

complaint

Miss U, who is represented by a third party, complains Foundation for Credit Counselling gave her poor debt advice and handled her debt management plan badly.

background

In 2009 Miss U contacted Foundation for Credit Counselling – better known as Step Change – at the suggestion of one of her creditors. She was in financial difficulties at the time.

Miss U says Step Change recommended a debt management plan lasting for approximately four years. She entered into a debt management plan on that basis.

In 2014 Miss U complained to Step Change that one of her creditors had told her she still owed money despite Step Change saying her balances had been reduced to zero. She says Step Change didn't help her when she complained.

Miss U subsequently complained, with the help of a third party, that she should have been advised to apply for a debt relief order. She said she'd struggled with her debt management plan which had caused her severe hardship instead.

Our adjudicator spoke to the creditor who said Miss U still owed money. They agreed to write off the balance Miss U owed. Our adjudicator didn't recommend the rest of Miss U's complaint be upheld as she didn't feel Miss U would have qualified for a debt relief order. Miss U's representative disagreed, and asked for a decision from an ombudsman.

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've seen evidence from Miss U's representative about how hard her life was whilst she was on her debt management plan. The evidence suggests Miss U had to keep her spending to a minimum meaning she became isolated and lonely at times. It was obviously a very difficult time for Miss U.

I've also seen evidence about conversations Miss U had with Step Change before she started her debt management plan and during it. That evidence suggests Step Change discussed Miss U's budget with her – which shows she had too much disposable income for a debt relief order to have been an option – and that she was comfortable with her budget. I don't, therefore, agree that Miss U was eligible for a debt relief order or that it would have made sense for Step Change to explore this with her.

I'm pleased to see that the creditor who said Miss U still owed money agreed to write that debt off. That was the right thing to do in light of Miss U's circumstances. I can see that this was a huge relief to her. Miss U has managed to get rid of substantial debts over the last four years, and I hope this will make life easier for her going forwards.

my final decision

My final decision is that Foundation for Credit Counselling doesn't need to take any further steps in relation to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss U to accept or reject my decision before 21 September 2015.

Nicolas Atkinson
ombudsman