the three cards were being paid. The card that wasn't being paid had been sent to a debt collector – and Mr A says the payments towards the other two were so low, they'd have been defaulted as well. When initially raising this, Mr A says DFH let him out of the contract immediately and asked about compensation – which he says shows is admitting liability.

In DFH's written response to Mr A's complaint, they said they initially wanted to clarify the reasons why they'd asked him what compensation he'd want – this is because they hadn't finished reviewing his complaint. So, they weren't sure at the time of asking that question what outcome they were planning to reach. In addition, DFH said letting Mr A out of his DMP wasn't an admission of liability – a DMP is an informal agreement so he could always have ended it whenever he wanted.

In respect of Mr A's specific concerns about mis-selling him the agreement based on the impact to his credit score – DFH said they'd told him on several occasions on the phone it could be impacted. They also said they'd written to him and set out in that his credit score could be affected – but he decided to go ahead with the DMP. So, overall, they didn't uphold his complaint.

Unhappy with this Mr A asked us to look into things. One of our Investigators did so but found DFH hadn't done anything wrong in how they'd explained the possible impact on Mr A's credit file to him.

Mr A strongly disagreed with this. He said DFH's agent blatantly lied to him and promised him on several occasions it wouldn't impact his credit score. Because of this, Mr A's complaint has been passed to me to decide.

What I've provisionally 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.

Impact to credit score

The key evidence in this case is the call recording – and whether DFH’s agents lied to Mr A as he’s said they did.

To decide the complaint, I’ve listened to the call:

- *1h 3m – this is the very first mention by Mr A of his credit score in the call. The agent is running through the five debt solutions. The agent has explained Mr A doesn’t qualify for the first two solutions but does qualify for the third which he says is an Individual Voluntary Arrangement (IVA). Mr A replies instantly and says ‘I don’t want to have an IVA thank you. That destroys your credit score.’*
- *1h 4m – the agent asks Mr A for his opinion on the IVA, and Mr A says it’s never an option for him because it destroys his credit score.*
- *1h 7m – the agent explains the Debt Management Plan option (DMP). The agent explains this reduces his monthly payment to £254. They explain they’d deal with the creditors directly, and Mr A would make the payments directly to them.*
- *1h 9m – Mr A asks if going into the DMP affects his credit score. The agent says ‘well at the moment your credit score has already been affected...yes it may have an impact because your contractual payments aren’t being made’*
- *1h 12m – the agent says ‘as with most credit solutions your credit rating may be affected in the short, medium and long term, you may receive default notices as your contractual payments aren’t being made’. The agent explains because Mr A is missing payments on his credit agreements, his credit file is being impacted anyway. The agent adds ‘until the balances start to go down’ and Mr A says ‘nothing’s going to improve’.*
- *1h 15m – the agent asks Mr A what option he wants, and he says he wants the DMP, as the other options will wreck his credit score, and credit score is everything in this country.*
- *1h 37m – right at the end of the call, Mr A says ‘so, just to confirm, it stops all the interest on the credit cards and also my credit score it’s not going to go anywhere because I’m entering into this, as I start to pay off the balance my credit score is going to increase because I’m bringing the balance down’ – and the agent says ‘yes that’s it’.*

In listening to the call, I wasn’t completely satisfied DFH’s agent had fully understood how important Mr A’s credit score was to him. Particularly around 1h 12m which I think Mr A simply took from this part of the call if he is reducing the balance, then his credit score will improve. It’s not made clear what impact this could have. The length of this plan was up to five years, and interest and charges don’t generally get frozen for that long – unless the account has been defaulted which Mr A absolutely didn’t want. And, at the end of the call, I think DFH gives Mr A completely the wrong information.

Mr A has characterised this as DFH ‘lying’ to him – which according to the dictionary simply requires an ‘untrue’ statement to be made. In the circumstances, I accept Mr A was lied to by DFH, but I don’t feel like it was intentional. It was at the end of the one hour 37-minute call, and the agent seemed keen to end the call. Clearly, that’s not good enough and certainly not an acceptable reason to give wrong information. This is particularly poor given what DFH say in their terms and conditions.

10. Important Information

10.1. Some Creditors may continue to charge interest or other charges. We cannot always prevent these but if there are any charges by a Creditor they will be included and be paid off as part of the Debt Management Plan.

10.2. Contractual payments may not be met during the Debt Management Plan.

10.3. The Debt Management Plan is likely to adversely 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.

10.4. Reduced or no payments to Your Creditors will affect Your credit rating and increase the likelihood of falling in to arrears or further arrears. Debt recovery actions, including the issue of default notices and instigation of legal proceedings can ensue, and these may lead to You incurring further costs.

