Investing in quality – the future of debt advice

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*** CHECK AGAINST DELIVERY ***

Introduction

At the start of the year, we published some research which we commissioned looking at the value of debt advice.

Now, of course, it's obvious that it ought to bring benefits to the people who use it. That's what we're ultimately all here for.

When we survey people using the services we fund, we find that over 90 per cent of people take action after getting advice, and nearly two-thirds pay off some or all of their debts within six months.

But the research showed that the benefits go far wider than that.

We know that people's health – and in particular, their mental health – improves when they get high-quality debt advice.

And while that's obviously good for people themselves, the research showed that it also means real savings for stretched health and care services.

People's productivity at work also improves – so there are benefits for firms and employers right across the economy.

And, importantly, there are tangible benefits for creditors, too.

The research showed convincingly that when people got the right debt advice, creditors were likely to get back much more of the money they were owed – without resorting to expensive collection practices.

Overall – taking into account all the societal and economic benefits – the research found that debt advice is worth between 445 and 960 million pounds a year to the UK economy.

But what wasn't included in that is some of the wider impacts such as fall in desperation crime, improvement to family and child relationships, reduced risk of homelessness, which aren't easy to put a number on.

We only wanted to include the impacts we could quantify robustly.

So while we we've got a clear line of sight to benefits up to 960 million, our belief is that in fact the benefits are almost certainly in excess of a billion pounds a year.

And to put that into context, total funding for debt advice is around 200 million pounds.

So, that's quite a return on investment by any standards.

But clearly, that's all dependent on people being able to access high-quality advice in a way that suits the individual.

That's an aim I know the IMA shares.

And I really believe that it's within reach – if we all work together.

So I particularly want to thank Robert for inviting me to be here today.

It's tremendously important to me to have the opportunity to come to gatherings like this, to meet you and hear your views and experiences.

We pride ourselves on being a listening and learning organisation.

So I haven't just come here to give a quick speech and then disappear.

I'll be on the panel afterwards, and I'll be around in the lunch break if any of you would like to talk to me then.

There have been great strides made in the provision of debt advice in the UK in recent years – and that's been down to the whole sector working together.

The IMA is one of our key partners in that – as a provider of training, accreditation for advisers, and continuous professional development.

And now leading the delivery of our networking and information-sharing project across the debt advice sector in England and Wales – working closely with Shelter to share the outputs of the specialist support service we fund for advisers.

That's something that we at MAS think is tremendously important.

Not just as a means of spreading best practice.

But also fostering a sense of collegiality and shared professional status.

Transition / Single Financial Guidance Body

Now, I'm here in my capacity as chief executive of the Money Advice Service.

But – as I expect most of you know – that won't be the case for very much longer.

The legislation has now completed its passage through Parliament – it received Royal Assent the week before last – that means the Money Advice Service will cease to exist later this year.

The same legislation – the Financial Guidance and Claims Act – also paves the way for a new single financial guidance body that will take on many of the functions we currently perform – along with those of what is currently Pension Wise and The Pensions Advisory Service.

That will include the funding of debt advice in England, with separate arrangements through the devolved governments in Scotland, Northern Ireland and Wales.

And the new body will continue to have a wider strategic role across the debt sector and for financial capability more generally.

I want to reassure you first of all that we're all working hard to ensure there's a seamless transition to the new body.

There's a strong transition team in place and we're in close and daily contact with colleagues at the Department for Work and Pensions, who are leading the process as the 'sponsor department' inside government.

The aim – and it is one we're very much on track to deliver – is that day one of the new body won't look any different from the last day of MAS.

And I also want to dispel any notion that we're in any way slowing down as we approach the finish line.

Far from it.

In debt advice especially, it's more like a full-on sprint before we hand over the baton.

The Wyman Review

A big part of that is because of the comprehensive job Peter Wyman did when we asked him last summer to conduct an independent review of the funding of debt advice.

The report Peter delivered in January is incredibly wide-ranging.

There are recommendations – twenty of them in all – spanning the whole sector. From debt advice providers, and creditors, right through to trade bodies, regulators and government. And MAS itself.

Because of that, there's a lot of work going on now to take forward those recommendations.

Supply / funding

As you'd expect, a lot of Peter's report was around the supply of debt advice.

