



Cabinet Office

# Fairness in government debt management: a call for evidence

Summary of responses

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Summary of responses

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## Contact details

Further copies of this report and the consultation paper or alternative format versions of either publication can be obtained from the address below:

Email: [debtfunction@cabinetoffice.gov.uk](mailto:debtfunction@cabinetoffice.gov.uk)

This report is also available at <https://www.gov.uk/government/organisations/cabinet-office>

## Complaints or comments

If you have any complaints or comments about the consultation process you should contact the Cabinet Office at the above address.

## Introduction

1. The Cabinet Office published Fairness in government debt management: a call for evidence on June 29 2020 for a 12 week consultation period, lasting until September 21 2020<sup>1</sup>.
2. The Call for Evidence made clear the government's commitment to delivering fair debt outcomes for all by: taking a robust approach to those who defraud the public purse; ensuring that those who can pay on time but choose not to are incentivised to repay; and, by reducing the physical and mental impact of debt recovery on those who are vulnerable or in financial hardship.
3. It is important to recover money on behalf of the taxpayer while changing an environment where it is suggested over 400,000 people in England each year consider suicide<sup>2</sup>. It is important to challenge and reduce fraud losses and initiate behavioural change through debt recovery.
4. Although significant progress has been made on fairness in recent years, including the introduction in 2014 of new rules for enforcement agents, and the introduction by this government of a Breathing Space scheme while providing more funding for debt advice, the Call for Evidence recognised we can go further. It therefore requested evidence on the following:
  - Where and how central and local government organisations debt management practices can be improved.
  - How central and local government organisations can most effectively manage debts stemming from fraudulent activity and serious non-compliance.
5. We are grateful to the organisations and individuals who responded to our Call for Evidence. Your insight will help us consider what policy changes might help government organisations lead the way in fair debt recovery.
6. We understand Covid-19 is likely to have an impact on debt levels and the ability of customers to repay debt. Many government organisations have already adapted their approaches to take this into account and the findings from the Call for Evidence will be used to make further improvements.

# Executive summary and next steps

## Responses

7. There were 104 written responses to the Call for Evidence. Respondents included third sector organisations, trade associations, businesses, Local Authorities and individuals.
8. Based on the views of respondents, the Cabinet Office has decided to consider evidence provided on all public sector debts (see *Scope* below). However, this does not mean policy changes considered on the basis of this Call for Evidence will address all public sector debt recovery practices.
9. The subjects covered by the Call for Evidence were: affordability; communications and preventing recurring debt; vulnerability and financial hardship; disputes; reporting and transparency; and fraud and non-compliance<sup>3</sup>.

## Affordability

10. Respondents criticised government organisations for not consistently basing debt recovery on affordability assessments. They were further concerned about the rules on deductions from benefits as they are not based on an income and expenditure assessment.
11. Responses argued government organisations should seek to increase and standardise the use of affordability assessments and make greater use of debt write off.

## Communications and preventing problem debt

12. The most common complaint about public sector creditors was that they often communicate poorly with individuals and businesses and debt advice providers. Communications were described as overly complicated, leaving those receiving them unclear on how to respond. Respondents suggested government organisations could improve communications by building closer relationships with third parties providing support.

## Vulnerability and financial hardship

13. Respondents saw government organisations as poor at identifying vulnerability and suggested potential vulnerability was made worse by standardised recovery processes. They argued government organisations could best deal with vulnerability through more specialist training, more effective data gathering and individualised recovery strategies.

## Disputes

14. The most common criticism of government disputes processes was that they can be difficult to access and slow to operate. Respondents suggested that the way to overcome existing issues was to ensure disputes processes are always free and fast and have at least some independent element.

## Reporting and transparency

15. The three concerns most raised in responses were on the use of recovery targets by government organisations, poor data sharing and inconsistency in reporting across government. In general, respondents wanted more information on recovery policies shared by government organisations and more data made available on government debt management.

## Fraud and non-compliance

16. Many respondents felt the current debt recovery regime regarding fraud is effective and could even potentially be strengthened by emphasising 'zero tolerance' in order to increase recovery and prevent recurrence.
17. However, others suggested the use of debt-related fraud sanctions could be better linked to affordability and vulnerability assessments.

## Next steps

18. Government organisations will consider the evidence provided to support ongoing assessment of processes. Following this, the government will use the evidence in policy design, with the intention of bringing forward cross-government changes in 2021/22. The government will publish an update by the end of 2021, detailing changes made to date and future planned changes.

