Debt advice clients with deficit budgets

Findings and opportunities from call for evidence

August 2023

Money & Pensions Service

Foreword

Deficit budgets are not a new challenge, and having worked in the debt advice sector for 20 years I'm keenly aware of this.

However the prevalence and size of deficit budgets is on the rise, and it's clear from responses to our call for evidence that supporting clients with a deficit is becoming increasingly complex. Fragmentation of support options, varying creditor approaches and the growing cost of essentials is making it both more challenging and more time consuming to help clients move forward.

Advisers are adapting to this, and responses emphasised the huge efforts they are making to keep delivering for clients. These efforts are evidently putting advisers under strain – in terms of both workload and wellbeing. With so many statistics being published on the vast numbers with a deficit, it's easy to overlook that behind the large statistics are multiple individuals, many in deeply distressing situations. Through the powerful selection of individual stories providers shared with us, it is clear how challenging it is – both to experience a deficit budget and to support someone with one.

Respondents have emphasised that there is no 'magic bullet' that will help all deficit budget clients – who often face challenges outside the power of debt advice to tackle. However, respondents also identified actions that could make a difference to many clients.

Taking these actions may require a rethinking of what value really is, and how advice models can deliver it. Responses highlighted that for many deficit budget clients, 'traditional' debt advice outcomes are not possible, and that good outcomes tend to involve stabilisation and avoidance of deterioration rather than improvement. But this does not mean that advice cannot deliver enormous value. For some, stabilisation can deliver the relief needed to tackle other priorities, such as adapting to a loss of employment. For others, it can help avoid eviction, repossession, or even suicide.

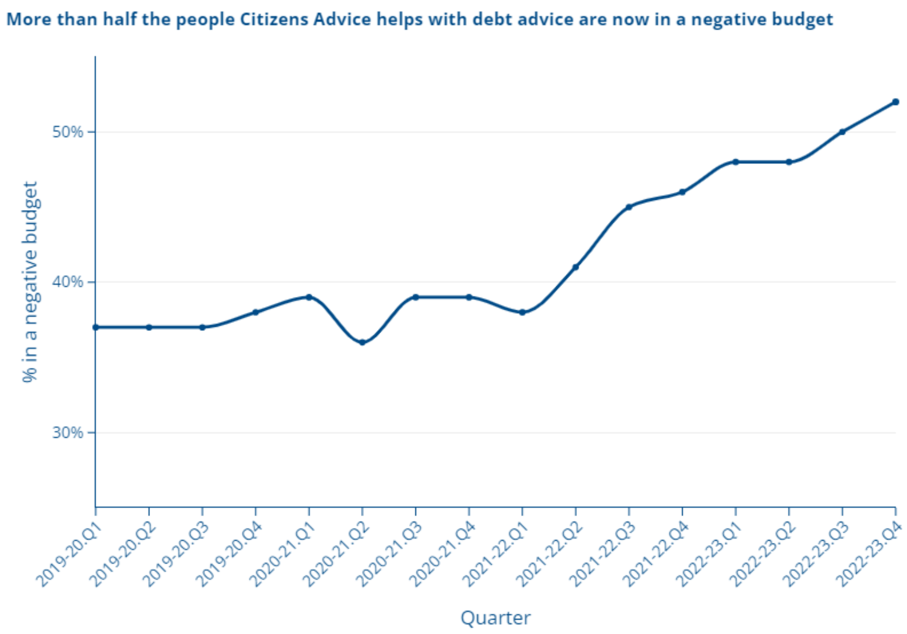
This highlights how important it is to do what we can. While there are complexities involved in making change, it is essential we work through these. We will be looking to our stakeholders across different sectors - public, private and voluntary – to help us with this shared challenge.

We are very grateful for the time and effort that organisations and individuals invested in supporting us with this work. I would like to personally thank stakeholders for all the support they have given us so far, as well as for the help I hope they will continue to give.

Anna Hall
Head of Money and Debt Operations

Introduction

Deficit (or negative) budgets – i.e. where a client's income is less than essential outgoings – have been a feature of debt advice for several years[1], predating both the pandemic and recent cost of living pressures. However, providers have reported significant growth in the prevalence of deficit budgets lately, with Citizens Advice reporting in July 2023 that over 50% of their clients are now in this situation, as shown in the chart[2] below.



