

Independent Review of the Funding of Debt Advice in England, Wales, Scotland and Northern Ireland

Call for evidence

Foreword



I was delighted to be asked by Andy Briscoe, the Chair of the Debt Advice Steering Group, to carry out this Independent Review, with the remit to report back to him and the Steering Group by July 2018, or earlier if possible. The report will then be presented to the Financial Conduct Authority and HM Treasury.

High levels of household debt, both secured and unsecured, are a major challenge for our economy and for society as a whole. Over-indebtedness takes a heavy toll on individuals – it is known in many cases to have corrosive effects on health, relationships and productivity. Although debt advice alone cannot deal with the root causes of this challenge, it is a very important part of the toolkit society has to help address it.

We are fortunate to be one of the advanced economies with well-established and wide-reaching debt advice provision, delivered and funded in a variety of different ways, and a range of formal and voluntary solutions. Advice is therefore available from a variety of providers face-to-face, by telephone, and through self-service online. Debt advice is offered by public, private and voluntary organisations alike.

However, there is a widespread view that the funding arrangements for debt advice need reconsideration. Issues identified to me in early conversations for this Review have included the need for greater transparency; more sustainable funding models; a clearer link between funding

and quality; whether funding is adequate to meet actual and latent demand; and whether funding connects efficiently and directly with need.

I have agreed with Andy Briscoe Terms of Reference for my Review, which are given in Annex 1 of this document. A key stage in my process is making sure I have access to the widest range of evidence and views. Hence this document.

The Money Advice Service (MAS) has already shared with me a wealth of data and evidence relevant to my Review. However, MAS would be the first to admit that their data cannot be comprehensive on every topic of interest to me, not least because debt advice is delivered by many organisations whose experiences will be different from each other. And, because MAS is also a recipient of debt advice levy funding, my process also needs to bring in evidence from a wide range of funders of debt advice - whether their funding comes through the current Financial Conduct Authority levy, through other formal requirements, through Fair Share or through voluntary support.

Foreword

I am therefore hoping that this call for evidence will encourage all relevant parties to share data, which will build up the most comprehensive picture possible of what is happening right now; how this may change over the next few years; and to share their views about what should be done in the future to address the challenges identified in my terms of reference.

Alongside this call for evidence I have commissioned an economic consultancy to look at current and future demand for debt advice. This will take into account a number of plausible macro-economic scenarios over the next five years.

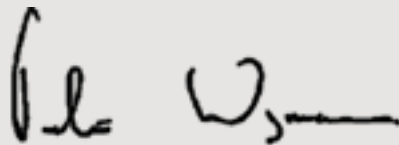
My plan is to reach early conclusions in the first quarter of 2018 and publish my final report in the Spring of 2018. However, I am conscious that the problems laid before this review have deep roots and causes, and my priority is to find answers that can address the issues effectively, above any particular commitment to timing.

One date that is set in stone, however, is the window for this call-for-evidence phase which closes at midnight on 8 December 2017. I encourage you

to contact me with your own evidence, and to forward and share this document with everyone you believe could contribute to the overall picture.

I am very grateful to be supported in my work by Rosemary Radcliffe, CBE, formerly Chief Economist at PWC and Neil Lerner, formerly a senior partner at KPMG. I am also receiving secretariat support from the Money Advice Service who have also provided me with the convenience of a secure email account (debtadvicefunding@moneyadvice.service.org.uk). However, the report I shall produce at the end of this process will be fully independent.

I look forward not just to receiving your evidence, but to meeting with many of you during the course of my deliberations.



Peter Wyman, CBE, DL
September 2017

Call for evidence: questions

Answers are welcome to any question, but please do not feel you must comment on all of them.

The questions are designed so that most organisations will only need to answer questions from either block 1, block 2 or block 3.

1. Addressed primarily to organisations that deliver debt advice

Causes and demand

- 1.1 Can you provide any **data about the causes driving people to need to seek debt advice**, which could inform a forecast of how demand might change over the next five years?
- 1.2 Can you provide any **data about stage(s) at which people seek debt advice** (for example: when they feel that they have taken on too much debt; when they are struggling to pay their debts; when they have court orders enforced against them)? A related source of useful data would be listing the volumes from your different **referral partners** who send people needing debt advice to you.
- 1.3 How does your organisation **determine/define who needs debt advice** and is there a mismatch between that and who, in practice, receives it?
- 1.4 Can you provide any data about the **make-up and quantum of the debts** of the people you serve with debt advice?
- 1.5 What are your views about how funding of debt advice could be **targeted more directly at the people who need it**? What in your view are the most effective ways of targeting advice?

