

complaint

Miss H complains that DFH Limited mis-advised her in relation to a debt management plan, as it did not warn her that her credit record may be affected.

background

In 2011, Miss H entered into a debt management plan with DFH. She discussed the outstanding balances on her credit accounts, as well as her income and outgoings.

She agreed an affordable monthly amount, after taking these into account, and this would be paid to DFH for it distribute it between her creditors through her debt management plan.

However, in 2013, Miss H found that her credit record was affecting her ability to obtain new credit. She reviewed her credit file and found that two of the creditors in the debt management plan had recorded defaults on her accounts.

She complaint to DFH and said that she had not been told that her credit record may be affected by entering into the debt management plan. She said she had never missed a payment to her creditors and did not have a bad credit rating before the debt management plan was started.

DFH said Miss H had been sent its terms and conditions which said that reduced payments to creditors would affect her credit rating. It said the plan had been working to Miss H's benefit as it had been able to negotiate interest freezes and adjusted interest with her creditors on her behalf. It did not believe that the plan had been mis-sold to Miss H.

Our adjudicator did not recommend that the complaint should be upheld. She said she was satisfied that the terms and conditions of the debt management plan were not mis-leading and said that creditors contractual payments would not be met and reduced payments would affect a credit rating. The adjudicator said that Miss H had signed an agreement to say that she had read these terms and conditions and agreed to be bound by them. The adjudicator also said that DFH's telephone notes from the time the debt management plan was discussed with Miss H indicated that she understood both defaults and County Court Judgments.

The adjudicator also considered Miss H's bank statements from the time. She was unable to agree that Miss H's debts would have remained affordable to her without the debt management plan.

Miss H did not accept the adjudicator's findings. She said she had more than enough income to afford her contractual payments at the time.

my findings

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

DFH's terms and conditions for the debt management plan explained the type of contract that was being entered into as well as what the responsibilities of both DFH and Miss H were. It said that contractual payments to creditors would not be met but that it would be contacting the creditors to give notification that Miss H had begun the agreement. DFH would attempt to negotiate revised terms for the repayment of the debts.

These terms also set out that the debt management plan was likely to have an affect on Miss H's credit file. It said this meant that she may not be able to obtain further credit in the short to long term and that reduced payments to creditors would affect her credit rating.

Miss H discussed her debt management plan with DFH's representative over the telephone. Her income and outgoings were considered, as well as the debts that she wanted to include in the plan. I understand that she chose not to include all her debts.

I have reviewed the bank statements Miss H has provided from the time and what she has told us about her circumstances. Like the adjudicator, I am unable to conclude from these that Miss H would have sufficient available income to maintain her contractual payments, after her basic living costs were met.

Due to the passage of time, there is no longer a recording of Miss H's telephone discussion with DFH's representative. However, I am unable to conclude that Miss H was not given sufficient information to understand how the debt management plan would work and that it may impact upon her credit rating.

DFH's records also indicate that Miss H contacted it soon after the debt management plan began to say that she did not want one particular debt included because of the affect it could have on a credit record. This suggests that Miss H had an understanding that the credit record could be impacted upon. It is also likely that Miss H's creditors would have informed her directly if they intended on defaulting her account as a breakdown of the original agreement.

my final decision

My decision is that I do not uphold this complaint and I make no award against DFH Limited.

Cathy Bovan
ombudsman