



Department  
for Work &  
Pensions

# Guidance on evidence required for the Eligible Loan Deductions Scheme

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- The lender criteria..... 2
- Your organisation ..... 3
- About your organisation..... 3
- About your lending practices ..... 3
  - Providing sources of debt advice to the borrower..... 3
  - Providing information to the borrower about the terms and conditions of the loan and the actual cost of the loan in terms of the APR and any other additional charges ..... 4
  - Providing help and advice to borrowers who are experiencing difficulty in making the loan repayments ..... 4
  - Standard letters..... 4
  - Carry out an appropriate income and expenditure risk assessment based on a borrower’s ability to repay as part of the loan application process ..... 4
  - Offer a face-to-face service where the borrower or particular circumstances require it before and after making a loan ..... 4
  - Outline your disputes procedure..... 5
  - Supporting documents..... 5

To participate in the Eligible Loan Deductions Scheme you must sign a Memorandum of Understanding (MoU) and meet criteria that are laid down in the statutory regulations.

## The lender criteria

The lender must be a:

- body registered under section 1 of the Industrial and Provident Societies Act 1965;
- credit union within the meaning of section 1 of the Credit Unions Act 1979;
- charitable institution within the meaning of section 58(1) of the Charities Act 1992;
- or
- body which is entered on the Scottish Charities Register under section 3 of the Charities and Trustee Investment (Scotland) Act 2005, Community Interest Company for the purposes of part 2, section 26 of the Companies (Audit Investigations and Community Enterprise) Act 2004

The lender, except for a credit union, must also be:

- licensed under the Consumer Credit Act 1974; and
- determined by the Secretary of State as an appropriate body to which payments on behalf of the borrower may be made.

## Your organisation

The manager of the organisation or a person in a position of responsibility must complete the application form. They must substantiate the responses provided if required.

You must provide an email address for the person who will get the payment schedule detailing the payments paid into your bank or building society account.

## About your organisation

The lender must provide evidence that they are appropriately registered and licensed.

Credit Unions must be registered with the Financial Conduct Authority (FCA), previously known as the Financial Services Authority (FSA).

Other financial organisations must be registered:

- with the FCA/FSA as Industrial and Provident Societies, or
- as charities and able to provide evidence of their charitable status.

In all cases, organisations must be licensed by the Office of Fair Trading (OFT) to provide relevant consumer credit services.

## About your lending practices

### **Providing sources of debt advice to the borrower**

We require confirmation on the application form that you provide borrowers with sources of free debt advice where appropriate. We must be satisfied that

- lenders are acting in a responsible manner, and
- borrowers are advised on other means of budget management.

## **Providing information to the borrower about the terms and conditions of the loan and the actual cost of the loan in terms of the APR and any other additional charges**

We need to be satisfied that borrowers are fully aware of the actual cost of the loan. This will include the APR and any other charges that may be attached to the loan. Copies of your loan agreement form, information leaflet or other documents should provide this information.

## **Providing help and advice to borrowers who are experiencing difficulty in making the loan repayments**

Where the borrower says that they have difficulty in making the agreed repayments, the lender must take steps to negotiate alternative arrangements. Where appropriate, the lender must direct the borrower to a source of free and independent debt advice.

DWP requires lenders to consider cases of financial difficulty sympathetically and positively. In considering new arrangements about how the borrower will pay off the debt, the lender should take into account the borrower's circumstances including:

- money owed to other lenders;
- the impact of any long-term health difficulty affecting the borrower's ability to repay.

The lender must discuss options available to the borrower and work with recognised debt-counselling organisations if appropriate.

## **Standard letters**

We require a sample copy of any standard letters issued to a borrower in the event of default on the agreed repayment amounts.

## **Carry out an appropriate income and expenditure risk assessment based on a borrower's ability to repay as part of the loan application process**

We require a copy of the income and expenditure assessment form for confirmation that the borrower's ability to repay has been investigated prior to the loan being agreed.

## **Offer a face-to-face service where the borrower or particular circumstances require it before and after making a loan**

We do not expect lenders to interview all borrowers prior to, or after, making a loan. However, we require evidence that this service is available on request.

## **Outline your disputes procedure**

You should resolve disputes over the amount of loan outstanding, or any other matter relating to liability for the loan, before referral is made to DWP for deductions.

Lenders should briefly confirm and outline their procedures for dealing fairly and appropriately with disputes. You can refer to the documentary evidence submitted if dispute procedures are contained in them.

## **Supporting documents**

You must enclose a copy of the following documents with your application form:

- your information leaflet for borrowers
- your loan application form
- your loan agreement form
- an income and expenditure assessment form
- your lending policy or Statement of Practices

We require these documents as corroboration of the information provided in your application that the eligibility criteria to join the scheme have been met.