

Breathing space

Our perspective

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What is breathing space?

- ✓ Period of protection from interest and charges
- ✓ A version already exists in regulation (CONC 30+30)
- ✓ But no statutory scheme covering all creditors

After years of campaigning from the sector (led by StepChange Debt Charity), Treasury is now consulting on a **statutory 'six-week breathing space scheme'** and **'statutory debt repayment plans'**

A brief history of breathing space

2004

Debt Arrangement Scheme (DAS) commences in Scotland

2007

Tribunal Courts and Enforcement Act 2007 includes SDMPs and EROs - but not implemented in E & W

2014

Work on breathing space 'blueprint' from 2014 with StepChange and advice sector partners

2015

StepChange 'Safe Harbours' report and Farnish Review recommendations

2016

Work & Pensions Committee recommendation & Private Members Bill from Kelly Tolhurst MP

2017

Included in Conservative and Labour manifestos May 2017
Financial Guidance & Claims Bill amended in the Lords
HM Treasury call for evidence (closed Jan 2018)

Why breathing space?

A powerful incentive to seek advice early

- ✓ 37% of National Debtline clients wait for a year or more before seeking advice
- ✓ Breathing space could become *the* key route in

Provides time for people in temporary financial difficulties to regain control of their finances

- ✓ Threats to escalate a debt, unrealistic requests for payment lead people to feel helpless / powerless
- ✓ People need time to pay back debts, with interest and charges frozen and protection from creditor action

What should a scheme look like?

It must cover all creditors

- ✓ including local authorities, HMRC and DWP

Eligibility should be as wide as possible

- ✓ Regardless of employment or housing status, level of assets, debt level, number of debts...
- ✓ Must include self-employed people (in respect of business debts, where possible, and not just personal)

Six weeks isn't long enough for many - extendibility

- ✓ Six-weeks should be extendable (at adviser discretion)

What protections should it give?

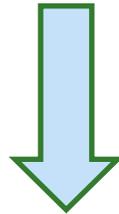
- ✓ Default interest and additional charges frozen
- ✓ Debt collection and enforcement action prevented
- ✓ No bankruptcy or court action
- ✓ Energy supplies cannot be disconnected

What debts should be included?

- ✓ Default assumption is all debts
- ✓ New debts could not be added – but ‘forgotten’ debts could be at a later date
- ✓ Client must be able to pay on-going bills, but arrears should be included
- ✓ Mortgage / rent treated as priority debts

Our view: Two schemes, not one

Breathing space of six weeks (plus extension at adviser discretion)



Statutory debt payment plan or other debt option

How could it work in practice?

Breathing space

- ✓ 'Online portal' model (run by Insolvency Service)
- ✓ Access via free-to-client advice agencies

Statutory debt repayment plans

- ✓ Provided by a panel of approved, free-to-client providers
- ✓ Insolvency Service would have administrative role

How to apply

- ✓ Full holistic advice on debt options from participating free debt advice agency with SFS completed.
- ✓ “Approved” adviser to enter client into the scheme via portal.
- ✓ Creditors, advisers and clients can access portal.
- ✓ Details appear on a searchable private register for CRA purposes.
- ✓ Move through portal on to statutory debt repayment plan **if appropriate**

Breathing Space scheme

Separately branded, but administered by the Insolvency Service with access to Breathing Space provided by participating free advice agencies

Free advice agencies
(assess eligibility, provide holistic advice)

Creditors
(provide Breathing Space protections)

Notifies creditors with start and end date

Register eligible clients on Breathing Space online portal

Can check individual status on register

Insolvency Service
Runs *online portal* (for Breathing Space) and keeps *private register* (of Breathing Space & of Statutory Debt Repayment Plans as a subset)

*Agencies refer to Statutory Debt Repayment Plan provider **IF** that is best advice recommendation*