10.5. Making reduced payments to Your Creditors may cause them to issue default notices which will be registered against You on Your credit file for 6 years

Even a conservative interpretation of this part of the terms and conditions show someone's credit file could be impacted by a DMP. In the circumstances, I can only conclude Mr A was misled by DFH into taking out the agreement.

I realise DFH will say Mr A's expectations were managed during the call – and, to a degree, I don't think that'd be an unfair point. But I think it's fair to say during the call Mr A was clear and direct in not wanting any kind of significant impact on his credit file with his various comments – along with his reaction to the suggestion of an IVA. So, I think DFH needed to make this significantly clearer to him.

DFH may also suggest Mr A should have read the terms and conditions sent out to him. I don't necessarily disagree with this, but this 'Important Information' starts on page six of a ten-page document – which isn't as prominent as it perhaps needed to be for Mr A's purposes. I also can't ignore that in the call, the agent got Mr A to sign the paperwork while on the call – and these terms were attached to them. In the circumstances, I can see why Mr A wouldn't have read the terms and would have trusted what he'd been told on the phone – especially given he explicitly asked the question about his credit score at the end of the call and was told it'd be fine.

So, I'm currently planning to uphold this complaint.

Payments being distributed to Mr A's creditors

Mr A said he was also complaining about this. Originally he said payments weren't made to one account. When discussing this he clarified this is what one of the creditors told him – but actually it seems like the issue was the minimum payments were so low to the accounts that each of them would default before too long.

DFH said this was a new complaint issue they'd not looked into but also consented to our service considering it on 8 October 2024. When doing so, they provided a list of payments made to the various creditors.

DFH said Mr A made four payments of £254 to the plan (August, September, October and November 2023), and these were distributed to his creditors in line with the plan.

Our service asked Mr A for more information about this on 16 February 2025 to ensure we had all the information required. Mr A was asked to reply to us by 27 February 2025, but, as at the date of this provisional decision, hasn't – so I've gone ahead and considered things.

The list of payments DFH have provided does show in each of the four months Mr A made payments, that they distributed them to his creditors – with one payment to each of his three creditors each time.

So, I've seen nothing to suggest they didn't make the payments as they said they would – based on DFH's list of payments, and the lack of anything from Mr A to rebut this point.

I do think Mr A's concern about this stems from the situation he found himself in unexpectedly – that his creditors were planning to default him.

Putting things right

I'm aware on 7 January 2024 Mr A set out his losses to DFH as far as he was concerned. In summary these were:

- *He was going to try and move into a rental property with his partner, but they couldn't do that now.*
- *He was going to potentially get a contract worth a very significant amount for his business, which he now couldn't because of the damage DFH had caused.*
- *He was going to buy an electric vehicle, but now it'd cost around 4% more in APR.*
- *And he talked about the mental damage they'd caused him – he'd had a very difficult year, and to find his credit score had been obliterated had crushed him.*

All in, Mr A calculated his losses and compensation at £35,000 having set aside the losses from the business contract.

Deciding how to put things right isn't an exact science, and typically we'd split this into financial losses, and compensation for distress and inconvenience.

Financial losses

This would be provable financial loss Mr A has incurred as a result of DFH's actions.

Looking at what Mr A has mentioned, this is difficult. I say that because a lot of what Mr A is talking about is getting credit. But Mr A's credit file was already somewhat damaged – as he mentioned he'd missed some payments to his credit cards. And the next payment due was over £700 to one of them – which he made it clear on the call he couldn't afford – so he'd seemingly have had another missed payment to go on his credit file.

I'd also have to be satisfied the sole or main reason Mr A couldn't get credit (renting and electric vehicle) was entirely down to the damage he says DFH had caused. This typically would be something from the relevant companies confirming that's the sole reason. It's unclear to me if Mr A has that, as I'm not sure if he applied for anything.

In respect of the costs he's claiming for due to the increased rental and electric vehicle costs then, if Mr A can provide evidence then I'd be happy to consider it. This will likely need to be:

- *Full copy of his credit file*
- *Letters or other evidence from the rental company / lender of the electric vehicle what he's alleging*
- *Evidence to show the difference in costs he is paying now, versus what he would have paid but for DFH's errors*

But, in the absence of this evidence, I can't award any costs here. And, as Mr A didn't reply to our last message, I decided it's best to progress matters – as I can still consider things if he provides them before the deadline to this provisional decision.