Despite the debt advice sector's familiarity with these clients, achieving good outcomes for them is not easy and this creates challenges not just for the clients themselves, but for advisers and the debt advice sector's overall capacity. While clients receive invaluable support, they may leave advice with many of the same difficulties to face (e.g. ongoing risk of creditor action, difficulties paying essential bills), while advisers' morale can be greatly affected by the challenges of supporting these clients. Stakeholders are increasingly voicing concerns about adviser workload and wellbeing:

> *"As we have regularly reported, debt adviser workloads have increased substantially over recent years, with consequential impacts on wellbeing; advisers report that a growing number of clients with deficit budgets has contributed to this increase."*

[1] For example, 27% of Money Advice Trust clients had a deficit budget in 2008
[2] Proportion of Citizens Advice debt advice clients with a deficit budget over time, taken from Living on Empty, Citizens Advice (2023)

Local communities and the wider economy can also be impacted where good outcomes are not achieved. Successful debt advice has been shown to have financial benefits to creditors, employers and wider society, with the Money Advice Service and Europe Economics estimating in 2018[3] that:

- Debt advice has a beneficial impact on creditors by decreasing debt recovery costs, estimated at a net benefit of over £135-237 million annually.
- The benefit that debt advice has on reducing workplace stress - and thus increasing productivity – is estimated at £67-137 million annually.
- Debt advice has an identifiable effect on psychiatric disorders; the improvement in quality of life is estimated to be worth £24-52 million annually.

Where debt advice does not achieve good outcomes for clients, these benefits are not realised and the negative consequences and costs of problem debt (e.g. homelessness, health problems) are felt by other services, the economy and wider society.

In light of this, we, the Money and Pensions Service (MaPS) published a call for evidence on deficit budgets[4] on 31st August 2022, with the aim of:

1. Developing a greater knowledge of deficit budget clients, including the different client cohorts that exist and their respective needs.
2. Learning how debt advice might support deficit budget clients to achieve better, longer-lasting outcomes, and what providers would need to deliver this (including from us).
3. Understanding how advice providers and creditors could work together to deliver better outcomes for clients, based on a shared understanding of clients and their needs.

The call for evidence closed on 1st December 2022 and received 24 written responses from both organisations and individuals. Several of these responses had been drafted through consultation with multiple individuals, namely debt advisers. Insight was also received via discussions with several other organisations, primarily creditor organisations. A list of organisations who responded is in the Appendix.

This document sets out the key findings and opportunities in relation to objectives (2) and (3), covered across three sections:

1. **Support from debt advice:** Challenges to meeting clients' needs within debt advice, including potential opportunities for exploration.
2. **Support from creditors:** Opportunities for debt advice providers and creditors to work together to support deficit budget clients.
3. **Moving forward:** What the unmet needs of deficit budget clients may mean for advice models and how 'success' is defined and measured.

[3] moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/economic-impact-of-debt-advice-summary.pdf
[4] moneyandpensionsservice.org.uk/2022/08/31/call-for-evidence-on-debt-advice-clients-with-deficit-budgets/

The document concludes with a fourth section on our plans for taking this work forward.

Some responses to the call for evidence also provided comprehensive evidence on the different types of deficit budget clients and their specific needs, as well as data that could be collected to better understand these clients. The evidence submitted was comprehensive, but there were many differing ideas submitted and as such we have decided to take more time to comprehensively review these ideas before progressing in this area. We will provide a further update in due course.

A proportion of respondents also submitted a range of evidence on aspects of public policy that may be relevant in the context of deficit budgets, with suggestions of actions that government could potentially take to reduce the prevalence and extent of deficits. Some of these respondents suggested there is a limit to what debt advice can achieve by itself. Whilst broader public policy was not in the scope of the call for evidence, we have shared insight and evidence relating to broader public policy with relevant government departments.

Key findings

Across the board, responses highlighted that many deficit budget clients need more comprehensive support from debt advice than is manageable for them to receive within current delivery models. They need more time, more casework and more flexibility than can be accommodated without placing significant strain on advisers and providers.

These clients often have variable and changing lives which means it may only be possible to give them temporary advice or solutions, resulting in the need for additional help later. Advisers noted the increasing frequency of clients whose changing situations mean they need long-term support. Many cases have complex issues which means it takes time to understand the full situation and the client's needs. Emergency issues are frequently reported and require the immediate support of a debt adviser. The distress that can be associated with these issues and with deficit budgets more broadly means much time may also be expended on safeguarding issues.

Key challenges in supporting deficit budget clients are:

- When clients often present in a state of hardship, with little prospect of immediate improvement, advisers need to spend time **helping clients with pressing needs (section 1.1)** (e.g. attaining food) before they can effectively engage them with debt advice. Finding hardship help can be complex and application processes for help are often time consuming.
- It is often not possible to effectively resolve issues, or even move advice forward, without **tackling wider issues (section 1.2**). Tackling these issues often involves making referrals to specialists, but this can be difficult where these are fragmented or under pressure.
- Many respondents noted that some clients need more intensive support – with clients with additional vulnerabilities being particularly likely to have **challenges engaging with the process (section 1.3)** and to need more support and flexibility.
- Advice recommendations often require clients to act on signposting or undertake complex actions themselves, and clients may not be capable of this without assistance. In particular, clients may need support with **income maximisation (section 1.4**).
- **Creating a sustainable budget (section 1.5)** is challenging for deficit budget clients and significant time needs to be expended on this. Many clients have already cut expenditure as far as possible, but some may need more help with this.
- Where a clients' issues are complex, cases can remain open for long periods of time. For example, where a client's benefit situation is under review (for example, because a benefit application is being processed or because a decision is being appealed) it can take several months for their income to be confirmed and this may involve significant **collaboration and communication with government departments (section 2.2).**
- During this time, advisers may need to actively manage and attain **support and forbearance from creditors (section 2.1**), which can incur significant and ongoing resource due to varying processes, challenges negotiating affordable arrangements and high evidence requirements.
- Finally, for this cohort of clients there can be barriers to debt solution access, in particular **barriers to insolvency (section 2.3)** which make it difficult to move forward.

