

The complaint

Mrs M complains Foundation for Credit Counselling trading as Stepchange gave her misleading advice when entering into a Debt Management Plan (DMP) and Breathing Space.

What happened

Mrs M says during a live chat with Stepchange on 10 January 2025 she was explicitly told entering into a DMP and submitting a Breathing Space application wouldn't negatively impact her credit report. She says she was also told it wouldn't impact her ability to remortgage with her husband. Mrs M says she was told there would be no default notices provided payments were made under the plan. Mrs M adds she was told not to reply to communications from creditors as Stepchange would manage this. But, she says payments during Breathing Space were reported as missed leading to two defaults. These defaults have prevented her from remortgaging, which is the very issue she was trying to prevent. Mrs M wants the defaults removed, an apology, and a review of Stepchange's procedures. Mrs M adds this has caused her significant mental health distress.

Stepchange reviewed Mrs M's complaint, and overall didn't think they'd misled her or given incorrect information. So, they didn't uphold her complaint.

Unhappy with this, Mrs M asked us to look into things.

One of our Investigators did so. She found Stepchange had properly explained things to Mrs M – so didn't think they needed to do anything further.

Mrs M didn't accept this. In summary she said:

- She didn't miss any payments on her mortgage or any other financial commitments of her own accord – during the Breathing Space period she was explicitly advised payments wouldn't be taken while the plan was being set up – and once the plan started Stepchange would take over the payments for her
- As a consumer without specialist financial training, she relied fully on Stepchange's guidance and it's not reasonable to expect her to have understood the difference between "payment protection" and "enforcement protection"
- Stepchange's information was insufficiently clear and highly misleading – at no point was she explicitly or prominently told her creditors would continue to record missed or reduced payments as defaults during Breathing Space even though enforcement action was suspended
- She followed every instruction in good faith, but now has two defaults on her credit report
- She referred to the financial regulator the Financial Conduct Authority's (FCA) Principles for Business, specifically Principles 6 and 7 regarding fair treatment and the provision of clear, fair and not misleading information
- This whole situation could have been prevented with a clear simple message 'Please note: although Breathing Space protects you from creditor action, your credit file may

still show missed or defaulted payments during this period.’ – and if she’d received that, she wouldn’t be in this position

- She didn’t think it reasonable to expect someone under financial and emotional strain to understand the 50-page DMP documents she was sent

Overall, Mrs M didn’t think Stepchange had properly communicated matters, so the complaint’s 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.

I think it’s important to explain I’ve considered all of the information provided by both parties in reaching my decision. If I’ve not reflected or answered something that’s been said it’s not because I didn’t see it, it’s because I didn’t deem it relevant to the crux of the complaint. This isn’t intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

Before getting into my findings on Mrs M’s complaint, I just wanted to explain the limitations of what I can do – even if I uphold the complaint.

I can see Mrs M has asked for the defaults to be removed from her credit report, and for Stepchange’s procedures to be changed.

The creditors who applied the defaults are the only ones who can remove it. I say that for two key reasons. The first of which is Stepchange simply don’t have the ability to remove it as it’s not directly anything they can influence. The second reason is because the creditors themselves are responsible for the decision to apply a default. I can see our Investigator said Mrs M can raise a complaint to the creditors who applied a default if she wanted to.

I also can’t require Stepchange to change their procedures, my role is to consider Mrs M’s individual complaint and decide if they’ve acted fairly or not and, if not, what redress is fair to put matters right.

I can see this issue has had a significant impact on Mrs M which I’m sorry to have read about. But, being impartial means I have to critically assess all of the information in front of me to decide what a fair outcome is.

I’ve been provided with a copy of the webchat from 10 January 2025 between Mrs M and Stepchange’s agent. The relevant parts of this say:

- Mrs M *“if I get inheritance which I’m expecting this year at some point can I pay it all off in one go?”*
- Agent *“You can yes, we even have a team that can negotiate reduced settlements for you too.”*
- Mrs M *“oh great! So the only negative is a bad credit score?”*
- Agent *“It will have an impact on your credit score and obviously you will lose use of the cards but if you’re not able to pay them as normal, it is the ‘kindest’ solution for your credit file”*
- Mrs M *“also this won’t affect my husbands credit will it?”*
- Agent *“As part of the pre-activation advice, if you cannot afford the payments you should cancel them and give the creditors your Client Reference Number for us and tell them we will be in touch, they will normally hold the accounts for you.”*

- Agent *“Not unless you have any joint debts with him, which it doesn’t look like you do.”*
- Mrs M *“no only the mortgage”*
- Agent *“It won’t change your mortgage at all and it normally doesn’t have an impact on your ability to re-mortgage if you have been on the plan for at least 12 months and not missed any payments to it.”*
- Mrs M *“or if I pay it off?”*
- Agent *“Or if you pay it off”*
- Mrs M *“Fab! We’re selling my...house and I own half but the sale fell through yesterday so now I need to sort something in the meantime”*

Thinking about this webchat in isolation first, I can’t agree with Mrs M’s understanding of what she says she was told.