- 1.6 Could more be done to **encourage people to seek advice earlier**? If so, how and by whom?
- 1.7 Do you spend any money on **outreach** to people who could benefit from debt advice? If so, how much and on what?

Supply

- 1.8 Can you provide any data about the **number of people** you have provided with debt advice over the last five years? (Do you track **repeat** users of your services? If so, please supply data.)
- 1.9 Can you provide any data about the **demographic profile and geographic distribution** of the people you provide with debt advice?
- 1.10 Can you provide any **predictions** about the number of people you expect to provide with debt advice in the future? (Data for any time period will be helpful.)
- 1.11 Can you provide any data about the **cost of providing people with debt advice**, broken down by cost per channel?

1. Addressed primarily to organisations that deliver debt advice

- 1.12 What are your views about how **channel costs can or should change**, taking into account your organisation's strategy, shifts in consumer behaviour, and new technologies? Are you able to provide data on cost-effectiveness per channel? (If so, please say how you have defined cost-effectiveness for this purpose.)
- 1.13 Is enough being done to **ensure the quality of the advice provided**? If more should be done, how would this be best achieved and what are the cost and benefit implications?
- 1.14 What are your views about how funding of debt advice could be **more closely linked to better outcomes**?
- 1.15 What are your views about whether there could be **improved efficiencies** in how debt advice funding is collected and distributed?
- 1.16 How much of the debt advice you offer is provided as part of a single/ multi-agency approach **package of solutions** dealing with interlinked problems (for example: health, mental health, housing etc) faced by the individuals seeking debt advice?
- 1.17 Do you consider the current level of funding is **sufficient to enable you to meet the demand** for debt advice today and over the next five years? Are the current means by which you are funded the most efficient and effective? If not, what changes would you like to see, and why?

Beneficiaries

- 1.18 What are your views about who, other than the individual receiving debt advice, **benefits** from it? Are you able to provide any **data** to support these views?
- 1.19 Some people use **free-to-client debt advice agencies** and some people **use fee-charging debt management firms**. Based on your experience do you consider people find the route that is appropriate to their circumstances?

2. Addressed primarily to organisations that fund debt advice

Causes and demand

- 2.1 Can you provide any **data about the causes which result in people needing to seek debt advice**, which could inform a forecast of how demand might change over the next five years?
- 2.2 If your organisation **signposts individuals to debt advice**, on what basis / using what triggers do you do so? Can you provide any data about the **make-up of the debts** of the people you signpost?
- 2.3 How much of the debt advice you offer is provided as part of a single/ multi-agency approach **package of solutions** dealing with interlinked problems (for example: health, mental health, housing etc) faced by the individuals seeking debt advice?

Funding

- 2.4 Can you provide data about the **amount of funding you provide for debt advice** (of any kind, through any outlet) and which organisations (or types of organisations) it goes to?
- 2.5 Can you provide any **predictions** about the amount of funding you expect to direct to debt advice in the future? (Data for any time period will be helpful.)

- 2.6 What are your views about how funding of debt advice could be **targeted more directly at the people who need it?**
- 2.7 What are your views about how funding of debt advice could be **more closely linked to better outcomes?**
- 2.8 What are your views about whether there could be **improved efficiencies** in how debt advice funding is collected and distributed? If you advocate change, please set out your reasons.

Benefits

- 2.9 How does your organisation **benefit** from funding debt advice? Are you able to provide any **data** to support your views? (Any business case studies or trackers of return on investment / benefits would be particularly useful.)
- 2.10 Do you consider more should be done to **quality-assure debt advice?** If so, how, and should funding be increased to enable this?
- 2.11 What are your views on ways your organisation could derive **more benefit** from funding debt advice? (Including, but not limited to, the type of information you would like to see published about how it is spent and what outcomes are achieved.)

2. Addressed primarily to organisations that fund debt advice

- 2.12 Some people use **free-to-client debt advice agencies** and some people use **fee-charging debt management firms**. Based on your experience do you consider people find the route that is appropriate to their circumstances?
- 2.13 What are your views on whether existing funders should contribute more? Should **other funders** contribute to debt advice funding? Who would they be and why? Are you able to provide any **data** to support your views?

3. Addressed primarily to other interested parties

- 3.1 What are your views on who **benefits** from debt advice, and why?
- 3.2 Some people use **free-to-client debt advice agencies and some people use fee-charging debt management firms**. Based on your experience do you consider people find the route that is appropriate to their circumstances?
- 3.3 What are the considerations from the different arrangements and customer needs in **England, Northern Ireland, Scotland and Wales** that should be taken into account in my Review, and why?
- 3.4 Are there any particular considerations for the **protected groups** covered under the Public Sector Equality Duty (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation; and marriage and civil partnership) that should be taken into account in my Review, and if so why?
- 3.5 What are your views about any **political, economic, social or technological changes** that might impact on the future of debt, debt advice and its funding in the next five years?
- 3.6 Are there **other funding models that should be considered?** If so, what are they and what would the advantages be?
- 3.7 Is there any **experiences from other countries** that would usefully inform my Review?