From this perspective, across the responses there was a general view that efforts should be made to **redefine success (section 3.1)** but also to **define limits (section 3.2).** This may require wholesale **rethinking of the advice model (section 3.3)**.

Detailed findings

1. Support from debt advice

Supporting deficit budget clients to achieve positive long-term outcomes is challenging. Providers set out a range of ways in which they struggle to meet clients' needs within advice, as well as areas where there could be opportunities to meet needs better. This section explores these challenges and opportunities.

1.1. Helping clients with pressing needs

As mentioned in the call for evidence, debt advisers spend a substantial amount of time helping deficit budget clients 'firefight' and deal with immediately pressing needs.

While dealing with emergency issues such as the more intrusive types of creditor enforcement processes, such as the threat of eviction or attendance of enforcement agents, has always been a part of debt advice, advisers are increasingly supporting clients to deal with food and fuel emergencies, including:

- Providing access to foodbank and fuel vouchers.
- Helping the client access hardship funds e.g. Housing Support Funds.
- Applying for Discretionary Housing Payments.
- Supporting them with necessary purchases e.g. white goods, school uniforms, IT equipment.
- Supporting the client to access 'warm spaces'.
- Where a client is or has been experiencing abuse, resolving issues with bank accounts.

This work is challenging, with respondents noting that maintaining knowledge of support available is difficult, with an array of changing options available depending on the location. Both national and local debt advice providers struggle to stay up-to-date, though nationals have more difficulty:

> *"We would also highlight the difficulties a national DAP has supporting clients with applications to numerous sources of localised and discretionary support. This patchwork of local support has become more important in recent years e.g. Household Support Fund."*

While many support options are available, some responses suggest it is increasingly difficult to access them. With charities experiencing pressure on funds, providers suggested there are fewer funds available and that applications are increasingly time consuming, requiring much information and evidence. The eligibility criteria can also be challenging; for example, energy trust funds usually require evidence that a client can afford ongoing payments for regular energy consumption before any support can be provided for arrears. This is often impossible for clients in a deficit meaning applications are declined. Some debt advice providers welcomed our proposal of improved or scaled up partnerships between debt advice and organisations supporting with pressing needs:

> *"The suggestion around scaled up ways to help with pressing needs has some merit. Some links can be developed locally by our centres, but more formal arrangements with support organisations, which could make referrals easier or information simpler to gain, would help."*

Providers noted that this type of help is effectively a ‘sticking plaster’ and does not resolve clients’ underlying issues. There can be limits to how many times it can be accessed - and where there are not, clients may become reliant on it and advisers may be asked to make repeated applications.

However, whilst this support only helps temporarily, responses emphasised its importance and highlighted that undertaking it is critical for engagement with debt advice. One provider noted that:

> *“For debt advice [to be effective] the client needs to fully engage and want to address their debts. They are unlikely to do so when they have what they consider to be more important needs”.*

While another put this more succinctly:

> *“Clients are not interested in debt solutions if they are hungry and cold.”*

Providers also noted that supporting clients with pressing needs can help to reduce stress, increasing their headspace to take action. It builds trust between clients and advisers, increasing faith in the advice process. Providers also suggested that attempting to look at debt solutions without addressing these needs may be counterproductive, as otherwise clients may build further unaffordable debt – for example, paying for large costs through credit rather than charitable funds.

1.2. **Tackling wider issues**

Many responses agreed that debt often sits within a cluster of wider issues e.g. employment, housing, relationships, legal, health. These issues can be causing debt problems, or preventing resolution of them by reducing a client’s capacity to deal with their financial situation. Unless these issues are addressed, the client’s finances may not improve, or get worse.

Responses suggested advisers are usually comprehensive when *identifying* these wider issues however approaches to *resolving* them vary.

Advisers may make some attempts to tackle wider issues within debt advice, for example probing around options for increasing working hours. For more comprehensive support however, advisers tend to make referrals to internal teams or external organisations with specific expertise.

