

# Breathing space

Our perspective

**MONEY**  
ADVICE TRUST

---

BUSINESS  
DEBTLINE

NATIONAL  
DEBTLINE

WISER  
ADVISER

ADVICE YOU CAN TRUST

**Matt Hartley**  
Head of Public Affairs

**Meg van Rooyen**  
Policy Manager

**MALG South East**  
28th February 2018

# 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?

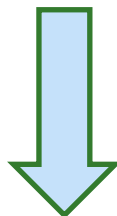
- ✓ Default interest and additional charges frozen
- ✓ Debt collection and enforcement action prevented
- ✓ No bankruptcy or court action
- ✓ Energy supplies cannot be disconnected

## 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

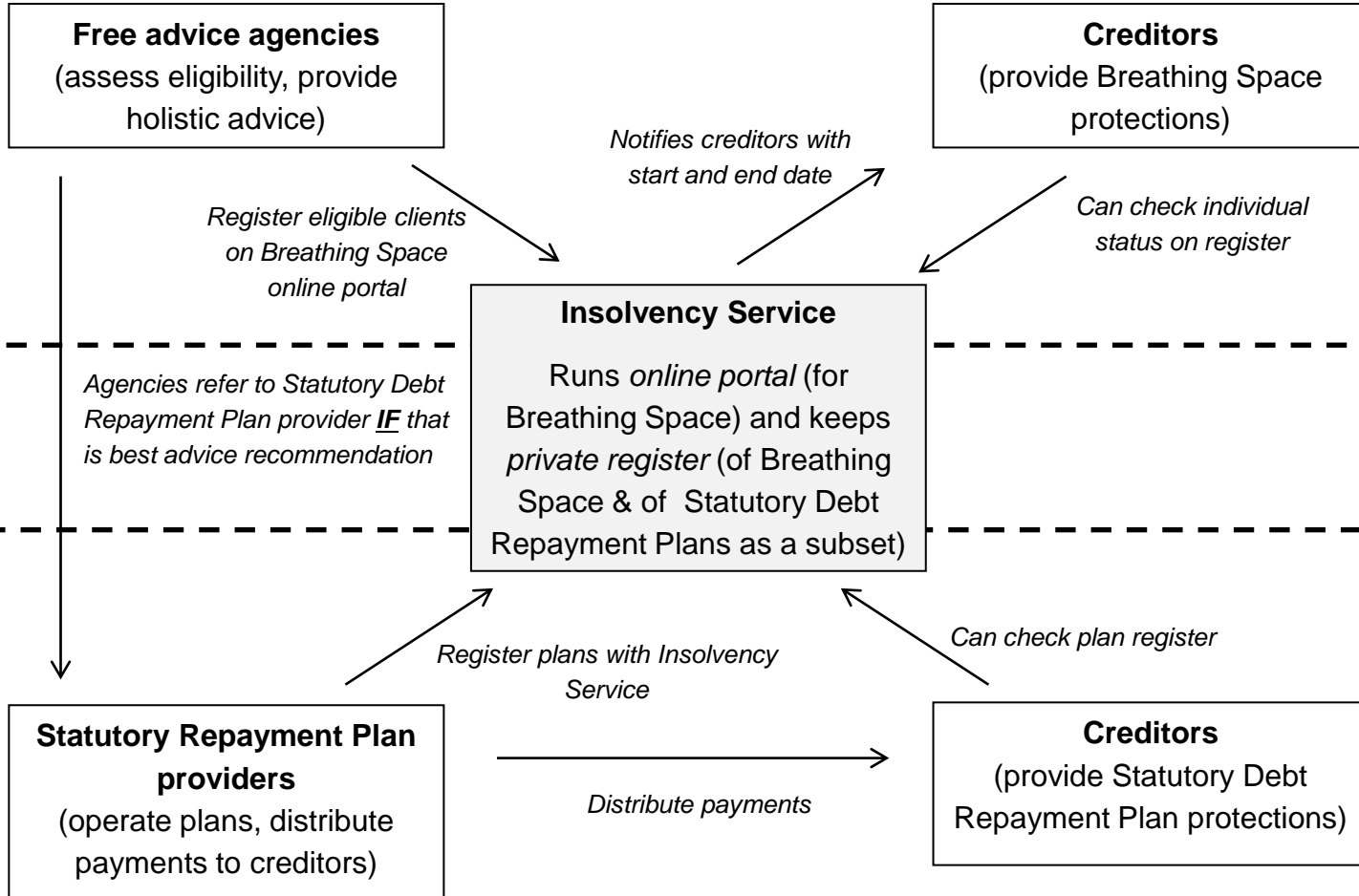


# How to apply

- ✓ 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**

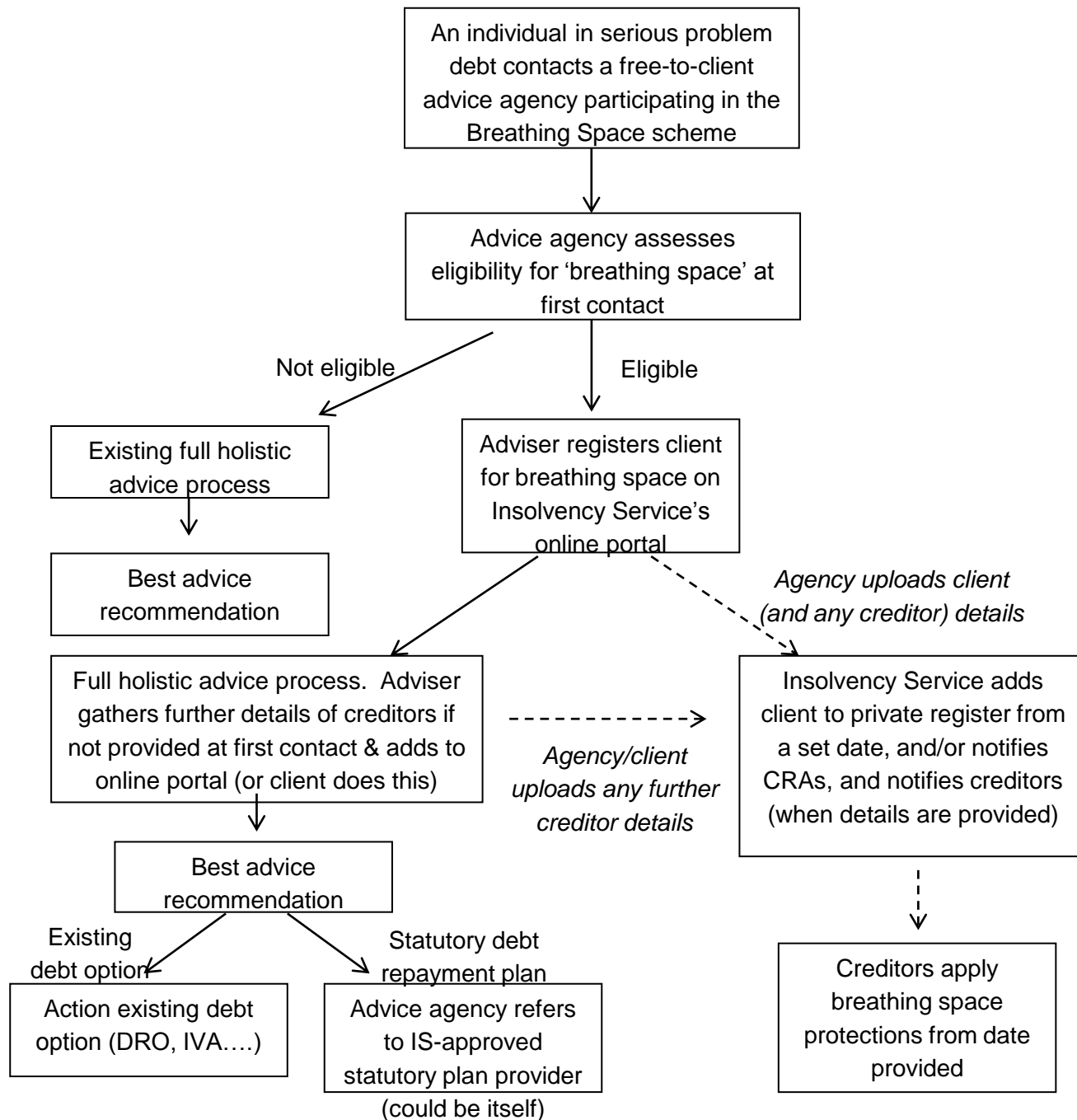
# Breathing Space scheme

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



# 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