

## **complaint**

Mrs C, represented by a claims management company (CMC), complains that Foundation for Credit Counselling (trading as StepChange) mis-advised her regarding a debt management plan (DMP).

## **background**

Mrs C says she approached StepChange in regard to her debts. She says she was advised to enter into a DMP. She says she was not told that while in a DMP her creditors could still apply interest and charges to her account and continue with recovery action. She also says she was not told of the adverse impact the DMP could have on her credit file.

The CMC says that having reviewed Mrs C's income and expenditure, bankruptcy or an individual voluntary arrangement (IVA) would have been better solutions for Mrs C.

The CMC also raised concerns about the figures included in her budget suggesting that her income had been exaggerated due to the inclusion of a living allowance Mrs C required. However, it has since dropped this aspect of the complaint following evidence of the budget calculations.

Mrs C says that the option of bankruptcy was not explained to her and that other solutions were not discussed. She says that the DMP was not the most suitable option and has resulted in prolonging her financial hardship.

StepChange says that Mrs C approached a free debt advice service about her debts. It says that the advice service did not administer DMPs and so when a DMP was recommended and accepted details were passed to StepChange or another charitable organisation. StepChange says that the debt advice service confirmed that all debt solutions (including bankruptcy and an IVA) were discussed with Mrs C before she chose the DMP.

StepChange says that Mrs C's file was passed to it in November 2011 and her DMP was activated in February 2012. It says that Mrs C signed the DMP agreement which confirmed she understood her creditors could continue to apply interest and charges to her accounts or take recovery action. It says that information about this and the impact of the DMP on her credit file were included in the welcome pack.

The adjudicator did not uphold this complaint. He said that the welcome pack sent to Mrs C included the information she needed regarding creditor actions and the impact on her credit file.

The adjudicator said there was insufficient evidence so say what had been discussed with Mrs C in regard to the possibility of bankruptcy. He said that there was a call note to say this option had been discussed. On balance he was satisfied that Mrs C had been made aware of this option.

Mrs C said that bankruptcy was mentioned once and that the adviser said they would not recommend this. She said that had she been aware of other solutions such as bankruptcy or an IVA that would have meant she was debt free sooner she would not have agreed to the DMP.

### **my findings**

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

I have looked at the information provided to Mrs C in the welcome pack and also contained in the DMP agreement she signed. This provides the information Mrs C needed to be aware of the actions her creditors could take while she was in the DMP and also the impact on her credit file.

StepChange has explained that Mrs C's case was passed to it after a debt advice service had recommended a DMP and Mrs C had accepted this. I do not have information regarding the details provided to Mrs C at that time but I do note that StepChange's system notes from November 2011 record that bankruptcy was advised. Based on this I find it reasonable to accept that Mrs C was made aware of the possibility of bankruptcy.

The debt advice service has also said that other options, beside a DMP, were discussed.

I appreciate that Mrs C says that a different debt solution would have meant she was debt free sooner. I also note that her debt free date has moved further into the future. However, based on the information I have I accept that bankruptcy was raised with Mrs C and that Mrs C had the information she needed to decide whether or not to enter in the DMP.

### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 31 October 2016.

Jane Archer  
**ombudsman**