

John Glen MP

Economic Secretary to the Treasury

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ 14 August 2019

Dear Minister

DEBT RESPITE SCHEME: RESPONSE TO REQUEST FOR ADVICE

Many thanks for your letter dated 17 December 2018 requesting the Single Financial Guidance Body's (now operating as Money and Pensions Service) advice on the proposed Debt Respite Scheme, which incorporates Breathing Space and the Statutory Debt Repayment Plan.

In accordance with Section 6 (4) of the Financial Guidance and Claims Act 2018, I am writing to provide advice on the establishment of the scheme, specifically, on raising awareness of the scheme and evaluating its impact. We also provide more general advice on a small number of other areas, as invited by your letter. The attached advice includes an appendix with greater detail on evaluation.

The Money and Pension Service overwhelmingly supports the introduction of both Breathing Space and the Statutory Debt Repayment Plan. We believe it has the potential to provide new and effective ways to support more people in resolving debt problems and will add to the significant social and economic benefits that debt advice already offers. We have been pleased to respond to past calls for evidence on this subject and seconded one of our experts to HM Treasury to support the scheme's development. Further to this advice, we are keen to work with HMT and government stakeholders to support the introduction and ongoing delivery of the scheme in future as required.

As you now move towards the next stage of the legislative process, please do let me know if the Money and Pensions Service can provide any further detail or support on the advice or related matters. I am also copying this letter and advice to the Minister for Pensions and Financial Inclusion.

Caroline Siarkiewicz

Acting Chief Executive Officer

Breathing Space Advice

We are pleased to have the opportunity to provide advice to HM Treasury, with respect to the Debt Respite Scheme, including a Breathing Space and Statutory Debt Repayment Plan (SDRP). In response to HMT's letter of the 17 December 2018, we have set out our advice on the following topics;

- a) Maximising awareness of the Breathing Space and Statutory Debt Repayment Plan,
- b) Evaluation considerations for Breathing Space and the Statutory Debt Repayment Plan; and,
- c) Other matters we wish to highlight as part of our duty to provide advice as set out in Section 6 of the 2018 Act.

a) Maximising awareness of the Breathing Space and Statutory Debt Repayment Plan

The government's proposal sets out that a key objective of this scheme should be to reach more people with debt advice, given well documented evidence¹ of the large numbers of people who could benefit from debt advice currently not accessing it. We set out our recommendations to achieve this objective, based on an understanding of the barriers that currently exist for consumers accessing debt advice.

Understanding the Barriers

The barriers to seeking advice can be broadly categorised into two: individuals' internal barriers, where attitudes and knowledge impact willingness to seek advice; and external barriers, such as insufficient providers to meet the demand for debt advice, and a complex landscape of debt advice that is difficult for consumers to navigate.

On the individual factors, research² indicates that peoples' attitudes and emotions will influence the decision to seek debt advice. Amongst those who are overindebted, people can be unaware that they need help, or may be broadly aware but remain in denial about the full extent of their debt³. Even those aware that they are struggling may not recognise themselves as having a 'debt problem' – with 'debt' being increasingly normalised yet with 'problem debt' carrying more stigma.⁴

It is also recognised that those under stress and in crisis situations such as may not have the cognitive bandwidth⁵ to address their issues head on. Our research has repeatedly shown the significance of emotional responses to debt⁶, further compounded where the individual is also in vulnerable circumstances such as experiencing domestic violence. In particular we also know that there is a strong co-occurrence of debt and mental ill health which can compound each issue⁷. Where there are further vulnerability factors, the debt itself is rarely the primary concern for the individual⁸. Moreover, even where people are aware that they need help, self-efficacy can be a barrier: where those in need of help do not have the confidence or belief that their situation can be improved or that they have the skills to understand or benefit from help⁹.

¹ Over-indebtedness in the UK – 2017 Statistics available at https://www.moneyadviceservice.org.uk/en/corporate/debt-publications

 $^{^{\}rm 2}$ MAS Debt Interventions, MAS and 2CV, 2016 Unpublished

³ Multiple sources including "Effectiveness of Current Debt Solutions" (MAS/RR, 2017), "Better debt advice" (MAS/RR, 2017), "An Action Plan on Problem Debt" (Step Change, 2015).

⁴ MAS Debt Interventions, MAS and 2CV, 2016 Unpublished

⁵ Multiple sources including "Effectiveness of Current Debt Solutions" (MAS/RR, 2017), "Barriers to seeking advice" (2CV, 2015, unpublished).