## Responses to specific questions

### Scope

*Q1: Please provide details of any debts owed to central and local government organisations you believe should not be considered as part of this call for evidence.*

19. In total, 66 organisations or individuals responded to question one of the Call for Evidence.
20. A significant number argued that the Call for Evidence should consider all debts owed to central and local government or all 'public sector bodies' (including arms-length bodies and NHS providers). The debt types mentioned by respondents included but were not limited to: tax debts, Magistrates' Courts fines, Penalty Charge Notices (PCNs), Council Tax arrears, Social Fund loans, Universal Credit advance payments and benefit overpayments.
21. Respondents argued that considering all debts ensures 'fairness and equality'. They were concerned a failure to address some debts could result in future best practice being 'undermined by creditors looking to recover debts excluded'.
22. Other respondents maintained some debt types should be excluded from consideration. Although there was no consensus on what these should be, those mentioned most often were: debts arising from criminal activity, Council Tax arrears and Business Rates arrears. The argument for excluding the latter two debts was that recovery rates for both are high and the way they are recovered is based on long-standing regulations.
23. Due to the lack of consensus about which debts should not be considered and the need to ensure consistency, the Cabinet Office has decided to consider evidence provided on all public sector debts. However, this does not mean any policy changes considered on the basis of this Call for Evidence will address all public sector debts.

### Affordability

*Q2: Do you have any concerns about the way affordability is assessed by central and local government organisations agreeing debt repayments?*

24. There were 86 responses to question two.
25. A majority of respondents criticised government organisations for failing to base debt repayments on an adequate affordability assessment. A number also found fault with the lack of an affordability assessment prior to deductions from benefits and a perceived inconsistency across government in how affordability assessments are carried out.

26. The approach to assessing income and expenditure across government was described as 'arbitrary'. Data supplied by one respondent, a national debt advice provider, cited a survey of its clients:
- 69% of respondents rated the Department for Work and Pensions (DWP) as poor or very poor at assessing affordability.
  - 63% of respondents rated HMRC as poor or very poor at assessing affordability.
  - 47% of respondents rated Local Authorities as poor or very poor at assessing affordability.
27. Around one in ten respondents suggested a tension where government organisations do perform affordability assessments but have internal rules in place specifying debts should be repaid within a specified period. HMRC was criticised for an approach to agreeing 'Time To Pay' arrangements (TTPs) that can require debt to be repaid as soon as possible.
28. The rates used currently for benefit deductions are seen as too high. Although respondents acknowledged they have been reduced, one noted that 12% of Universal Credit claimants are still receiving deductions of between 30% and 40% because the reduction in the rate of deductions was not backdated<sup>4</sup>.
29. The current rules on Council Tax recovery, where the liability for a full annual bill falls on an individual following one or two missed payments, was described as a problem regarding affordability.

*Q3: In your opinion, what is the best way to assess affordability of debt repayments? Please provide examples for any response you provide. This could include evidence on the role of technology.*

30. There were 88 responses to question three.
31. The highest number of respondents suggested there should be a consistent approach to capturing income and expenditure information across government organisations. Data provided by one respondent said a greater focus by debt collection agencies (DCAs) on affordability had resulted in a 10% increase in total collections despite a fall in the overall amount of debt handled<sup>5</sup>.
32. Around a quarter of respondents suggested that assessing affordability could be supported by greater use of technology, such as Open Banking. Although others raised concerns about a reliance on Open Banking data, especially for individuals who primarily operate using cash.
33. Where respondents called for a requirement for government creditors to run consistent affordability assessments, using the Standard Financial Statement (SFS) or equivalent was frequently mentioned. Some respondents suggested that the SFS does not always get the right balance between priority and non-priority expenditure, but agreed that a nationally consistent affordability assessment process should be introduced. Regarding deductions from benefits, respondents suggested the current system should be replaced by an affordability-based approach. One piece of

evidence supplied was a survey of people arriving at food banks during the pandemic, which found 47% were repaying debts to the DWP, up from 37% in early 2020.

34. One in eight respondents saw value in the government developing a 'single customer view' to understand the position of individuals or businesses with debts to multiple public bodies.

*Q4: How might issues of sustainability of debt repayments be addressed outside of an affordability assessment? For example, through the ongoing relationship between those in debt and the organisation that holds that debt, or through debt write-off.*

35. There were 86 responses to question four.
36. The main criticism by respondents was that government organisations often communicate poorly with individuals in debt. There were also concerns raised about whether the public sector consistently seeks to maintain sustainable debt repayments.
37. Respondents thought government organisations should make greater use of write off, for example in the case of hardship or for historic debt. In particular, it was felt that historic tax credit overpayment debts should not be transferred from HMRC to the DWP for recovery through benefits. One response, from a debt advice organisation, contained a case study of a Universal Credit deduction for a historic child tax credit debt commencing when the child it related to was 30 years old.
38. It was suggested that government organisations could also use write off as an incentive to encourage individuals or businesses to pay off debts. One respondent cited the Wessex Water 'Restart' programme, where arrears are reduced in response to regular repayments<sup>6</sup>.
39. A quarter of respondents said that government organisations should carry out regular reviews with individuals repaying debts. Others asked the government to improve the way public sector organisations communicate available support. One respondent, a national debt advice provider, referenced a survey of its clients, of whom 86% said advice and support improved their chances of becoming debt free.

