

complaint

Mr B complains that Foundation for Credit Counselling, trading as StepChange, mis-sold him a debt management plan. The complaint is brought on his behalf by a claims management company. It says a debt relief order would've been more suitable.

background

Mr B sought advice from StepChange in 2011 and, as a result, entered into a debt management plan ("DMP"). He paid into the plan until he decided to enter into an involuntary arrangement in 2014. The claims management company says that, if his disability living allowance hadn't been included in his income, he would have been eligible for a debt relief order ("DRO") which would have cleared his debts more quickly.

Our adjudicator didn't recommend that the complaint should be upheld. He concluded that Mr B wasn't eligible to enter into a DRO.

Mr B didn't agree. His claims management company responded on his behalf saying, in summary, that:

- If Mr B's disability living allowance was included in his income, there should have been a corresponding entry in his expenses for the costs he incurred because of his disability.
- A DRO should've been recommended when StepChange reviewed Mr B's circumstances and his debt had reduced to within the criteria for a DRO.

my findings

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

Mr B was asked to give details of his income and expenditure and this showed he had more than £260 a month disposable income, so he wasn't eligible for a DRO. Given his circumstances, I don't think it was unreasonable for StepChange to recommend a DMP which would've allowed him to repay his debts within a reasonable timescale.

StepChange included disability living allowance as part of Mr B's monthly income. This benefit is to pay for the additional expenses caused by the individual's disability. But any such expenses would have been included in the monthly expenditure figures Mr B gave StepChange. So I don't think it was wrong to include the allowance in the income figure.

StepChange regularly reviewed Mr B's circumstances to make sure that the DMP remained the most suitable option for him to repay his debts. On each review, his disposable income figure remained higher than £50 a month, so he wasn't eligible for a DRO.

Overall, I am not persuaded that the DMP was mis-sold.

my final decision

For the reasons I have explained, my final decision is that I don't uphold this complaint.

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

Elizabeth Dawes
ombudsman