

# Breathing Space & SDRPs – the latest on both schemes

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# Breathing Space & SDRPs

**Breathing Space** – statutory protection from interest, charges and creditor action for 60 days for people seeking debt advice, to give them time to enter a solution.

**Statutory Debt Repayment Plans (SDRPs)** – statutory version of DMP, but covering almost all creditors. The two schemes are related but not inseparable (not everyone who uses Breathing Space will go in to an SDRP!)

**Breathing Space goes live May 2021, SDRPs later.**

# A brief history!

2014

- Sector produces a '**blueprint**' for statutory scheme
- Centre for Social Justice report

2015

- StepChange *Safe Harbours* report
- Farnish Review recommendation – **review promised**

2016

- Children's Society report and campaigning

2017

- Kelly Tolhurst MP's Private Members Bill
- Conservative & Labour **GE2017 manifesto pledges**
- FG&C Bill amendments – on timing & SFGB role
- **HMT Call for Evidence**

2018

- FG&C Bill amendments – Recovery Space
- **HMT Single Policy Proposal consultation**

2019

- HMT response, Breathing Space regulations drafted



# Breathing Space scheme

**Broad protections** for 60 days – interest (contractual + default), charges, new enforcement action, creditor contact

**Broad eligibility** – 1) access debt advice, 2) assessed as ‘in problem debt’, 3) haven’t entered scheme in last 12 months.

**Broad scope** – most debts are qualifying debts.



# Breathing Space scheme

## What creditors/debts are qualifying debts?

- Financial services
- Utilities
- Rent and mortgage
- HMRC, DWP and local authority debts (\*Universal Credit advances and deductions will be included, but not at the scheme's launch).
- Small traders' business debts

You can add in debts that were missed out by mistake.



# Breathing Space scheme

## **What creditors/debts will be excluded?**

- Magistrates' court fines
- Fraudulent debts
- Maintenance
- Social fund debts
- Student loans
- Liabilities for damages or negligence
- Criminal legal aid contributions

Universal Credit advances and deductions will be included, but not at launch.



# Breathing Space scheme

## Operational design

- Debt advisers use Insolvency Service-run online portal
- Portal notifies creditors of individual's entry and exit

## Key changes made during consultation process

- **Private register** – creditors can access register of only those who owe them debts and are in the scheme
- **Ongoing liabilities requirement** – now adviser discretion
- **30 day check** – now less burdensome (adviser must only confirm no creditor complaints + continued engagement)



# Breathing Space scheme

## Alternative access mechanism for people receiving NHS mental health crisis care

- An approved mental health practitioner – **completes an application form** and this is submitted to advice agency.
- Advice agency registers individual on portal (**no contact**).
- No 60 day limit. Lasts for duration of crisis care + 30 days.
- No ‘engagement’ or ‘borrowing’ conditions, no 12 month limit.
- **We’ve suggested this should be through one specialist advice agency.**



# Statutory Debt Repayment Plans

- Like Breathing Space, scheme run by the Insolvency Service
- Free-to-client agencies administer plans
- **‘Mixed model’ for payment distribution** – providers can distribute funds themselves, via white-labelling with another agency, or via the Insolvency Service
- Funded by effectively a statutory fair-share model
- **10% share of repayments** broken down as **8%** to provider, **1%** to distributor, **1%** to the Insolvency Service



# Statutory Debt Repayment Plans

- Majority of debts included with **same exemptions** and same protections as Breathing Space (interest, charges, recovery or enforcement action).
- Debts should be paid back **within 10 years**.
- If more than 25% of creditors by debt value object, triggers **'fair and reasonable' test**.
- Can **self-exclude** rent and mortgage arrears.
- Can **prioritise repayment** of certain debts.
- Option for a **6-month payment holiday** and variation of repayments and requirement for annual reviews.



# Implications for advice services

**Outstanding operational issues** – how will the scheme work in practice for advisers and client?

**Creditor objections, court appeal mechanism** – volume and impact?

**Services** – issues around operational design depending upon advice models

**Funding** – both the increased demand for advice and increased administrative workload



## Next steps

**Final breathing Space Regulations** to be laid before Parliament but delayed by Covid-19

**Insolvency Service** are developing the online portal with adviser and creditor groups – goes live May 2021

**Question mark over SDRP timing**