## Communications and preventing recurring debt

*Q5: Do you have any evidence of how issues with central and local government organisation communication can aggravate mental and physical impacts on people in problem debt?*

40. There were 82 responses to question five.
41. Almost half of respondents asserted government organisations are consistently poor at communicating with individuals. Debt letters from central and local government were described as 'officious' and lacking empathy. The DWP was criticised for the length of time it can take to respond to communications about recovery activity. Local

Authority respondents highlighted the importance of a dialogue between residents and the council when affordability assessments are required, which can be challenging when residents find it difficult to respond to letters.

42. Poor communication was seen by respondents as particularly problematic when individuals face mental health challenges. Data provided said people with mental health challenges exhibit 'significant levels of anxiety' when dealing with essential service providers at three times the rate of those without such challenges<sup>7</sup>. One respondent, a Local Authority, noted that being in problem debt 'paralyses' an individual's ability to deal with day-to-day life. In its experience, this means they 'stop opening letters and only deal with the absolute necessities... [they] can't advocate for themselves when being spoken to by someone on the phone who just wants payment...and won't disclose other debts when they feel they are being victimised for not paying the presenting one'.
43. Around 10% of respondents suggested a perceived overly aggressive approach to recovery by government organisations was due to poor communications. They argued public sector bodies should refrain from threatening enforcement action at an early stage, for example committal to prison. Specific problems identified with letters is that they can provide incorrect information about how to contact a creditor. Or that on occasion multiple letters are sent by the same creditor containing conflicting information or after the action has already been taken.
44. Other respondents believed government organisations could improve their communications approach if they were better at identifying vulnerable individuals. One piece of data provided referenced a pilot by Newcastle City Council, where a greater focus on offering additional holistic support to the most vulnerable households saw the proportion of people in arrears of £250+ fall from 74% to 58%.

*Q6: How can central and local government organisations most effectively communicate with people who owe them money, including people who may be vulnerable? Please include any thoughts on the role of technology in communications or how best to reach people without access to technology.*

45. There were 79 responses to question six.
46. Respondents were of the opinion that government organisations should ensure they provide communication options via multiple channels. Again, this was seen as particularly important when it came to people with mental health difficulties. Data provided suggested more than half (54%) of those with mental health problems have serious difficulties using the telephone<sup>8</sup>.
47. When communicating, respondents argued government organisations could improve the language used and provide clearer information. Communications should draw on the insights of behavioural science, be regularly reviewed, tailored to best suit the situation of the person in debt and do more to incentivise early settlement.
48. Other respondents suggested closer relationships with third parties offering holistic support would help improve the communications approach of public sector bodies. This includes working with consumer organisations when designing communication

strategies. Several respondents felt all government organisations should provide all debt advice agencies dedicated access numbers to contact central government debt recovery teams.

*Q7: Do you have any evidence on existing effective relationships between organisations collecting debt and debt advice providers? This could include comments about referrals and treatment of repayment offers.*

49. There were 75 responses to question seven.
50. Respondents again emphasised the importance of close relationships with third parties offering holistic support and a consistent referral process across the public sector.
51. Relationships were seen as effective where creditors have 'hotkey' arrangements in place with debt advice providers. These enable seamless referrals when regulated debt advice appears in an individual's or business's best interests. Personalised and proactive support, delivered through effective multi-agency partnerships, was described as working better than a generic, 'one-size-fits-all' approach.
52. One respondent, a community-based debt advice provider, provided an example of how effective partnership can allow a proactive response to arising problems. The provider, the City Council revenue team and two enforcement agencies it contracts share performance information to identify areas of potential joint action. Another local debt advice provider responding cited the strong referral relationship it has built with a water company, including a dedicated telephone line. Through this its advisers can quickly have debt collection activity put on hold and negotiate lower repayment offers.
53. An example of good central government practice in this area was supplied on a HMRC / Business Debtline pilot, where grant funding is provided to support the provision of debt advice to HMRC customers through Business Debtline. According to the data supplied, following advice 61% said their debt to HMRC was reducing, with a further 24% finding their HMRC debts stabilising.

*Q8: How can central and local government organisations most effectively prevent recurring debt? Please include any thoughts on the role of partnership working in this challenge.*

54. There were 79 responses to question eight.
55. The highest number of respondents said close partnerships with third parties could help prevent recurring debt, followed by more consistent affordability assessments and better data sharing across the public sector.
56. Third parties mentioned, which government organisations could work with, included debt advice providers, income maximisation services, Credit Reference Agencies (CRAs) and Credit Unions. One response described its local Financial Inclusion Forum, which brings together multiple agencies involved in debt. The respondent felt this forum is a 'key driver' in developing effective information sharing and suggested all Local Authorities and the DWP should be required to participate in such initiatives.