While specialist expertise is often necessary to tackle these issues effectively, providers noted that in many cases wider issues are intrinsically linked to the debt issue and are difficult to disentangle and deal with separately. In other cases, wider issues may not be entwined with the debt issue but it may still be beneficial to deal with issues together from a client experience perspective. The Institute for Money Advisers (IMA) emphasised the importance of debt advisers working closely with advisers in other disciplines (e.g. housing) to support clients holistically, and noted this may be easier when advisers work in organisations with easy access to those other disciplines.

One provider that has recently evolved its delivery model advocated the benefits of working *with* other organisations, rather than referring *to* them:

> *"We have learnt that rather than bouncing people between lots of services with signposting, pulling in knowledge from other agencies and working concurrently together around/with the client is more effective. People's issues are often interconnected – behind the money struggle might be an immigration issue or complex housing problems – and we are realising we can't help them make lasting change without looking at their money problems with a wider lens."*

Collaborating with external organisations, whatever the method, can be challenging. Providers noted the difficulties of understanding what services exist and can help, with one noting that "support services are spread out and can be a postcode lottery".

Providers also noted that wider support services rely on funding streams that are under pressure, and that making referrals to these services involves significant chasing which absorbs resource.

Notwithstanding these challenges, providers emphasised the importance of tackling these wider issues and several felt that better links between debt advice and wider support would have the biggest potential in terms of helping deficit budget clients. Providers suggested it would be helpful to have a bank of organisations that they can access for further support, with the knowledge they will assist the client if referred/signposted by an advice agency. They noted it is particularly important to have strong links with organisations that support with issues that present challenges to effective engagement with debt advice, e.g. mental health, literacy.

Different arguments were put forward regarding the value of greater investment in this area. Many organisations suggested that longer term debt outcomes simply cannot be achieved without resolving wider issues as well, and that resolving clients' issues holistically reduces clients' likelihood of needing debt advice in future. One provider noted that sustainable outcomes often depend on the client building a wider network of people or organisations that can support them.

> *"Identifying underlying issues is crucial otherwise no strategy or solution will achieve a sustainable outcome."*

Others noted that, on a shorter term basis, it is vital that clients receive this support as soon as possible so advisers can advise based on up-to-date circumstances. For example, if a client requires housing advice and this may mean they leave their accommodation, this may affect their outgoings and any debt solutions in place. Clients also may not be able to take actions to move their situation forward without wider support, e.g. from advocates, social workers. Attempting to advise on debt without tackling wider issues can therefore be counter-productive.

1.3. Challenges engaging with the process

Several responses noted that some deficit budget clients can find it challenging to engage with the advice process and take recommended actions.

They noted that the complexity of information within debt advice can prevent some clients from understanding it quickly and easily. This is particularly the case where clients have additional vulnerabilities[5] impacting on their ability to engage with complex information e.g. severe mental health problems and/or language barriers. These vulnerabilities are not unique to deficit budget clients but do have a strong association with them. For example, according to our Need survey (conducted July – September 2023), whilst 23% of the general population report experiencing mental health problems in the last year, this rises to 41% amongst those likely to have a deficit budget[6].

Communication where there are language barriers can be a huge challenge, with a need to work with interpreters and communicate on a client's behalf to creditors. It was suggested that language barriers can be linked to clients' debt situations, as language barriers can create challenges to accessing benefits and being able to engage with information about finances, including correspondence received. Providers suggested there should be greater consideration of and support for clients with language issues or reading/writing issues, from both debt advice and creditors.

Additional vulnerabilities, as well as wider issues clients may be experiencing (**see section 1.2**), can also make it difficult for clients to stay engaged with the debt advice process over time. Particularly where a client's issues are complex, the debt advice process can take considerable amounts of time, and require the provision of a lot of complex information. This can be a challenge for clients with vulnerabilities impacting their capacity, or clients who are dealing with multiple complex issues at the same time. Providers noted that such clients can fail to turn up for appointments and struggle to provide the evidence needed to move them forward, with complete disengagement a common challenge.

> *"Some clients find it just too much to cope with and are unable to continue with the debt advice journey, even with all the support we can offer. Mentally, they have other stuff such as personal, housing, benefits, work issues and debts aren't always at the top of this list."*

Disengagement can also be triggered by challenging conversations, for example being presented with a challenging budget situation, or being encouraged to make difficult decisions and trade-offs. Advisers noted that clients can have unrealistic expectations which make it difficult to make hard decisions - for example, they may want a strategy to manage debt that has no impact on future mortgage prospects. They also noted that actions required can have challenging consequences

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[5] By definition, all deficit budget clients (and all over-indebted clients) could be considered to have a vulnerability due to low financial resilience. We therefore use the term 'additional vulnerabilities' throughout this report to refer to clients with at least one extra vulnerability. We also use the time 'vulnerabilities acting on capacity' to refer to specific vulnerabilities that impact a client's ability to engage in cognitive tasks e.g. decision making, processing complex information.