Peter's report suggests the supply of debt advice fell short of that by around 640,000 in 2017.

That is a substantial gap. We believe it is growing – and we need to fill it.

And we also need to be able to say to those people who are struggling with debt but who are **not** currently engaging with advice: “there is help there for you if you want it.”

Which means we need even more capacity.

Taking all this into account, the Wyman review concluded that there is an urgent need to increase capacity across the sector by 50 per cent over the next two years.

And he proposed a range of ways to go about achieving that – including an increase in the use of digital channels and a wider application of technology more generally.

To be clear, I believe there will always be a need for face-to-face advice. There will always be clients who want to talk to someone in person and for whom that is the best approach. It’s vital that we continue to offer that service where it is needed.

Indeed, even while putting forward a significant proportional shift to other channels, the Wyman Review nonetheless envisages a fairly large increase in the raw numbers for face-to-face advice. (From 330,000 currently to 421,000 in Year 3.)

But we also need to explore the benefits other channels and the opportunities that are presented by technology and innovation.

Of course achieving the sort of increase in capacity Peter talks about, also means increasing funding.

For our part, Peter recommended a temporary increase to the financial services levy of £10 million a year for both this year (2018/19) and next year (2019/20).

And as many of you will know, the FCA agreed to an immediate increase of around £8 million, with a further £2 million potentially available in due course.

And we're taking that forward through our Business Plan for the current year, with an extra £6 million of funding for frontline delivery, an investment of a million in quality initiatives (about which I'm going to talk further) and a further £1 million to drive innovations and efficiencies in the sector.

It's important to recognise that while this is a significant additional contribution, levy funding represents around a quarter of the overall debt advice 'pie'.

Peter's review is clear that Fair Share should continue – with changes to ensure that the benefits are genuinely more fairly shared.

And there also needs to be a range of other provision to meet demand, including services funded directly by banks and other financial services.

The Performance Management Framework

But the thing that really shines through for me from Peter's report is that we don't just need more debt advice – and more funding to pay for that.

Although – it bears repeating – it's very clear that we do need both of those things.

But that there also needs to be a lot more focus on quality.

And he doesn't pull his punches. If I may just quote briefly from Peter's report:

> *"There is a limited amount of hard evidence – and a great deal of anecdotal evidence – to suggest that the quality of advice given is variable and that, while undoubtedly much of it is excellent,* ***some is indifferent, and a small amount is positively damaging****."*

And as Peter says, that is simply unacceptable.

So, while we remain absolutely committed to increasing the availability of debt advice for those in need, our focus has to be on driving up standards.

We must deliver high-quality debt advice because the people we’re helping are among the most vulnerable in society.

And we must also deliver a high-quality service because levy payers and funders are entitled to ask what they’re getting for their money.

So as well as investing in capacity, we have to invest in quality, too.

And that’s why we’ve developed a new Performance Management Framework – to target that increased investment to where we think it will make a real difference to improving client outcomes.

The Performance Management Framework will help provide assurance on better outcomes with a more rigorous, holistic and comprehensive approach to quality in place.

It incorporates ‘three lines of oversight’ across seventeen different elements under six different performance areas – from financial control and performance to quality of advice and client outcomes and experience.

It’s important to stress that we’ve already made some great strides in recent years.

And without exception that’s been achieved by working together, across the sector.

Peer assessment

The peer review scheme we launched initially in 2015 has provided a mechanism for specialist debt advisers to assess the quality of advice provided by their peers – and to provide feedback and suggestions for improvement where required.

Through this, we have been able to highlight a number of areas where organisations needed to raise standards, and where consistency needed to improve across the sector.

The peer assessment process has now been redeveloped and redesigned and will play a key part in the Performance Management Framework. Again, this has been achieved by working across the sector to draw on experience and best practice.

Accreditation

We've seen some significant improvements too in accreditation:

We have continued to ensure that all the organisations we fund hold a MAS-accredited quality standard, and that all debt staff have undertaken MAS accredited training or equivalent, through the Giving Good Debt Advice learning platform – with 18 months allowed for experienced advisers to be technically signed off.

And now more than nine in ten clients across the whole debt advice sector – not just our funded projects – are getting advice from organisations holding a MAS-accredited quality standard.