57. On data sharing, respondents suggested inter-agency cooperation would help minimise competition for limited amounts of disposable income. More up to date data and comprehensive information about circumstances was seen as enabling the best decisions to be taken about supporting individuals or businesses. In the long-term, better data sharing was seen as a potential precursor to a single customer view of government debts.

## Vulnerability and financial hardship

*Q9: In your opinion, what impact could poor debt management activity have on potential vulnerability?*

58. There were 81 responses to question nine.
59. Respondents often said that government organisations are poor at identifying and responding to vulnerability. Among debt advisers surveyed by an organisation responding to the Call for Evidence:
- 9% said they thought the DWP identified and supported vulnerable customers 'well' or 'very well'.
  - 12% said they thought HMRC identified and supported vulnerable customers 'well' or 'very well'.
  - 33% said they thought Local Authorities identified and supported vulnerable customers 'well' or 'very well'.
60. Imperfect identification of and response to vulnerability is seen to cause physical and mental health problems or exacerbate existing difficulties. Responses from individuals who had experienced poor debt recovery and organisations working with such individuals said that in some cases it can lead to self-harm or even suicide attempts. One response, from a Local Authority, described poor debt management as leading to a 'fear [an individual] will lose their homes or be unable to feed themselves...making them more vulnerable'.
61. Poor debt management activity was seen as leading to vulnerable individuals disengaging with their creditors, making recovery more difficult. In relation to economic abuse, it was argued poor debt management exacerbates anxiety and stress for survivors, reinforcing the dominant position of the abuser. Local Authority recovery processes, based on regulations, were cited as particularly problematic in this case as they add court costs and enforcement agent fees to debts.

*Q10: How can central and local government organisations recovering debt best identify potentially vulnerable people? Please provide evidence of existing effective approaches. This could include evidence on the role of technology.*

62. There were 80 responses to question 10.
63. More than one in four respondents believed government organisations could do more to gather a wide range of information on individuals and businesses to better

understand potential vulnerability. It was felt this could be supported by more vulnerability training for frontline recovery staff and more use of technology.

64. Respondents thought government organisations should gather more data on health, finances, caring relationships and barriers to accessing support (for example, language issues). They suggested a mandatory and verifiable process for assessing vulnerability could be introduced, potentially focussed on creating appropriate ‘disclosure environments’. This would be part of a “no wrong door” process, where disclosure of vulnerability at any point is captured and used to inform responses across entire organisations.
65. Respondents suggested data gathering can be supported through partnership. One drew attention to a local support agency in North Derbyshire that uses simple forms to identify vulnerability. An individual can then share this assessment with local job centres when applying for Universal Credit.
66. A range of approaches to vulnerability training were suggested. One response, from an enforcement agency, drew attention to its ‘Independent Advisory Panel’ that provides a perspective on company policy and process. This panel regularly travels with enforcement agents and listens to phone calls, enabling it to make ‘recommendations on how to improve protocols’.
67. On the greater use of technology, data provided indicated its use by government organisations might be welcomed by individuals and businesses: 50% of adults think their bank or building society should use their financial data to identify problems and offer support (12% disagree)<sup>9</sup>.

*Q11: How can central and local government organisations recovering debt best support potentially vulnerable people? Please provide evidence of existing effective approaches. This could include evidence on the role of technology.*

68. There were 72 responses to question 11.
69. Just under one in three respondents thought government organisations could best support potentially vulnerable people through specialist vulnerability training. Respondents felt training should cover a wide range of potential vulnerabilities, including economic abuse. One respondent drew attention to its work with a large financial services provider on this issue. The respondent noted its support of a specialist team which sees coerced debt ‘regularly’. Another respondent noted the development of a ‘Vulnerability Toolkit’ by the Cabinet Office’s Fairness Advisory Group, which it feels has ‘the potential to transform government handling of disclosures’ and recommended its adoption as standard across the public sector.
70. Other respondents suggested the government could do more to communicate the vulnerability support it already offers and to develop consistent referral processes to third parties.
71. On the former, one respondent suggested the DWP needs to do more to ensure that Work Coaches supply accurate information on Universal Credit advances. It cited research into Universal Credit in Northern Ireland which suggests the advance is not

always framed as a loan, so claimants are not always aware that it is repayable<sup>10</sup>. Another response felt Local Authorities could improve access to information and assistance packages available to people in debt, for example making vulnerable individuals more aware of Section 13A schemes.

72. On the latter, referral processes, respondents stressed the need for a clear approach that individuals, businesses and third parties can understand. Respondents suggested working with the Money and Pensions Service (MaPS) in the first instance might be the best way for government organisations to proceed. One Local Authority referenced its positive involvement in the MaPS PACE project, reporting that 76% of those it referred via PACE have spoken to a debt advisor.