⁶ MAS Debt Interventions, MAS and 2CV, 2016 Unpublished

In our evaluation of our funded organisations, we found that the majority (52%) of clients had been diagnosed with a mental health condition of some kind. https://www.moneyadviceservice.org.uk/en/corporate/press-release--money-worries-have-left-two-in-three-brits-worried-about-loved-ones-mental-health

⁸ Reaching Marginalised Groups, SLAB and MAS, June 2017 https://www.moneyadviceservice.org.uk/en/corporate/reaching-marginalised-groups/preview

⁹ Right place, right time" (MAS/BDRC, 2017).

External barriers are those related to persistent issues in the debt advice marketplace. For example, we know that awareness of debt advice services remains low¹⁰, in terms of both nature of advice and what it can offer, and the range of debt solutions that exist other than bankruptcy. Many people also have concerns about the impact of debt solutions on aspects of their lives, in particular on their credit scores. Many over-indebted people will have been relying on credit to meet every-day costs, so the prospect of reduced access to it or increased credit costs can be alarming.

Poor consumer understanding of the debt advice landscape is further exacerbated by its complex structure, partly due to the fragmented nature of debt advice provision and multiple entry points. People have low awareness of different providers and differences between them, with many descriptions of different services sounding similar. This complexity is compounded by alternative advice services e.g. for specific groups and provider services limited to specific channels¹¹.

Our recent research has found that the online debt advice landscape is particularly confusing, with a multitude of alternatives available, including some copycat lead generator websites which deliberately imitate debt advice services to gather customer data for the purposes of providing leads to some commercial firms. This has resulted in very low trust in debt related services, and a wariness of unknown companies. Given that few debt advice providers are very well-known, this presents a huge challenge in terms of getting people to engage with debt advice and in ensuring that they end up at a legitimate company when they do.

The Wyman Review¹² identified the confusion that exists in the debt advice sector and the risks for people who seek advice as when "'debtors search on Google or other search engines, the results that appear at the top of the results refer almost entirely to the commercial advice providers' and worse, 'some lead generators subtly suggest, through the wording of their search results or domain names, that they are national governmental or charitable organisations' which can lead to a 'confusing situation for the stressed advice seeker, and masks the availability of free debt advice from charitable providers.'

Our recommendations on raising awareness of the scheme

The evidence of the internal and external barriers to accessing debt advice give rise to the following recommendations to raise public awareness of the scheme. These also incorporate advice recommendations from the Wyman review.

Recommendation: communications about the scheme and wider debt advice

In the context of considerable internal barriers to seeking help, it is essential that the messaging of the scheme counters these barriers by¹³:

- Framing debt advice positively being careful to avoid negative language or stereotypes. The word "debt"
 needs to be carefully used (if at all), as it often fails to resonate and can actively deter potential debt advice
 clients
- Promoting the benefits to the person of seeking debt advice, and in particular:
 - The 60-day respite from creditor collection activities with many finding such activities highly distressing (particularly if they are struggling with multiple issues)
 - The realistic opportunity offered to rebuild their financial position and their credit score

¹⁰ Sources including "Moving forward together" (MAS/RR, 2017), "Effectiveness of Current Debt Solutions" (MAS/RR, 2017), "Literature review: effectiveness of current debt solutions" (MAS/ICF, 2017).

¹¹ Effectiveness of Current Debt Solutions" (MAS/RR, 2017), "Literature review: effectiveness of current debt solutions" (MAS/ICF, 2017), "Improving the financial health of low-income groups" (CFRC, 2016), "Better debt advice" (MAS/RR, 2017).

¹² The Independent Review of the Funding of Debt Advice, Peter Wyman, 2018 https://masassets.blob.core.windows.net/cms/files/000/000/900/original/Peter Wyman Review of Debt Advice Funding 2018.pdf

¹³ Evidence Review for Debt Advice Commissioning, (MAS, 2018)

- Reassuring potential beneficiaries that debt advice is:
 - A quality service staffed by highly trained advisers
 - Private, confidential, and non-judgemental
 - Accessible, highly professional whilst still at the individual's level.
 - Empowering, actively seeking to involve clients in decision making

We also support efforts to reduce the complexity of language used to describe and explain the scheme and, more broadly, debt advice as a service. It is important that the impact of language is tested with consumers to ensure it conveys the desired messages and has the intended impacts. An example of similar work that we have previously undertaken was in support of our work on the consumer retirement journey when we commissioned ComRes to conduct research into pensions language¹⁴. This found that it is important to strike a balance between the language used being accessible but not just simple, as terms can sometimes appear too unprofessional for a serious topic and that terms and phrases used need to address points of concern to avoid consumers distrusting and ultimately disregarding the information provided.