Notes on responding to this call for evidence

- i. Please email your responses to:
debtadvicefunding@moneyadviceservice.org.uk
before midnight on 8 December 2017.
- ii. Please make clear if you are representing an organisation, or responding as an individual – both are welcome.
- iii. Answers are welcome to any question, but please do not feel you must comment on all of them. Using the same numbering system to label your responses will help me in my work.
- iv. If you are preparing a specific document it is preferable for me to receive it in Word format, rather than PDF, so that I can more easily copy and paste key extracts from it.
- v. I will list in an appendix the names of organisations and individuals who have responded.
- vi. If you would prefer not to be quoted in my final report please state this in your covering email and in any attached documents. (I do not anticipate widespread use of quotations, but sometimes a pithy phrase can provide a flash of illumination. I may well reference data and their sources.)
- vii. If you are supplying data it will be extremely helpful to provide it in Excel or CSV format, preferably with macros removed.
- viii. If you would like to send commercially confidential information, you have my assurance that it will be held securely, destroyed securely after my Review, only be seen by my Review team, and I will discuss with you before making any allusion to it in my final report (should that be desirable). Please mark commercial confidentiality clearly in your covering email and in any attached documents. Feel free to discuss these commitments with me before sending any documents; I can be contacted through the above email address.
- ix. If a document is only suitable for postal submission please send it to Peter Wyman c/o Jonathan Hollow at The Money Advice Service, 120 Holborn, London EC1N 2TD. (If you are sending an electronic submission it is not necessary to duplicate with a postal copy.)

Annex 1: Terms of Reference

Purpose

The purpose of the Independent Review of the Funding of Debt Advice is to make recommendations to the Debt Advice Steering Group (DASG)¹ that will deliver an effective, reasonable and transparent framework for the funding of debt advice across the UK, now and in the future.

Scope

The Review will answer the following questions, taking into account different circumstances across the UK:

How much debt advice is needed and how much will it cost?

In answering this question, the Review will consider current and likely future cost to serve the current demand and modelled future demand over the next five years, based on optimistic, neutral and pessimistic scenarios. The Review will have regard to the variety of clients' needs when experiencing debt problems and how they can be served in terms of advice (ranging from 'self-serving' to fully supported advocacy and support) and through to resolution of problem debt.

How should debt advice be funded and by whom?

The Review may wish to examine how the activities of organisations result in or enable people to fall into problem debt and to what extent those organisations should fund debt advice. This should consider the extent to which organisations have discretion over the clients they serve and the ability to 'price' non-payment into their business/operating models.

Equally, the Review may wish to examine the beneficiaries of debt advice including individuals, organisations and broader societal impact and to what extent those groups should fund debt advice.

For clarity, it is expected both public and private bodies will be in scope of this question as well as the ability and willingness of the end-user to pay for debt advice.

What are the benefits of the current way in which debt advice funding is collected and distributed and would recipients of advice benefit from different arrangements? If so, what is the model that should be pursued?

Having considered client need, the Review will examine the most appropriate funding system to serve those needs, also taking into account differing landscapes in the devolved nations of the UK.

In answering this question, the Review may wish to have regard to the incentives on lenders and others who are owed money to improve lending and collection practices, and the incentives on advice and solution providers to improve efficiency, effectiveness and client outcomes.

¹The Debt Advice Steering Group is an advisory board convened by the Money Advice Service. It comprises senior leaders involved in the funding and delivery of debt advice from the private, voluntary and public sectors.

If a new model is proposed, what would be the best transition?

In the event of a new system being proposed, the Review will also set out recommendations for an effective transition to the new arrangements.

Notes:

For clarity, the Review encompasses all funding of debt advice; not simply the debt advice levy administered by the Money Advice Service.

Where “debt advice” is referred to, it is also taken to include debt management and administration of solutions.

The Review will also have regard to the DASG’s other ongoing workstream which is examining effective customer journeys into advice and through to completion of an appropriate outcome. Emerging findings from that work will feed directly into the Review of debt advice funding as appropriate.

The Review is expected to be completed in 12 months, or sooner if possible.

The final report will be delivered to the DASG Chair and will be published.

It is recognised that if the Review recommends changes that require primarily legislation to achieve, this is likely to result in an extended timetable for moving to a new model.

Interested parties wishing to contribute their views to the Review can email them to:

debtadvicefunding@moneyadviceservice.org.uk

