

complaint

Miss S complains that a debt management plan was mis-sold to her by Foundation for Credit Counselling, trading as StepChange. She is being helped with her complaint by a representative.

background

Miss S asked StepChange for advice about her debts in April 2013 and she entered into a debt management plan. Her representative complained to StepChange earlier this year that the debt management plan wasn't suitable for Miss S. Miss S wasn't satisfied with its response so complained to this service.

The adjudicator didn't recommend that this complaint should be upheld. StepChange says that Miss S didn't have enough debts to be eligible for a debt relief order. The adjudicator described the benefits and drawbacks for Miss S of bankruptcy and an individual voluntary arrangement. She couldn't say that either of them would've been the most appropriate option for Miss S. And she considered that the flexibility and informality of a debt management plan made it suitable for Miss S.

Miss S's representative – on her behalf - has asked for this complaint to be considered by an ombudsman. The representative says, in summary, that Miss S believes that StepChange didn't inform her about any of the other options that were available to her. It also says that the other options could've led to her being debt free much earlier than under the debt management plan.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

StepChange says that Miss S contacted it in April 2013 using its online debt remedy tool. She entered details of her income, expenses, debts and assets and the debt remedy tool identified a debt management plan as being a suitable debt solution for Miss S. She then chose to enter into the debt management plan. StepChange also says that Miss S wasn't eligible for a debt relief order.

Best practice says that StepChange should also have discussed bankruptcy and an individual voluntary arrangement with Miss S. StepChange says that its usual practice is to discuss or provide details of all suitable debt solutions so the individual is aware of their options and can make an informed decision. But it says that, due to the length of time elapsed since Miss S entered into a debt management plan, it no longer has access to the debt advice booklet it provided to her. But its account notes don't show that the alternatives were discussed with Miss S and she believes that they weren't discussed with her.

However, I consider that a debt management plan was an appropriate recommendation for StepChange to make to Miss S in April 2013. And I'm not persuaded that there's enough evidence to show that Miss S would've acted differently if the options had been properly discussed with her. Nor do I consider that Miss S would necessarily have now been in a better position if she had become bankrupt or had entered into an individual voluntary arrangement. StepChange has tried to contact Miss S about a review of her debt management plan – but she hasn't contacted it and a review hasn't taken place.

I find that it wouldn't be fair or reasonable in these circumstances for me to require StepChange to pay any compensation to Miss S or to take any other action in response to her complaint.

my final decision

For these reasons, my decision is that I don't uphold Miss S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 7 November 2016.

Jarrold Hastings
ombudsman