Finally, our research has found that effective processes for referring clients between channels can be patchy. This implies that outreach and promotion should mainly take place in the channel(s) where advice capacity is available if we are to ensure the best customer journey to access debt advice and that people are not deterred. This would suggest that communications should principally lead to online or telephone services. In addition, online outreach, if conducted effectively, can be fruitful as many people search for information online as a first step.

Over-indebted people's awareness of the scheme

The Wyman Review recommended that government consider a one-off awareness campaign targeted at intermediaries to encourage them to refer people to free debt advice through the Money and Pension Service Debt Advice Locator tool¹⁵. The review envisioned a role for a campaign focused on trusted intermediaries rather than the public, suggesting that 'doctors, nurses, social workers, teachers, priests, youth workers and many more are important intermediaries who can refer people to free debt advice and reaching these intermediaries has a longer lasting impact than targeting debtors themselves since they will be talking to successive cohorts of people with problem debt.'

Recommendation: Government could explore the potential with online search engine providers, such as Google, to ensure that the Money and Pensions Service Debt Advice Locator Tool (or equivalent), which can route people to free debt advice, appears at the top of related search results. The launch of this should coincide with the start of the Breathing Space scheme.

Recommendation: Government should enact recommendation seven of the Wyman Review to consider how best to deliver a one-off awareness campaign targeted at trusted intermediaries to encourage them to refer people to free debt advice through the Money and Pensions Service Debt Advice Locator Tool. This could also coincide with the launch of the Breathing Space scheme to make referral partners aware of the importance of free debt advice to take advantage of the Breathing Space.

Finally, it is worth noting that we considered the merits of wide-scale public marketing campaign to raise awareness of the Scheme and debt advice more broadly. Whilst at this time, where demand already outstrips supply, this may not be appropriate lest it increases demand that may not be met, we continue to strive to increase capacity in the sector, so that this may be appropriate in due course. The funding settlement for the Money and Pensions Service sets

¹⁴ Pension Dashboard Research, A report by ComRes for MAS, May 2017

 $https://masassets.blob.core.windows.net/cms/files/000/000/868/original/MAS_Consumer_Research_Pensions_Dashboard_Research_v2.pdf$

¹⁵ https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator

out to significantly increase the level of debt provision that we commission, and our 2019/20 business plan¹⁶ sets out the intention to increase the number of sessions delivered by our funding by 85,000.

Debt adviser and creditor awareness of the scheme and SDRP

Debt advice agencies and creditors need to gain awareness of the scheme and SDRP, both to ensure their organisations are abiding by the provisions, and in their role as strong advocates of Breathing Space and the SDRP to over-indebted people.

The purpose of such awareness should be twofold; firstly, to ensure creditor and debt advisers are fully aware of the scheme and plan for how they will support and implement the scheme and SDRP, ensuring that this is built into their internal processes and that all frontline staff are fully trained in the new provisions. But secondly to ensure that organisations and their frontline staff are able to promote the scheme and its intended benefits to their client group or customers.

It is therefore important to raise awareness in both of these communities alongside the launch of the scheme. Both can be reached via already well-established networks and these should be utilised for this purpose. In the debt advice sector, there are a number of membership bodies for debt advisers and debt advice agencies such as Advice UK, the Institute of Money Advisers and Money Advice Liaison Group which should again be utilised for raising awareness of the Scheme and its benefits. MaPS also operates a series of stakeholder steering groups for the debt advice sector through which we can disseminate details of the scheme.

Improving creditors' awareness will be more complicated. Communications from government will be key to ensuring that creditors understand and enact their obligations under the scheme. For some sectors like energy, water and local authority creditors, there will be membership organisations, like the Local Government Association, or trade bodies like Energy UK, that should support the roll out of the scheme. However, it is the creditors that are not covered by such bodies that run the greatest risk of being unaware of the scheme and failing, for example, to enact Breathing Space. In regulated markets, the Government also has an opportunity to work through regulators to reinforce the requirements of the scheme. Regards the public sector, the Cabinet Office Fairness Group may be utilised for raising awareness in central government creditors and also to build on the strong work this group is already taking forward in supporting fairness in government debt collection. MaPS currently chair the 'improving public sector debt collection and debt advice agency communication channels' workstream and we would be happy to a have a role in taking this forward via this channel. The Ministry for Housing, Communities and Local Government (MHCLG) is also producing new guidance to improve how local authorities recover unpaid Council Tax and, again, this may be an opportunity to raise awareness of the scheme in a further subset of public sector creditors.

