



Debt management plans (DMPs) – changing your provider

Fact sheet no. 46 EW Debt management plans - changing your provider

January 2016

If you are currently in a Debt Management Plan (DMP) but are being charged for it, this fact sheet will explain how to move to a free DMP. If your DMP provider has recently closed down, or is about to close, this fact sheet will tell you what to do next.

Use this fact sheet to:

- work out if a DMP is the right option;
- see if you qualify for a free DMP;
- understand what to do if your DMP provider is closing; and
- find out how to cancel your existing DMP.

Warning:



fee charging DMPs

There are lots of companies that charge fees. Fee charging companies often ask for an up-front payment, and then usually take a percentage of your on-going monthly payments too. We would always recommend using a free service so that you can use all of your spare money to pay your debts. We can set up a free, affordable repayment programme for you, managed by an independent debt management company.

Is a DMP right for me?

A DMP can be a good option if:

- you have money left over to pay towards your debts; and
- you can afford to clear your debts within a reasonable time.

If you haven't got any money left over, or if it will take a long time to clear your debts, there may be other options that are better for you. **Contact us for advice.**



My Money Steps is our free, independent and confidential online debt advice service. My Money Steps will help you work out a budget and give you a personalised action plan setting out practical steps to deal with your debts.

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Who can have a free DMP

Anyone who answers yes to these two questions can have a free DMP.

- Can you afford to pay at least £5 to each of your creditors?
- Can you repay your debts within 10 years?

If you ask us to help you to set up a DMP, we will not charge you and neither will the DMP provider that we work with.

Our DMP provider will use all of any payment you make to reduce your debt. Usually your creditors will make a voluntary payment to the DMP provider, and we will receive part of this payment. We will use any payments we receive to support our on-going charity work, giving help and advice to people with debt problems.

Important:

my DMP provider is closing

The Financial Conduct Authority (FCA) now regulates companies that provide DMPs. Companies need to apply for authorisation, but some have chosen not to do so and will have to close down. If this happens to the company your DMP is with, they should advise you to contact the Money Advice Service, who will refer you to an organisation which gives free, expert debt advice, such as ourselves.

What should I do now?

We can set up a free DMP if you are eligible, or give you advice about other options that may be better for you. **Contact us for advice.**

Once you have been accepted you will receive a confirmation letter. You will need to tell your current provider that you no longer need their service. This must be done in writing.

What happens if I move?

There will be a period of time when you are waiting to make your first payment on the new plan, and this may result in a delay in payment to your creditors. You need to let your creditors know that you have changed your DMP provider. It would be best to do this as soon as you receive your confirmation letter. Use our sample letter [Ask your creditors to hold action while you move your debt management plan](#) to write to your creditors to let them know about the new situation.

Generally, fee charging debt management companies keep your first monthly payment as a 'deposit', which is used to make your final payment on the plan. This can mean they keep your money for many years. Please read through your previous service agreement to see if this has happened. Ask the company to refund any money that is owed to you.

Extra information:

up to date information

If we agree to help you set up a free DMP, we will need some more information about your debts. Ask your previous provider to send you up to date balances, account numbers and reference numbers for all your creditors.

Rules and guidance

All fee charging debt management companies have to follow the rules and guidance given by the Financial Conduct Authority (FCA) in the Consumer Credit sourcebook (CONC). The guidance includes the following requirements.



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- The debt management company is required to outline the circumstances in which you may withdraw from the contract and receive a refund. This must be in the terms and conditions of the contract.
- They must not make misleading claims such as ‘debts can be written off’ or ‘interest stopped’ when companies cannot guarantee creditors will do this.
- Consumers must be given adequate information before entering into an agreement. Contracts should state the nature of the service provided, total cost to the consumer, amount to be repaid and duration of the contract. Contract terms should be fair, legible and in plain language.
- Debt management companies must inform clients of the outcome of negotiations with creditors, as well as any action a creditor has taken, such as the issue of a default notice or the threat of legal action.

If you feel that the company has not followed these guidelines, you should ask for a full refund of your deposit in your closure letter.

Sample letters

Use the [Cancel your existing debt management plan sample letter](#) to close your account. You can also use this letter to complain and to list any rules that the debt management company has broken.

Add details of exactly what has happened if you need to, and ask them to reply within 14 days. If they haven't replied within 14 days, copy the first letter and send it along with a covering letter that says 'Please reply to the previous letter within 14 days, copy attached'.

Use our [Ask all your creditors to hold action whilst you move your debt management plan sample letter](#) with all of the creditors that have been included in your new DMP. Keep copies of all the letters you send.

Your new monthly payments

Your monthly payment to the new free DMP may not be the same, which means the payments to your creditors may change. If you receive any letters from your creditors, please call your new debt management company straight away to tell them what the letter says.

Extra advice: complaining



If the debt management company fails to reply again, **contact us for advice** on how to pass on your complaint to the [Financial Ombudsman Service](#) or the [Financial Conduct Authority](#).

Remember: keep copies of letters



Make sure you keep copies of any letters you send to the debt management company.

Extra advice: further help



If you have any further concerns or questions, you can call your new DMP provider directly, or **contact us for advice**.



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National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.

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