The last issue to consider is the contract Mr A said he was in line for – but he also told DFH he'd put that to the side as they'd not started on this yet. I'd also put this to the side, primarily on the basis Mr A's company is the entity who'd be in line with the contract – not Mr A himself. The company is a limited company, and therefore a separate legal entity which I couldn't award anything to in this complaint brought by Mr A in his personal capacity.

One financial loss I can't see Mr A has claimed for though, is the cost of the fees he's paid to DFH for the DMP. These all need to be refunded to him, given I think the plan was mis-sold.

In case it helps Mr A as well, he's able to place a Notice of Correction on his credit files with each of the Credit Reference Agencies (CRAs). He can do a search online to find the three main credit reference agencies – and add his details to that. A Notice of Correction is described by the CRAs is something a customer can ask to be included to explain things if needed.

Compensation for distress and inconvenience

Mr A has asked for £5,000 compensation for the 'mental stress and humiliation' he says DFH have caused him.

As I said above, deciding how to put matters right isn't an exact science – and that is even more so with compensation. Mr A has said £5,000 is a fair amount – but using our guidelines as a steer, this is significantly more than our service would usually award in these circumstances.

What I know is that when Mr A came on the phone he had, without a doubt, been through a difficult year. Having no money for him every month was clearly having a very negative toll on him – and I was genuinely sorry to hear how challenging things had been for him.

So, I don't underestimate the distress he'll have experienced when he found the plan he'd been paying for which was designed to give him financial space and allow him to live wasn't doing what it was supposed to.

But I also have to weigh up that, currently, I have no evidence the reason he couldn't progress with some elements of his life plans that he wanted to (rental property and electric vehicle) is due to DFH. So, I have to factor this in.

Overall, I think a compensation payment of £600 is a fair way to reflect the distress caused to Mr A by DFH's actions. His credit score was clearly extremely important to him, but the agent didn't take the time to properly explain how things worked to Mr A.

Responses to my provisional decision

Mr A replied and provided his credit file. He said he hoped this would show the impact it's had on his financial and mental wellbeing. He didn't think the compensation I'd set out was sufficient for what'd happened, but hoped DFH would learn from this.

DFH said they were prepared to accept the outcome if Mr A had, but as he didn't, then they wanted further information to be considered. In summary, they said:

- They objected to Mr A's characterisation of their adviser lying – and the use of the term 'lied' implies deliberate dishonesty.

- At the time of entering into the plan, Mr A's commitments due in the following month were £746 and he only had £254 available – so any impact to his credit file can't solely be attributed to the DMP.
- They sent Mr A paperwork which sets out the impact on the credit file – and think overall the phone call and written information demonstrates reasonable and appropriate efforts were made to ensure he understood the risks of entering into a DMP.

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.

I thank both parties for providing detailed replies to my provisional decision.

Starting with Mr A, I've considered his credit file. I can see from this Mr A did have late payments, and one of his accounts defaulted, after the DMP had been set up.

But, I think DFH's point is a valid one – in that Mr A came to them when he was already in difficulties. He didn't have enough funds to meet his commitments for the following month, and there was no suggestion that would immediately improve.

So, I don't think I can place full blame on DFH for what happened to Mr A's credit file – it seems more likely than not some, if not all, of this was going to happen anyway.

I've reflected on the compensation, as I know Mr A feels strongly £600 isn't fair – but having now seen his credit file I think it's important to set out this figure is to compensate him for the loss of expectation he experienced when he found out the plan wasn't doing what he understood it would be.

In finalising my thoughts on compensation, I also need to take into account DFH's comments about the paperwork they sent Mr A – though I don't actually think it changes anything. I say that because, to me, the most significant contact in Mr A's case was the phone call. It's the phone call and the advisers replies to Mr A's questions which convinced him to go ahead with the plan.

In terms of DFH's concerns about the use of the term 'lied' – as I've said I don't think it was intentional on their adviser's part I think the adviser wasn't listening. So, for clarity, I'm satisfied based on what I've heard there was no deliberate intent to deceive Mr A.

Overall then, I remain of the opinion £600 and a refund of fees is a fair way to put this right.

My final decision

I require Bridgewater Support Solutions Ltd trading as DFH Financial Solutions to:

- Refund all fees Mr A paid for the plan (for clarity – this does not include payments made to Mr A's creditors, only amounts DFH took for fees)
- Pay Mr A £600 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 May 2025.

Jon Pearce
Ombudsman