Creditor engagement is key to the success of the scheme, as if debtors find that they are still pursued during the Breathing Space period, this could result in disengagement from the rest of the process and will undermine the reputation of the provisions within the general public. Word of mouth reporting of the Breathing Space scheme will be a central way to gradually raise awareness of the scheme, and if it is not effectively implemented by creditors, this will undermine all other efforts.

Recommendation: Raise awareness of the scheme in the debt adviser and creditor sectors via the available existing networks and through sector regulators.

¹⁶ Money and Pensions Service, Business Plan 2019/20 https://moneyandpensionsservice.org.uk/wp-content/uploads/2019/04/19-20-Business-Plan.pdf

b) Evaluation considerations

Defining policy objectives and intended outcomes

The overall aim of the evaluation should be to understand the extent to which Breathing Space, and the Statutory Debt Management Plan, meet their policy objectives. As an initial step, we recommend defining the policy objectives for each aspect of the scheme, as outcomes for different audiences.

The Government has helpfully provided some steer in those respects, and we have built upon this to suggest evaluating against the following policy objectives for each aspect of the scheme;

- Policy objectives of Breathing Space:
 - o To provide sufficient protections for individuals to help them to enter into a sustainable debt solution.
 - To further protect individuals from recovery and enforcement action whilst working with a debt advice agency
 - To increase access to, and awareness of, debt advice services by over indebted people.
- Policy objectives of the Statutory Debt Management Plan:
 - To provide a stable, secure programme of repayment which would support prevention of debt relapse, thereby preventing further personal detriment and promote repayment and certainty to creditors.

The evaluation planning will need to consider the appropriate outcomes that will evidence that each objective is being delivered and we have set out in Appendix 1 a logic model for evaluation based on the policy objectives.

The proposed schemes will embed new processes and procedures into a complex existing ecosystem of debt advice delivery made up of multiple stakeholder groups including debtors, creditors, and fee-paying and free debt advice providers. These stakeholder groups have a variety of needs, interests and perspectives and all will be required to play an active role in delivery of the schemes as well as having vested interests in the outcomes delivered. In addition to the stated policy objectives, it is therefore also important to balance the interests of all stakeholder groups to ensure continued co-operation and engagement with the schemes.

In Appendix 2, we have therefore also outlined a wider set of success criteria that can be used to define whether the schemes are performing well. We suggest the following principles to guide the choice of outcomes to be evaluated:

- Ensure that correct policy objectives are accurately operationalised
- Seek to understand the wider impact of the schemes including any unintended or negative consequences of implementation
- Consider the roles and interests of all the stakeholders within the debt advice ecosystem

Evaluation approach

Given the policy context outlined above, we recommend that the evaluation approach should be relatively broad in scope. It should be sensitive to the mechanisms of impact and be designed in such a way that it can identify any pain points within the debt advice journey that could be improved through further development of the schemes (see appendix 2 for further detail). Furthermore, we expect the outcomes and impact of the schemes to develop over time so that there should be ongoing evaluation beyond the initial implementation period. We therefore recommend that the evaluation approach should involve three workstreams:

1. **Impact evaluation**; this should be central to the evaluation and look at the desired outcomes, as well as the proxy measures for baseline comparisons.

Overall, the Money and Pensions Service would consider the schemes to be performing well if they are:

- a. Widely used and applied in appropriate circumstances
- b. Implemented to a high-quality standard by all stakeholders with minimal levels of system abuse and in line with policy intent
- c. Resulting in more sustainable, predictable financial outcomes for over-indebted people, their creditors and the debt advice sector as well as wider benefits within the social policy field (not limited to but primarily related to mental health and financial wellbeing).

Estimating the counterfactual (what would have happened in the absence of the policy) is one of the most challenging aspects of impact evaluation design and we recommend that the policy implementation and evaluations are planned in tandem, with appropriate evaluation support, to ensure this can be done as robustly as possible.

The following are high priority areas for measurement when estimating the counterfactual:

- The take-up of debt advice
- The overall number of people engaging in debt solutions
- The distribution of different debt solutions (i.e. to what extent do debt advice clients make different choices about which solution to apply as a result of the implementation of the policies)
- Sustainability of debt solutions for debt advice clients
- Over-indebtedness of debt advice clients
- Mental wellbeing of debt advice clients
- Overall levels of repayment to creditors
- 2. **Process evaluation:** this would complement the impact evaluation and would look at the end to end factors in the whole system from the point at which the scheme is accessed, processed and actioned.
- 3. **Ongoing monitoring of data**; this could include administrative data on SDRPs and Breathing Space that the administrating body would publish on a regular basis, which would work towards providing ongoing intelligence to the industry and monitoring of the scheme.

