

complaint

Ms W complains Foundation for Credit Counselling (now known as StepChange) didn't keep her updated about a debt which it had agreed to manage as part of a debt management plan. She says this resulted in court fees and interest being added to her debt.

background

Ms W approached StepChange for help with her debts. StepChange agreed to set up a 'Token Payment Plan' where it would offer her creditors £1 a month towards the arrears on her debts until her financial situation improved.

One of these debts was to a private individual who I'll call Mr A. He rejected the £1 a month offer. His response said if an improved offer wasn't made within 10 days he would take Ms W to court to recover the debt.

StepChange didn't reply within the 10 days. But it did so a few days later, and wrote to Ms W to say Mr A had rejected its offer. Shortly afterwards Ms W received a letter from Mr A saying he'd applied to the court to recover the debt she owed him. He'd added the court fee and interest to the amount she had to repay.

Ms W complained to StepChange. At around the same time she reached an agreement with Mr A and he agreed not to pursue things in court as long as the agreed payments were made.

Our investigator thought StepChange had treated Ms W unfairly. He said StepChange should have responded sooner, and if it had done Ms W wouldn't have incurred the extra charges and interest. He said it should pay Ms W the additional amount she'd been charged and a further £150 for the trouble she'd been caused.

Ms W agreed. But StepChange didn't think it should pay for the court fees. It said Mr A hadn't followed the correct procedures for taking the matter to court. It said the charges resulted from his premature application to the court, and it shouldn't be held responsible for that.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Like our investigator, I think StepChange should compensate Ms W for the additional costs she incurred. I'll explain why.

StepChange needed to inform Ms W about material developments in the relationship between her and her creditor, Mr A. It's acknowledged it didn't do so here – it didn't let her know Mr A was considering court action after he rejected its initial payment offer.

At the very least, StepChange should have let Ms W know Mr A was thinking of taking her to court. And it should have done this before he made the application which resulted in costs being applied to Ms W's debt. The issue for me to decide is what this has meant for Ms W and what StepChange needs to do to put things right.

Once Ms W found out about the proposed court action, I can see she engaged directly with Mr A. I understand an agreement was reached for monthly payments which both of them accepted. And Mr A has said he won't be taking things to court as a result.

Considering what happened, I think it's more likely than not that a similar agreement would have been reached earlier and Miss W would've avoided court action together with the costs and interest that were applied to the debt. With this in mind, I think it's only right StepChange compensate Ms W for those costs and interest.

I've considered what StepChange has said about Mr A not following correct procedures in making his application to the court. But whether those costs were fairly applied is a decision for the courts, not me. I've considered whether Ms W has suffered a loss due to something that StepChange did or didn't do. And as I've explained, I'm satisfied Ms W has now been left with more to pay as a result of StepChange failing to update her about the situation with one of her creditors.

Ms W was already going through a difficult time financially when she first approached StepChange. I think receiving notification from Mr A he was taking her to court, and being told that meant she now owed more will have been distressing for Ms W. I agree with our investigator that £150 represents fair compensation for the trouble Ms W was caused.

my final decision

For the reasons set out above, I uphold Ms W's complaint. Foundation for Credit Counselling should:

1. Pay Ms W an amount equal to the court fees and additional interest she's been charged by Mr A, subject to Ms W providing it with proof of these amounts.
2. Pay Ms W £150 to recognise the trouble and upset this matter caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 22 September 2017.

Luke Gordon
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