## Disputes

*Q12: In your opinion, what are the benefits of an effective disputes process in debt management?*

73. There were 66 responses to question 12.
74. Respondents suggested effective disputes processes can facilitate continuous improvement in debt management, including shortening the time it takes to get correct repayment programmes in place. It was felt they also foster trust in organisations and government in general.
75. However, several argued that government disputes processes are currently slow and / or inaccessible. Survey data provided by one respondent said only 45% of people who have debts to government organisations and perceived that they had been unfairly treated actually made a complaint.
76. Respondents felt that a disputes process should be free and fast and include an independent element. The Local Government and Social Care Ombudsman (LGSCO) was singled out by respondents as an example of good practice in dispute resolution. It was also suggested that government could follow rules similar to those made by the Financial Conduct Authority (FCA)<sup>11</sup> on disputes.

*Q13: In your opinion, what is the most effective way to ensure a fair outcome to a disputes process in debt management? Please provide evidence of creditor sectors or organisations with effective disputes policies.*

77. There were 55 responses to question thirteen.
78. More than two in five respondents suggested that disputes processes should have an independent element and be free and fast.
79. The independent element was described as the second stage of a two-stage process, where the first stage is handled by the government organisation. The work of the LGSCO was again described by some respondents as a good example of an independent element in a disputes process. Although, one respondent questioned whether its powers are broad enough to investigate a range of debt management

issues under the Local Government Act 1974. Other respondents felt the government could learn from the approach of the Financial Ombudsman Service (FOS), including its requirement for firms to conduct root cause analysis into complaints.

80. Respondents thought the government could make more use of technology to communicate in real time with individuals and businesses to resolve disputes quickly and that debt recovery activity should pause while the disputes process runs its course. It was suggested there should be set timeframes within which government organisations are required to respond to individuals or businesses disputing an issue.

*Q14: Can you provide any evidence of where disputes policies interact, positively or negatively, with central and or local government organisations' debt management procedures?*

81. There were 34 responses to question 14.
82. Some existing government disputes processes were seen positively. For example, one respondent described local government policies, particularly in the field of Council Tax recovery, as transparent, consistent and subject to external stakeholder scrutiny.
83. However, a third of respondents again said some government disputes processes are slow and / or inaccessible. They suggested that this can cause people to be unnecessarily pushed into hardship. DWP disputes processes, including mandatory reconsideration, were criticised on the ground they can be difficult to understand and due to a perceived lack of speed. One respondent cited survey data of individuals with debts to the DWP which said 42% did not know that they could discuss the level of their repayments with a DWP official<sup>12</sup>.
84. A number of respondents recommended that government disputes processes include an independent element. This was most often seen as an Ombudsman-type system. One respondent referred to recommendations that the government should consider the case for a unified Public Service Ombudsman.

## Reporting and transparency

*Q15: In your opinion, what advantages and challenges are there in central and local government organisations collecting and reporting data on debt management activities?*

85. There were 63 responses to question 15.
86. Respondents saw advantages in central and local government collecting and reporting debt data. It is seen as helping local and central government organisations set appropriate targets and identify trends to generate a higher recovery rate. One respondent described adequate collection and reporting of data as 'essential' to helping ensure minimum standards are upheld in debt recovery.
87. Respondents commented on the 'strong values on transparency and openness held by government organisations'. However, respondents described challenges inherent

in data collection and reporting. These respondents argued that there was poor data sharing within organisations. However, they recognised difficulties with standardised data capture across organisations with different policies and processes collecting different types of debt. Collecting and reporting data on debt management activities was called ‘costly and time consuming’, especially for Local Authorities. One respondent flagged research with Local Authorities across London that found they were hindered by the numerous IT systems holding data.

88. Respondents suggested that the government should analyse and report more debt data. One respondent referenced a recent Ofwat consultation on vulnerability, which proposes that companies be required to publish common metrics to assess their performance on vulnerability including the proportion of eligible customers receiving support through vulnerability assistance options<sup>13</sup>. Respondents were also concerned about the lack of a shared understanding of vulnerability across the government but suggested this could be addressed through the use of appropriate frameworks.