Designing complementary evaluations for each scheme

We note that within the policy proposal, the government has suggested that the two parts of the scheme, (Breathing Space and SDRPs) should be viewed separately. We agree with this approach and recommend that each scheme is evaluated separately whilst acknowledging and exploring the overlap between the two schemes. In view of this, we have provided a draft logic model which outlines some suggested overlaps.

Given the overlap between schemes, it will be important for the evaluation design to find a practical and robust way to isolate the impact of each scheme. As currently envisaged, SDRPs will be developed over a longer time-period than Breathing Space. We recommend that the evaluation design take advantage of this phased implementation to consider the impact of Breathing Space alone before considering the impact of Breathing Space and SDRPs combined. Furthermore, HMT should consider if there are any additional proportionate adjustments that can be made to policy implementation to improve evaluation feasibility.

Evaluation Governance: Advisory group engaging expert stakeholders from each relevant sector

As is illustrated in the logic model for evaluation in Appendix 1, there are a number of key stakeholders who play a part in making both schemes function. We would recommend an exercise in mapping these stakeholders and understanding their role in the delivery of the schemes.

To support the planning and development of the evaluation, we recommend that an advisory group of stakeholder representatives be established to offer feedback and guide the evaluation, established early in the process to ensure it can feed into evaluation design. We would suggest that this should include stakeholders from both the debt advice and creditor sectors. Our experience of managing cross-sectoral stakeholder groups such as the advisory group for the Standard Financial Statement¹⁷, is that as these schemes develop over time, and as implementation unfolds and improvements are identified, this group will be able to offer feedback on the implementation of these scheme, flagging emerging issues and contributing information to the evaluation.

Ongoing monitoring and publication of statistics

We expect the impact of these schemes to develop over time as the schemes go through a bedding in period and mature. It will therefore be useful to all stakeholders in these schemes to be able to track and monitor the development of the schemes over time beyond the end of the initial process and impact evaluation periods.

We recommend ongoing monitoring of the use and outcomes of both Breathing Space and SDRPs. We envision this to be similar to the data currently published by the Insolvency Service¹⁸, which already provides quarterly and annual official statistics relating to insolvency. We recommend that these statistics are published for use among the sector and for ongoing scrutiny.

c. Other matters to highlight

MaPS is currently operating a workstream to coordinate design, build and operation of a long-term sustainable funding model for the free-to-client debt advice sector, both in terms of advice provision and solution administration. We are already pleased to be working closely with HMT on this topic and recommend as close as possible alignment of the Scheme's funding and the broader funding model.

As set out in the MaPS Business Plan, we intend to build and test a centralised and coordinated infrastructure for the debt advice sector during 2019/20, alongside a number of other sector-wide initiatives. We plan to continue to work closely with HMT and other relevant stakeholders on these and, again, recommend as close alignment between these and the Scheme as possible. Specifically, the digital hub we plan to create as part of our PACE (Piloting Adviser Capacity & Efficiency) project may serve many of the functions required in the Insolvency Service online portal for Breathing Space and the SDRP. Both incorporate collection of customer details, including basic personal details, name of creditors, account numbers and the Standard Financial Statement. Similarly, both systems will need to interact effectively with debt advice agency and creditor systems. We will seek to work closely with the Insolvency Service to align or share IT infrastructure in relation to this and, in particular, seek to avoid agencies and customers having to 'double key' information during the process of seeking and receiving debt advice.

¹⁷ https://sfs.moneyadviceservice.org.uk/en/

¹⁸ https://www.gov.uk/government/collections/insolvency-service-official-statistics

We also believe that it is important for the debt advice sector to identify opportunities to integrate more holistic support at specific stages of clients' debt advice journeys so the likelihood of them falling further into debt and requiring further debt advice in the future is reduced. This could include exploring the possibility of clients having guidance geared towards improving their financial capability as a clear part of entering arrangements with creditors, building on the existing provision of the Debt Arrangement Scheme in Scotland¹⁹. As the statutory body responsible for financial capability, and working with the debt advice sector, we would welcome the opportunity to scope the thinking around this further.

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¹⁹ Mandatory financial education for individuals undergoing insolvency proceedings in Scotland is provided via the Financial Capability Programme created by Money Advice Scotland, in conjunction with AiB and MAS: http://www.moneyadvicescotland.org.uk/content/financial-capability-programme