

complaint

Mr M, represented by a claims management company (CMC), says that Foundation for Credit Counselling (trading as StepChange) mis-sold him a debt management plan (DMP).

background

In 2012, Mr M discussed his debt situation with a free debt service provider. It was recommended that he set up a DMP. Because the service provider he spoke to did not administer DMPs, his case was transferred to StepChange and it set up the DMP for Mr M.

Mr M says that he was not made aware when he set up the DMP that his creditors could continue to charge interest and fees and continue with legal action against him.

Mr M says he entered into an Individual Voluntary Arrangement (IVA) in January 2013. When he left the DMP he says he was unaware of his debt level as StepChange did not keep him informed of where his money was going.

Mr M says that had bankruptcy or an IVA been discussed with him when he first contacted StepChange he would have been debt free sooner and not wasted payments through the DMP.

StepChange says that Mr M contacted a free debt advice service in October 2012. It says that at that time the debt advice service was working with it and that when a DMP was identified as a suitable solution the case was passed to StepChange which then activated and managed the DMP. It says that there were guidelines in place for the debt advice service regarding DMP referrals.

StepChange says that based on Mr M's income and expenditure he was able to repay his debts within a reasonable timeframe and so declaring insolvency was not recommended. It says Mr M's DMP began in November 2012 and one payment was made. The DMP was closed in January 2013 as payments were not received in December or January.

StepChange says that Mr M signed the DMP agreement which set out that creditors could continue with recovery action and charge interest and fees while the DMP was in place. It says that monthly statements are sent to DMP clients to keep them informed of their payments and balances.

The adjudicator did not uphold this complaint. She said that Mr M was advised to enter into a DMP by another business and was then passed to StepChange. She said that as StepChange did not provide the original advice regarding a DMP she could not say it misadvised Mr M. She said Mr M made an initial payment in November 2012 and then cancelled his direct debit. She said this payment was used to pay his creditors. She also noted that in the terms of the DMP it was explained that creditors may continue their collection activity, charge interest or other fees or take legal action.

The CMC said that StepChange should have assessed Mr M's suitability for a DMP when he engaged its services. It said that even if the original advice was not from StepChange, StepChange should have systems in place to ensure that its agents were giving the right advice.

Mr M said that there was no mention of an IVA when he was setting up his DMP. He also said that his circumstances did not change between when StepChange set up the DMP and when he was assessed for an IVA by another company. An IVA was accepted by Mr M's creditors in January 2013.

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 M complains both about the management of the DMP and the advice he was given before entering into the DMP.

I have looked at the information provided to Mr M including the DMP agreement he signed. The DMP agreement makes it clear that creditors may continue to charge interest and fees and that recovery action can be continued. Based on this I find that Mr M should have been aware of the action creditors could take while he was in the DMP.

Mr M entered into the DMP and made a payment in November 2012. He then made no more payments and the DMP was closed in January 2013. StepChange says that monthly statements would have been sent automatically.

Based on the information I have seen I do not find anything to suggest Mr M's DMP was mismanaged.

Mr M says that another debt solution would have been more suitable and has said he agreed an IVA in January 2013.

I have considered the comments made by Mr M and the CMC on Mr M's behalf. I have also noted that the initial advice was provided by a debt advice service not StepChange.

I have looked at the guidelines in place for the debt advice service in regard to referring a case for a StepChange DMP. Based on the information provided, I find it was reasonable that the DMP was referred.

StepChange set up the DMP and I can see from the DMP agreement that Mr M was provided with the information he needed to decide whether or not to enter into this.

On balance I do not find that StepChange has done anything wrong.

Mr M made one payment and this was distributed to his creditors and so while I appreciate he entered into an IVA in January 2013, I don't find that he has been adversely affected by his time 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 Mr M to accept or reject my decision before 7 November 2016.

Jane Archer
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