*Q16: Are there any metrics on debt management activity that you believe could be a particularly effective measure of fair policies? Conversely, are there metrics / targets you believe drive poor debt management activity?*

89. There were 59 responses to question 16.
90. Respondents to this question also felt that the government should analyse and report more debt data. A wide range of potential metrics were again suggested, including referrals to debt advice, number of cases passed to enforcement agents and cost of enforcement. In reference to this point, one respondent drew attention to the Ofgem Consumer Vulnerability Strategy which ‘requires firms to collect and report on a large range of data points in its social obligations register’<sup>14</sup>. Another respondent pointed to FCA guidance on data reporting as an example of best practice for government organisations to follow.
91. Respondents were concerned about any potential use of collections targets by government organisations and over rules on recovering debt within a set period. Collection targets were a concern because of the possibility they incentivise ‘unreasonable’ recovery activities but also because they might result in siloed processes, where different parts of the same organisation prioritise conflicting goals. This was seen as a particular problem within Local Authorities.
92. One concern of respondents was that metrics focussed purely on the short-term and on the amount of debt recovered, without considering the impact on the person who owes the debt, drive poor debt management activity. Respondents raised concerns over the use of in-year collection targets by Local Authorities. They felt this can result in the use of enforcement methods prioritising swift recovery over methods, such as deductions from benefits, where the debt is recovered at a slower rate.
93. Other respondents highlighted that council tax is an annual liability and that Local Authorities want to collect council tax in-year to minimise the risk of the taxpayer accruing arrears into the next year.

*Q17: In your opinion, what is the value in central and local government organisations facilitating access to their debt management policies and processes?*

94. There were 61 responses to question 17.
95. Respondents welcomed the idea of more publicly available information on government recovery policies. It was suggested this would foster a culture of transparency and open up government organisations to external scrutiny, encouraging fairer and more proportionate debt management policies. Greater transparency was seen as a way to overcome inconsistency in the approach of government organisations, which were described as 'disjointed'.
96. Information on identification and treatment of vulnerable individuals could be particularly important, according to respondents, because it can allow third parties to provide appropriate support where necessary.
97. Respondents felt that lack of access to debt management policies and processes can result in confusion and mistrust on behalf of individuals, businesses and third parties.

## Fraud and non-compliance

*Q18: How can central and local government organisations get better at identifying and tracking debt arising from serious non-compliance or fraud?*

98. There were 51 responses to question 18.
99. Two concerns about the current approach of the government to identifying debt arising from fraud and non-compliance is there can be a lack of capacity to do so effectively, partly because not enough data is captured on individuals or businesses.
100. Respondents suggested that the situation might be improved by greater data sharing across the public sector, both across national bodies and between national bodies and Local Authorities. This includes the potential use of public sector data sharing consortia, such as the National Fraud Initiative, to help reduce debt arising from fraud through increased due diligence and control measures. Key debt risk areas related to fraud described for local government included the Single Person Discount for Council Tax and 'Phoenix Trading' - also known as Contrived Insolvency - where indebted businesses close then reopen under a different name.
101. Alongside this, respondents contended increased data capture and use of third party data could increase the ability of government organisations to recover debt caused by fraud. This includes using data from CRAs, debt advice providers and financial services companies to verify earnings and address information. Respondents argued additional data, captured regularly, has the added benefit of preventing debt arising from fraudulent activity in the first place.
102. Other policy options put forward included a focus on accelerating cases of fraud-related debt to enforcement. One respondent suggested this could mean increased access to bank funds where fraud is proven.

*Q19: How can central and local government organisations prioritise the recovery of debt from those whose debt is the result of serious non-compliant or fraudulent activity?*

103. There were 44 responses to question 19.

104. The most common response was that government organisations responding to fraud should consider a zero tolerance approach, involving accelerated enforcement and more punitive sanctions. Respondents suggested increased use of asset seizures as well as greater government access to individual or business income, potentially through the use of the Proceeds of Crime Act (POCA). Elsewhere, it was suggested that suspensions of passports and driving licenses could be employed. One respondent argued for more collaborative working between debt recovery agencies to counter 'persistent evaders'.

105. However, other respondents felt it was important, when considering enhanced enforcement, for government organisations to bear individual circumstances in mind. These respondents believe that debt repayment, even in the event of fraud, should always be based on considerations of affordability and potential vulnerability. This was seen by some as a point of efficiency, allowing resources to be directed at those who are wilfully fraudulent and have the ability to repay debts. Respondents requested clear government guidance on these issues, so cases can be assessed within an established policy framework.

*Q20: What can central and local government organisations' debt management do to discourage people from engaging in serious non-compliant or fraudulent activity?*

106. There were 47 responses to question 20.

107. Around a third of respondents said the best way to prevent debt caused by fraud and non-compliance was by doing more to publicise its impact and 'the consequences of engaging in serious non-compliant or fraudulent activity'. This included a suggestion that where debt has arisen from fraud, the government should publicise its response to this and "name and shame" individuals or businesses who have engaged in fraud.

108. Other respondents felt an alternative approach would be more effective, with greater emphasis on understanding potential drivers of debt when it relates to fraud, including finances and other vulnerabilities. One respondent, a Local Authority, cited a pilot it has run on 'ethical collections', where it found 'maintaining a holistic approach and offering appropriate support...is far more likely to result in a positive outcome for both the debtor and the customer'.