[6] The Need survey cannot determine with precision whether respondents have a deficit budget as this requires detailed assessment of their income and expenditure. For the purposes of this comparison we have assumed that respondents agreeing with the statement "I often can't afford to buy basic household items" are likely to have a deficit budget.

which clients can find unappealing or unworkable – particularly actions perceived as having a detrimental effect on credit lines that clients are surviving on.

Clients with mental health problems were mentioned as particularly likely to disengage, and the Money and Mental Health Policy Institute (MMHPI) noted that these clients may particularly struggle with decisions, and need advisers to be equipped with skills to support them:

> *"The challenges debt advisers face in supporting deficit budget clients can be compounded when trying to assist clients experiencing mental health problems, who can face both capability and capacity limitations to engage with and act on advice. [Advisers need] training on the needs of people with severe mental illness, including how it can affect decision making - and how to present information in a way that aids comprehension."*

Responses, and other evidence, suggests that clients with additional vulnerabilities can need more time and more flexible delivery (over longer periods) to effectively engage with the advice process. One provider, who has changed their delivery model recently, strongly advocated the benefits of a more flexible approach and discussed how this can benefit clients:

> *"Working flexibly is something we now do that we weren't able to before (having learnt by listening better that this is what people need). We often have shorter but more regular appointments with clients and keep in contact with them on a regular basis (through various different channels). We have seen this have a massive impact on people's mental health and wellbeing. Along with supporting clients to try things out for themselves – taking time to set them up, debriefing afterwards, supporting them along the way – we are seeing people build knowledge and capability for themselves so they are more able to face future financial challenges."*

This observation tallies with findings from our Mental Health Crisis Breathing Space pilot, which has highlighted that clients with additional vulnerabilities may need to engage in a flexible way over a longer period, engaging in shorter 'chunks' at times that fits with their health and/or other needs.

Responses also highlighted that clients with vulnerabilities and other challenges impacting their capacity often require support to take actions, including acting on signposting or making applications/form filling themselves. Where clients do agree to take on actions it can be necessary to follow up to ensure they are making progress.

One provider advocated the 'working together model' – where "you never go away with more to do than the client". This approach involves working with the client over a period of time, agreeing small or large tasks for them to undertake and taking time to build a relationship. This provider noted that it is often faster for a debt adviser to undertake tasks than it is for them to teach the client to do them – but the latter may have benefits in terms of client empowerment and longer term capability.

However, some respondents suggested there are limits to 'empowerment' and flagged that:

> *"There are large numbers of clients with severe mental health issues, learning difficulties, addictions etc. that are unlikely to ever understand their budget or improve their situation without long term weekly support or intervention by an advocate to manage their money".*

Respondents felt greater levels of ‘support worker type’ resource needs to be available for clients, to assist them with actions they will otherwise struggle with. While in some areas it is possible to link clients up with formal support workers, or charitable organisations that can support, in other areas this is more challenging. Some providers are trialling resourcing support themselves, with one organisation having ‘social navigators’ who help with applications and paperwork.

> *“Our clients have such enormous action plans and they get overwhelmed, especially those with mental illness. Many need a support worker but there aren't many out there. We'd love more funding to put that type of support work in place.”*

1.4. Income maximisation

Income maximisation was acknowledged to be an opportunity area by most responses, albeit one with time and cost implications.

Many responses emphasised strongly that there are significant numbers of clients[7] for whom income maximisation cannot identify opportunities, where advisers are ”running out of options” – particularly in the current climate of high inflation. Providers suggested that, since increased cost of living pressures, any opportunities that are identified tend to convert negative budgets to nil budgets rather than surplus budgets.

However, responses also acknowledged that there is more that could be done in this area, and that most of the positive outcomes associated with deficit budget clients tend to be where additional income has been found.

Responses suggest that services are fairly comprehensive at *identifying* income maximisation opportunities, though comprehensiveness does vary:

- There can be variation in the degree to which options are explored depending on the knowledge of the adviser and/ or provider and how much time they feel they can invest in it.
- Opportunities regularly change and providers (national and local) struggle to stay up-to-date with what is available. Providers suggested that databases or other tools (going beyond current Turn2us provision) could help them and clients identify more opportunities.
- There are differences in approach in relation to benefit checks:
    - Responses suggest most conduct benefit checks *with* clients, but some signpost clients to benefit calculators to check entitlement themselves.
    - Some will refer or signpost to specialist benefit services where there is a need to consider more complex situations, or where the client may need additional support.
    - Responses suggested there is variation in the extent to which benefits are checked *as standard*, or whether they are solely checked where the client’s circumstances suggest there may be an additional entitlement.
    - Some are able to use technological tools to identify opportunities.

[7] The responses do not enable us to assess whether ‘significant’ equates to a majority or minority – further investigation will be needed to understand this.