Can check plan register

Register plans with Insolvency Service

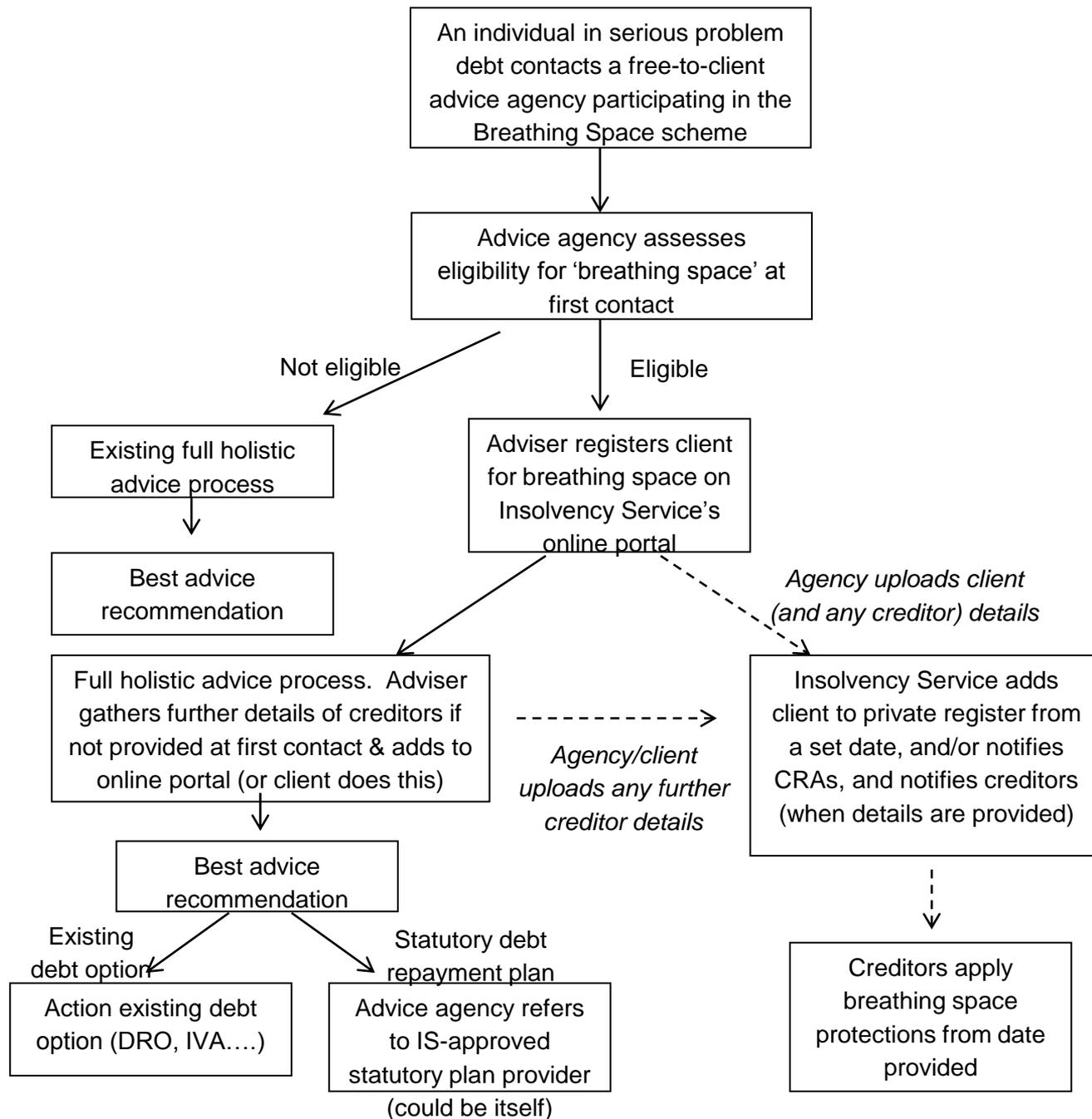
Statutory Repayment Plan providers
(operate plans, distribute payments to creditors)

Creditors
(provide Statutory Debt Repayment Plan protections)

Distribute payments

Statutory Debt Repayment Plans

Provided by a panel of free-to-client agencies. Insolvency Service has overall administrative role – appoints panel, keeps register, adjudicates plan objections



Next steps

A tentative time line

- ✓ HM Treasury drafts scheme proposals
- ✓ Consultation on 'Single Policy Proposal' Summer 2018
- ✓ Work with the advice sector on a blueprint for the scheme
- ✓ Single Financial Guidance Body input on specific areas
- ✓ Scheme commences in 2019 or 2020
- ✓ Now, what shall we do about people with deficit budgets...

Some thoughts for discussion

- ✓ What do you think of the model we have set out?
- ✓ Is an online portal the right way to go? Who should administer the scheme?
- ✓ How should the scheme be accessed?
- ✓ What are the operational implications for your agency?

Discussion