*Q21: How should central and local government organisations approach debt management when dealing with people who are in debt due to fraudulent activity, but may potentially be vulnerable?*

109. There were 48 responses to question 21.

110. Respondents argued there should be more account taken of affordability and vulnerability when using sanctions related to debt caused by fraud or

non-compliance. This includes referring to support services and allowing third parties to be involved. Responses sometimes argued vulnerability can be the cause of fraud-related debt, therefore addressing the underlying issue is the most effective way of preventing recurrence. Better data capture and more use of third party data was seen as key to this approach.

111. However, other respondents felt there should still be a traditional use of sanctions and prosecution for fraud-related debt, even where vulnerability is identified. One response argued where fraud has occurred, debt recovery should always prioritise the needs of the victim of fraud by strongly pursuing the person who has committed the fraud.

## Other creditor sectors

*Q22: If you believe there are effective or ineffective debt management practices beyond central and local government organisations, please provide any evidence the government may wish to consider.*

112. There were 37 responses to question 22.
113. The majority of respondents reinforced points made elsewhere in submissions to the Call for Evidence. They emphasised the importance of appropriate data and segmentation in effective recovery, and the value seen across sectors in adequately identifying potential vulnerability.
114. Where respondents highlighted best practice outside government, they were most likely to pinpoint sectors regulated by the FCA. One suggestion was that initiatives to drive innovation like the “sandbox environment” promoted by the FCA could also be developed for government organisations. Some existing codes of practice governing debt recovery, for example that published by the Credit Services Association (CSA), were also suggested as examples of best practice.

## Conclusion and next steps

- 115 The Government Debt Management Function will share the evidence gathered with the relevant government organisations to support ongoing assessment of processes. Following this, the government will use the evidence provided in policy design, with the intention of cross-government changes in 2021/22. The government will publish an update by the end of 2021, detailing changes made to date and future planned changes.

## Glossary of terms used in this response

**Credit Union:** A community-based savings and loan provider.

**Credit Services Association (CSA):** The trade association for debt collection and the debt purchase industry.

**Debt Collection Agencies (DCAs):** Companies that specialise in collecting debts on behalf of an original creditor.

**Department for Work and Pensions (DWP):** Responsible for welfare, pensions and child maintenance policy. It administers the State Pension and a range of working age, disability and ill health benefits.

**Deduction from benefits:** The deduction of money from benefits to repay an outstanding debt.

**Financial Conduct Authority (FCA):** The conduct regulator for 59,000 financial services firms and financial markets in the UK and the prudential regulator for over 18,000 of those firms.

**Financial Ombudsman Service (FOS):** Settles individual disputes between consumers and businesses that provide financial services.

**Her Majesty's Revenue and Customs (HMRC):** The UK's tax, payments and customs authority.

**Local Government and Social Care Ombudsman (LGSCO):** Examines individual complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services

**Magistrates' Court fine:** Magistrates' Court fines can be imposed for offences such as traffic offences, criminal offences and not having a TV licence.

**Money and Pensions Service (MaPS):** An Arm's-Length Body which provides individuals with guidance and information to make effective financial decisions.

**National Fraud Initiative (NFI):** Matches electronic data within and between public and private sector bodies to prevent and detect fraud.

**The Office of Gas and Electricity Markets (Ofgem):** A non-ministerial government department which regulates the gas and electricity markets.

**PACE:** The Money and Pensions Service's Pilot of Adviser Capacity and Efficiency.

**Penalty Charge Notices (PCNs):** A fee liable for breaching certain driving or parking regulations.

**Proceeds of Crime Act (POCA):** Sets out the legislative scheme for the recovery of criminal assets.

**Section 13A scheme:** Allows Local Authorities to reduce the amount of Council Tax payable. It can be used for individual cases or the Local Authority may determine classes of case in which liability is to be reduced.

**Social Fund loan:** The Social Fund can help people with needs which are difficult to meet from regular income.

**Standard Financial Statement (SFS):** A tool used to summarise a person's income and outgoings, along with any debts they owe.

**HMRC Time to Pay arrangements (TTPs):** Repayment plan based on an individual's specific financial circumstances.

**Universal Credit (UC) advance:** An individual can apply for an advance payment of Universal Credit if they are in financial hardship while waiting for their first payment.

**Water Services Regulation Authority (Ofwat):** A non-ministerial government department which regulates the water and sewerage sectors in England and Wales.

## Equalities and Welsh Language

The Public Sector Equality Duty (PSED) came in to force in April 2011 and public authorities, including the Cabinet Office, are required to have due regard to the need to achieve the objectives set out under section 149 of the Equality Act 2010 to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

More information on the PSED can be found here:

<https://intranet.justice.gov.uk/documents/2015/04/psed-guidance.pdf>

## Consultation principles

This Call for Evidence was conducted in accordance with the principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation. Cabinet Office Consultation Principles 2018 can be found here:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/691383/Consultation\\_Principles\\_\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691383/Consultation_Principles__1_.pdf).