Mrs M has asked a number of questions, all of which I think Stepchange answered correctly.

When Mrs M asked about a bad credit score, the agent said it will have an impact. Mrs M doesn’t ask about defaults, so wasn’t explicitly told no defaults would be applied. While I can understand Mrs M’s concern that the agent didn’t say defaults may be applied, her question was more generic in nature – and the agent told her that yes, this plan would have an impact. Mrs M then hasn’t queried that.

In terms of Mrs M’s intention to pay off the outstanding debts, I know it worked out that a few months after this she was in a position to do so. But, I don’t think that’s certain at the point of having the webchat – particularly given the sale of the property had fallen through the day before. Mrs M couldn’t have known the next sale would go through – so I can’t reasonably say Stepchange’s agent gave any incorrect information here.

Mrs M has also said she was told to not reply to her creditors – but again that isn’t what the webchat itself says. This says if Mrs M can’t afford the repayments to cancel the payments and contact her creditors to tell them she’d signed up with Stepchange. So, I can’t agree Stepchange misled Mrs M on this specific point.

I’ve also not seen from the webchat Mrs M asked about Breathing Space – so I can’t see any information was given to Mrs M as part of this conversation. But, Stepchange have provided an email sent to Mrs M about Breathing Space.

In the email, this says, amongst other things:

- *You should continue to make payments to your debts if you are able to*
- *Some of your creditors may pause or cancel your Direct Debit payments towards the debts in Breathing Space. If you can make any payments to the debt, you need to make the payment by another method. Missed payments can affect your credit file*

The email to Mrs M goes on to say what her creditors have to – included amongst this is:

- *Freeze interest, charges and fees on debts in your Breathing Space*
- *Stop enforcement action on all debts included, during your Breathing Space*
- *Stop contacting you to ask for the repayment of these debts. Creditors can still keep in touch and send you things like advertising communications and monthly statements*

So, thinking about the Breathing Space information Mrs M was sent, she was advised to continue making payments if she could. This is contrary to her comments where she says she was explicitly told payments wouldn't be taken while the plan was being set up. And, thinking about this together with the webchat, Mrs M already had at least some understanding about the impact on her credit report – as she'd already asked about it. So, although Stepchange's information doesn't directly link a non-payment to a creditor as a missed payment, I think it's reasonable to say the overall picture at this point means I think Mrs M knew this is what would happen if she didn't make any payments.

I understand Mrs M's point about not being expected to understand the difference between "payment protection" and "enforcement protection". And I agree, this isn't something I'd expect her to know. But, again, at this point I think Mrs M has already been given clear information that she needs to either continue to make payments or, if she can't, then she needs to tell her creditors she's signing up with Stepchange.

In this email the only reference I can find relevant to Mrs M's concern about being told not to reply to creditors was the comment about creditors should stop contacting her asking for repayment of the debts. There isn't anything in this document which says she shouldn't reply to them if they get in touch.

I've also reviewed the 50-page DMP information pack Mrs M was sent. I understand to most people this is a significant amount of information to try and absorb – particularly as Mrs M says when someone is already under financial and emotional strain.

The pack generated shows Mrs M's DMP would run for four years and seven months if all creditors stop applying interest, fees and charges. I've seen nothing to show Mrs M questioned that – so I think it's reasonable for Stepchange to say she accepted this timeframe.

Across the 50 pages there is information about missed payments, and what creditors can do. I won't go into detail regarding this because I can see our Investigator pulled out some relevant elements - and because I'm satisfied the other information Mrs M was provided with also told her to continue making payments, and if she couldn't do that then to contact her creditors.

Stepchange aren't responsible for the actions of the creditors but are responsible for ensuring Mrs M is provided with clear, fair and not misleading information – which I think they've done. Because of that, I also think they've treated her fairly. So, I don't find Stepchange have breached the FCA Principle's 6 and 7.

My final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 6 January 2026.

Jon Pearce
Ombudsman