It was noted that very comprehensive income maximisation can take significant amounts of time and resource. When fully explored, as well as looking at welfare benefits it can cover a very large number of areas, including:

- Discretionary Housing Payments.
- Household Support Fund.
- Grants, funds and other local support, including other council support funds.
- Social tariffs/ other reductions in bills.
- Energy efficiency options.
- Negotiating a pause or reduction in deductions.
- Options for non-dependent contributions.
- Options for increasing hours worked/ wages.

Some providers suggested that the complexity and breadth of income maximisation means some organisations are only able to complete a light touch assessment at initial contact, given resource constraints.

Resource is not the only challenge, however. Income maximisation can require the exploration of difficult decisions and trade-offs, and the consequences of decisions in these areas need to be considered carefully. Options that may appear to be financially beneficial can have unintended consequences, both in terms of finances and mental wellbeing. Being able to support clients with these decisions may require wider knowledge on the part of the adviser, e.g. on housing options. It also may require the creation of multiple budgets ("better off calculations") and discussion on whether opportunities are realistic. Providers noted that sensitive discussions on choices and trade-offs require a relationship of trust that takes time to build.

Providers also noted that the breadth of income maximisation can be overwhelming for clients themselves, and it may not be realistically be possible to engage them with all opportunities within the constraints of a single advice session, or a few advice sessions. Money and Mental Health Policy Institute advocated that the length and coverage of advice journeys should be expanded to enable the support that clients need:

> *"We disagree with the suggestion that it is not possible to cover all aspects of income maximisation within a single debt advice journey. The narrow understanding of what constitutes a debt advice journey here is restrictive."*

Some responses conveyed a view that there should be a sector-wide standard on income maximisation so that clients can receive the same level of service, wherever they present. Many responses expressed strong views that full, comprehensive income maximisation is an integral part of the debt advice process and without it appropriate debt solutions cannot be discussed. Money and Mental Health Policy Institute noted that variation in provider offers, and a lack of transparency over this variation, can create challenges:

> *"A lack of clarity about what is part of income maximisation means support to deficit budget clients varies hugely. This makes it difficult for clients to choose a service suited to their needs. Access to thorough income maximisation services is crucial for people with mental health problems."*

The level of support with *accessing* opportunities also varies significantly and responses suggest it is often less than clients need. In particular, some responses noted that clients often need help to apply for benefits, particularly disability benefits. With many struggling with paperwork, they may also require help with undertaking applications for grants or social tariffs. Without this help, opportunities identified within income maximisation discussions may not subsequently be taken up. This is particularly the case when clients have vulnerabilities impacting their capacity, e.g. mental health problems, or have digital access/ literacy barriers.

> *"One of the biggest barriers is the client's Mental Health; they find it hard to continue with benefit applications (especially PIP) or chase up trust funds so the advisers end up with a huge amount of casework. If they don't chase things up the client will disengage and not return until another crisis."*

The extent to which clients are supported to apply for benefits varies depending on the organisation. Some organisations specifically do not help with this, whereas others may or may not help depending on capacity (either of the adviser themselves or of internal specialists).

Capacity is not the only barrier however: responses suggested that the benefits landscape is complex and that there is varying knowledge of it among advisers, particularly given regular changes to options and the specialist knowledge around particular benefits (e.g. PIP). Some forms of complex benefit issues can be appeals and reconsiderations, which can take time to work through and often require a strong understanding of the system. Several respondents questioned whether it is reasonable to expect debt advisers to be able to cover benefits other than at a very general level, and suggested it is preferable for providers to be able to link in with specialist wider services with greater knowledge (**see section 1.2**).

However, responses also acknowledged that there are constraints and pressures on the availability and funding of specialist welfare benefits services. Additionally, they noted that referring between teams or organisations may not deliver a good client journey or outcomes:

> *"A discussion on income may mean drawing on other sources of help. The debt adviser may not be a benefits specialist for example. But you cannot effectively subcontract that out elsewhere as it is the adviser that has built the relationship of trust."*

Responses were clear that, notwithstanding questions around delivery, many clients have substantial unmet needs around access to benefits and other opportunities, and that thought needs to be given to how these needs can be met. It was felt that *"dedicated resource would help to make significant headway in this area"* and respondents also emphasised that:

> *"It is not possible to do 'the debt bit" without increasing/ stabilising income."*

> *"It is comparatively rare for a client to return where we have assisted them to claim benefits and addressed their debts – [here] clients only tend to return [after] a change in circumstances."*

Respondents did note that there could be challenges in measuring the impact of this support in the short term, as benefit claims can take some time for a decision. They also noted it can be challenging to keep clients engaged throughout this time, particularly if experiencing wider issues e.g. poor health. However, whilst results may take time, they can be transformational:

> *"When these are successful they have a significant positive impact, and are often the only form of income maximisation that will actively lift a client out of a deficit. Other forms of income maximisation such as social tariffs are useful, but rarely enough to resolve the deficit in themselves."*

One provider recently conducted a pilot with an income maximisation specialist that typically increased clients' income by £3,000 annually. This pilot was conducted with specific clients with factors associated with being able to increase income, so these gains would not be attained for an average client. Follow-up discussions with the specialist suggests that more comprehensive income maximisation tends to be most beneficial when the client's situation is complex and as such entitlements may not be calculated accurately within a basic benefit calculator. This tends to particularly apply to clients with disabilities and/or complex family situations. For these clients, a more tailored and comprehensive approach can be incredibly valuable.