## Annex A – Response numbers

### Responses by question

<b>Q</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
#R	66	86	88	86	82	79	75	79	81	80
<b>Q</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>
#R	72	66	55	34	63	59	61	51	44	47
<b>Q</b>	<b>21</b>	<b>22</b>								
#R	48	37								

### Responses by theme

<b>Theme</b>	<b>Number of responses</b>
Affordability	97
Communications and preventing recurring debt	90
Vulnerability and financial hardship	94
Disputes	73
Reporting and transparency	75
Fraud and non-compliance	69

### Government organisations mentioned (by number of respondents) - top five

<b>Government organisation</b>	<b>Number of responses</b>
Local Authorities	75
Department for Work and Pensions	42
Her Majesty's Revenue and Customs	31
Enforcement agents (working on behalf of government)	24
Ministry of Justice / Her Majesty's Court and Tribunal Service	9

# Annex B – List of respondent organisations

## Organisations

- Advice NI
- Ascendant Solutions Limited
- Bristow & Sutor
- British Parking Association
- CDER Group
- Centre for Social Justice
- Chartered Institute of Credit Management
- Child Poverty Action Group
- Chiltern Citizens Advice
- Christians Against Poverty
- Churches Housing Action Team (Mid Devon) Limited
- Citizens Advice
- Citizens Advice Broxtowe
- Citizens Advice Chesterfield
- Citizens Advice in West Sussex (North South East)
- Citizens Advice Leiston, Saxmundham & District
- Citizens Advice Scotland
- Citizens Advice Sedgemoor
- Citizens Advice Sherwood and Newark
- Citizens Advice Southampton
- Citizens Advice South Lincolnshire
- Citizens Advice West Oxfordshire
- CIVEA
- Community Money Advice
- Coventry Citizens Advice
- Coventry Independent Advice Service
- Credit Services Association
- Debt Managers Standards Association (DEMSA)
- Debt Support Service
- DIGIMASS
- Equifax
- Financial Services Consumer Panel
- Financial Wellness Group
- GIPSIL
- Indesser

- Institute of Money Advisers
- Ipswich Housing Action Group
- Institute of Revenues, Rating and Valuation (IRRV)
- Just
- Joseph Rowntree Foundation
- LACEF
- LITRG
- Local Government Association
- Leeds City Council
- Marston Holdings
- medConfidential
- Mental Health Foundation
- Mental Health & Money Advice Service
- Mid Devon District Council
- Mid Sussex District Council
- Money Advice Durham
- Money Advice Trust
- Money and Mental Health Policy Institute
- Money and Pensions Service (MaPS)
- Newcastle City Council
- North Norfolk District Council
- PayPlan
- Peasholme Charity
- Policy in Practice
- Qualco UK
- Rundle & Co Ltd
- Sapphire Business Services
- Southwark Council
- StepChange Debt Charity
- Stockton and District Advice and Information Service (SDAIS)
- Surviving Economic Abuse
- The Vulnerability Registration Service
- Transport for London
- Trussell Trust
- Welfare Rights and Money Advice Service
- Xantura Limited

## Individuals

- Charlotte Stevens
- Christopher Sutton
- Frank Newhofer
- Ian Stuart
- Jane Goodwin
- John Langley
- Malcolm Gardner
- Michael Court
- Natalie Bunyer
- Ray Neal
- Richard Tredgett
- Sam Shipstone
- Suzanna Walker

## References

<sup>1</sup> <https://www.gov.uk/government/consultations/fairness-in-government-debt-management-a-call-for-evidence>

<sup>2</sup> Money and Mental Health Policy Institute (2018), A silent killer

<sup>3</sup> There were also stand-alone questions on the scope of the Call for Evidence and examples from other creditor sectors.

<sup>4</sup> Institute for Government (2020), Universal Credit: Getting it to work better

<sup>5</sup> National Audit Office (2018), Tackling Problem Debt

<sup>6</sup> Wessex Water (2020), Business Plan 2020 Appendices

<sup>7</sup> Money and Mental Health Policy Institute (2018), Access Essentials

<sup>8</sup> Money and Mental Health Policy Institute (2018), Access Essentials

<sup>9</sup> Money and Mental Health Policy Institute (2019), Data Protecting: Using financial data to support customers

<sup>10</sup> Joseph Rowntree Foundation (2020), Universal Credit could be a lifeline in Northern Ireland

<sup>11</sup> Specifically DISP 1.3

<sup>12</sup> StepChange Debt Charity (2020), Problem debt and the social security system

<sup>13</sup> Ofwat (2020), Delivering Water 2020: Our final methodology for the 2019 price review: Appendix 1: Addressing affordability and vulnerability

<sup>14</sup> Ofgem (2019), Decision on social obligations

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