But we need to do more in a number of areas and that's where the Performance Management Framework comes in – and the extra £1 million investment that I've mentioned.

A significant proportion of that additional spend – more than a third – will go towards funding new quality posts within delivery organisations.

And we'll also be supporting the work internally with two full-time Quality Assurance Managers at MAS.

We'll be making a significant investment in improving case recording, which was a key weakness highlighted by peer assessment, with £50,000 allocated to mid-year sampling in 2018/19.

We have included in our grants the ability to visit participants directly to monitor performance, and we continue to evaluate client outcomes at a lead organisation level.

We will be engaging with the sector as we develop the framework, to help shape 'what good looks like', for example in establishing what file assessment criteria will be applied and models for debt technical supervision.

And we'll also be supporting organisations to embed new approaches to financial audit and compliance against agreements.

But a large part of the extra funding – almost a third in 2018/19 – will be to support new training and professional development requirements.

Adviser qualifications

As the Wyman Review pointed out, levels of individual adviser qualifications are still rather variable across the sector.

And he rightly sees tackling this as fundamental to improving the quality of advice.

Clients need to have the assurance that they are getting a professional service.

The advice they are receiving – the advice you give – has the potential to be life-changing.

Helping people to escape from debt, or even just to cope better with their debts, so that they are not so all-encompassing – that is transformative.

And that's what we're all here to achieve.

But the flip side of that, is that if we steer them down a path that is not the right one for them – no matter how good our intentions – then we are letting them down very badly.

We expect IFAs to have appropriate qualifications. And it is one of Peter's central recommendations that we should expect organisations offering debt advice to ensure that advisers are qualified before they can offer advice unassisted.

I know that this recommendation of Peter's is the focus for one of the workshops tomorrow morning, so I want to take the opportunity to set out that we think it's an absolutely key recommendation and it's one that we at MAS fully support.

It’s important, too, that advisers’ qualifications are properly recognised once they have achieved them, within their current organisations and across the sector, and we will consider how this is reflected in our approach to commissioning.

Training / Continuous Professional Development

And of course it can’t just be a question of a one-off qualification.

Just as with other professions, it’s important that advisers are able to keep their skills and knowledge up to date on an ongoing basis.

So a requirement for training and development is a vital component of our Performance Management Framework.

Our Business Plan – sets out our plans to invest in training and embedding a consistent approach to professional development within our funded services.

We want to move to situation – through the new grant agreements – where advisers within our funded services are undertaking 16 hours a year of CPD or equivalent activity.

And the IMA, as I’ve mentioned, will be an important partner in that work – working with the Money Advice Trust to develop criteria and a method for validating future CPD activity.

But we also want to see this spread across the debt advice sector more widely.

For our part we have invested through our grant agreements to allow time for CPD and time for advisers to complete case records. This is real money in the form of a 10% reduction in the number of cases we expect advisers to deliver for the same money spent.

Debt Commissioning Strategy

For our funded services, we have produced a new strategic approach to commissioning.

Enhancing the quality of services is right at the heart of that approach, as one of six commissioning intentions.

Another really important feature of the new commissioning strategy is a focus on people from particularly vulnerable groups.

I think Sharon Collard is going to be mentioning some work we're doing together on that, to find out from advisers what their experiences have been, and the particular challenges they've faced. It's possible some of you have taken part in the research.

We've already begun the process of rolling that strategy out to London and here in the north-west of England, with a series of workshops across the region – to raise awareness and understanding of what we're doing, and also to bring people together and encourage local partnerships.

I'm delighted to say there's been very strong interest – so much so that we've had to lay on some additional sessions to cater for the demand.

Conclusion

So there's a huge amount to do. Whether it's driving forward with the Wyman recommendations. Following through the work we've done on commissioning. Or ensuring we continue to deliver to a high standard while the new single financial guidance body comes into being.

It's a challenging agenda.

But I'm confident that together we can do it.

We know what consistently high-quality debt advice can achieve.

The transformation – not just in people's finances.

But in their health, their state of mind, their entire quality of life.

What we have to do is make sure we deliver that – not just for some people, or even for most people – but for everybody who has cause to need debt advice.

Thank you.