One provider also noted that clients newly in a deficit as a result of an income shock or life event may particularly benefit from more comprehensive support, particularly if navigating a benefits system that is unfamiliar to them. Another noted that particular groups, for example single parents, are often underclaiming on benefits and could be a target for extra support.

1.5. Creating a sustainable budget

Reviewing expenditure and finding ways to cut back is a key part of the debt advice process, particularly for deficit budget clients – with providers noting that advisers expend significant time and energy trying to support clients to balance their budget.

Providers differed in the extent to which they thought additional budgeting support would be helpful for deficit budget clients. Many providers emphasised that many or most clients are "quite switched on" and have already done most things an adviser would recommend. Others noted that the current economic climate was making finding opportunities more difficult than previously and that there are few options for many clients, with advisers instead having to advise clients on which priority bills to prioritise.

However other respondents felt there was potential to do more:

> *"We agree many clients with deficit budgets are adept budgeters and have done everything they can to reduce outgoings. However, for people with mental health problems, this can be complicated by capacity limitations, where problem-solving, clarity of thought, and the need to self-advocate can serve as a barrier to reducing outgoings."*

And several thought that some clients would benefit from financial capability support:

> *"Funding should be made available for financial capability support. Although we provide clients with advice on opportunities most are not able to do these things for themselves and require support."*

> *"Financial capability caseworkers or 'money coaches' could help to change long term behaviour and reduce the number of returning clients due to deficit budgets."*

Advisers did note however that meaningfully improving financial capability requires repeated support, and that wider issues that can act as a barrier to expenditure reduction:

> *"One situation you did not mention is clients with addictions. Any addiction may lead to or worsen existing deficits but especially gambling. Clients may have substance dependency and this may lead in their budgeting. Getting out of the situation is then a matter of self-change and is not easy."*

> *"We have difficulty with debt repayments to illegal money lenders - these often get masked in a client's expenditure items, making it difficult to know if they will continue to be managed."*

Providers reiterated the importance of tackling wider issues (**see section 1.2**) in this context.

2. Support from creditor organisations

Responses highlighted several areas where debt advice providers and creditors could work together to deliver better outcomes for clients. Most of these opportunities were suggested by advice providers, given that few formal responses were received from creditor organisations. However, some learnings were identified and opportunity areas unearthed within discussions with creditors. This section discusses these opportunities, looking first at support and forbearance that could be offered by all creditors, then looking at opportunities with government specifically.

2.1. Support and forbearance from creditors

Creditor practices were extensively discussed within responses, with debt advice respondents suggesting several areas where they felt creditors could play a greater role in supporting clients.

Responses mainly focused on creditor *forbearance*, i.e. where creditors temporarily agree to accept reduced payments where an affordability issue is reported. For deficit budget clients, creditor forbearance is often very important and responses suggested several ways in which forbearance practices could be more supportive. Several respondents did note that creditor forbearance is not a solution to deficit budgets, and it can present challenges if it has the effect of 'kicking the can down the road' without resolving the situation. Nonetheless, it is often the only option available to a client and the space it creates can give clients and advisers time to work through other options. Therefore, making forbearance processes as effective as they can be is important.

Responses also highlighted ways that creditors could offer additional *support* to clients.

Priority creditors[8]

Debt advice respondents suggested that priority creditors often require extensive evidence and negotiation before they agree to lower payments – and sometimes do not agree to this at all, even if evidence shows these are all a client can afford.

[8] Organisations can take different positions on which debts they consider to be priority debts. While most organisations agree that debts such as rent, council tax and energy are priorities, varying positions are taken regarding some debts, for example telecoms. Respondents generally used the overarching term 'priority creditors' rather than explicitly stating creditor type. MaPS defines priority debts at moneyhelper.org.uk/en/money-troubles/dealing-with-debt/how-to-prioritise-your-debts

Responses suggested local government and energy can be particularly challenging to deal with[9], as:

