

complaint

Mr C complains that Foundation for Credit Counselling ("StepChange") a charity managing his debts, paid money to the wrong account. As a result one of Mr C's debts wasn't paid and he received letters from debt collectors. He wants compensation for the hurt and upset caused.

background

Mr C has a debt management plan with StepChange. He has three debts, but one debt was not paid because of an administrative error. This resulted in Mr C receiving a debt collection letter and he later discovered that other debt collection letters had been sent to his old address. He says this caused him to have problems at home as a family member did not believe he was paying the debt. He also had to make a number of calls to StepChange on his mobile phone which he says cost him £160 and also go through all his financial information.

StepChange accepted it could have acted quicker and agreed to refund £160 for his telephone calls and pay £50 for hurt and upset. It traced the missing money, credited the correct account and ensured any interest was removed.

The adjudicator upheld the complaint, she said StepChange was aware it was paying the wrong account in 2012, but continued with the payments. She felt it should have done more. Furthermore, it should have taken immediate action in August 2014, when it had the correct account number. Instead it waited until November 2014 before taking action. This caused further distress. She accepted Mr C was upset because he received debt collection letters. The adjudicator felt the offer for distress and inconvenience was too low and should be increased to £200, and it should also pay the £160 for telephone calls.

StepChange did not agree. It felt £50 was a fair figure and this has been awarded in the past. Furthermore it says Mr C inflated the cost of his telephone calls. It says it has restored Mr C to the position he would have been in had the mistake not happened and it is not prepared to pay more.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

StepChange acknowledges that money was paid to the wrong account and that it could have acted sooner. A detailed investigation into the missing payments didn't start until 19 November 2014 despite Mr C providing information from 27 August 2014 onwards which should have prompted one. Furthermore StepChange was aware it was paying into the wrong account as far back as 2012, as it was told by the bank that the account it was paying did not belong to Mr C. It did not investigate and continued to pay money into this account. I find the delay caused Mr C additional distress.

StepChange accept that it could have acted sooner and is prepared to refund Mr C's telephone calls and pay compensation. The only issue to decide is the amount of compensation for hurt and upset. I note that StepChange agreed to refund £160 telephone calls without any evidence but now says his calls would be no more than £70. StepChange

has already agreed to refund the telephone calls of £160 and it is not fair and reasonable to now try to reduce this amount.

I note in other cases StepChange has paid £50 for hurt and upset. But I am required to look at each case on its own facts and decide what is fair and reasonable depending on the hurt and upset caused to that individual. In this case I agree with the adjudicator that Mr C has suffered a lot of hurt and upset, he has received debt collection letters and had to make nearly 3 hours worth of telephone calls to resolve this. StepChange delayed dealing with this problem causing further distress. Additionally, it has caused problems for him at home. Taking all this into account, I find £200 is fair and reasonable for the hurt and upset suffered.

my final decision

I uphold this complaint and require Foundation for Credit Counselling to pay Mr C £160 for his telephone calls and £200 for hurt and upset.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 21 August 2015.

Clare Hockney
ombudsman