- They do not necessarily see themselves as creditors and tend to have less flexible practices than commercial firms - for example requiring debt repayment/clearance over a set period regardless of a client's ability to pay.
- They may be reluctant to accept lower repayments if a client cannot meet their ongoing liabilities, and are cautious about pausing enforcement action where a client's arrears levels are growing – with a nervousness about this encouraging a cycle of debt.
- Creditor Front Line agents often do not accept the Standard Financial Statement (SFS)[10], including where their organisation is signed up to it. Several councils voiced the view that SFS guidelines are overly generous.
- There is often an emphasis within local government of the importance of every resident paying their debt (given it pays for public services), whereas commercial firms tend to consider the rate of return on collections activity across their customer base.
- Local government can also have policies against tenants with rent arrears moving to a different property, even if the new property's rent would be more affordable.
- Both (particularly energy) were mentioned as being difficult to reach and attain information from, with advisers reporting long waits and challenges reaching staff able to negotiate. Advisers suggested it would be helpful to have direct phone lines with creditor colleagues who can offer *tailored* forbearance and support.
- When debts are passed to enforcement agents, debt advice providers said this can be problematic as agents can request unaffordable arrangements and clients can be fearful of not agreeing. Enforcement agents acknowledged that approaches can be less flexible where debts are considered to be as a result of 'poor behaviours' e.g. court fines, parking tickets.

Many responses discussed increasing pressure on local authority finances and councils have expressed concerns that greater forbearance would have a detrimental impact on their ability to fund services. Some respondents noted that many requirements in relation to council tax collection are set out in legislation and that this restricts a council's ability to be more flexible.

Respondents did also note that post pandemic the availability of forbearance is increasing, with several councils relaxing requirements for arrears to be repaid within the current financial year. Several advice providers highlighted good relationships with their local councils, who they felt really understood their clients' lives. It was felt that good connections between debt advice and local creditors are very valuable, and that investment in relationship building is important.

Non-priority creditors

Non-priority creditors tend to offer more tailored forbearance than priority creditors, however the benefits of this to clients can be reduced by the fact that:

- There can be set limits to how long they will place holds on accounts or accept no/ lower payments, e.g. 30/ 60/ 90 days regardless of circumstances. While these can sometimes be extended this is not always easy and can require adviser input. Their responses suggest they see reduced/ nil payment arrangements as strictly 'temporary', to be offered where the client's circumstances will change within a reasonable time period.

[9] Private landlords were also mentioned as challenging however less detailed evidence was provided.
[10] Or the Common Financial Statement in Scotland

- As a result, they often require regular reviews of arrangements, even if the situation is unlikely to change quickly. Some require an updated Standard Financial Statement at reviews even where there has been no change, incurring extra work for advisers.
- They may require regular contact with the client, which can be burdensome and distressing if clients have multiple creditors and no change takes place between contacts. They can also send multiple written communications[11] which can distress clients. Some creditors noted they are increasingly considering the impact contact strategies will have on wellbeing.
- Forbearance options offered often come with credit file impact, with both payment plans and write off/ account closure being noted on credit files (depending on the creditor).

Debt write off

Debt advice providers suggested that for clients with a long-term deficit budget situation, where in their view insolvency is not available or not appropriate (**see section 2.3**), informal write off would often be the best way forward. However, advice providers reported that attaining write off is generally very challenging, even where evidence shows there are no prospects for repayment.

Some creditors do not write off debts except in situations of terminal illness or 'extreme' vulnerability. Others do offer it more frequently but with high evidence requirements (e.g. medical evidence such as the Debt and Mental Health Evidence form, multiple bank statements). Advice providers suggested that attaining medical evidence is often difficult and time consuming, particularly if the client is not regularly meeting with healthcare professionals (but is nonetheless unwell). Some non-priority creditors mentioned they are starting to recognise that clients may be unwilling/ unable to provide excessive sensitive information and that they are exploring other ways to understand a client's circumstances e.g. credit reference agency data.

Financial Conduct Authority (FCA) regulated creditors tend to be more open to writing off debts than other creditors, but approaches vary. There can be options where a creditor agrees not to pursue a debt but not to write it off either, as well as options where creditors 'close an account' to stop the debt from growing and freeze interest, but still require repayment over the longer term.

Overall, debt advice providers felt that creditors should be open to writing off debts in a broader range of circumstances where there is limited hope of the client's situation improving – in particular, where there is a long-term health condition.

Conversely, FCA-regulated creditors noted that write off usage can also be limited by clients' willingness to accept a credit file default, which tends to accompany it. They felt it was important for clients in difficult situations to be more open to a default, bearing in mind their credit files are likely to already be impacted, and they suggested greater education on this would be beneficial. Some creditors also expressed a view that long-term difficulties should be dealt with through statutory solutions such as insolvency, rather than by expecting commercial firms to write off money owed.

Variations in approach

Overall, responses highlighted that forbearance approaches differ significantly between creditor types, and sometimes within individual creditors (especially where there can be multiple debts as with banks and local authorities), with different approaches being taken by different colleagues. This can make advice time-consuming where there are multiple creditors, as it can require provision of

[11] Some of these may be required by the Consumer Credit Act

different evidence to each, and the need to keep track of when different holds/ repayment arrangements will end. Providers felt it would be beneficial to *"establish a shared understanding of situations with creditors, rationalising processes and evidence required for forbearance".*

Creditors, conversely, noted the importance of treating their customers individually and FCA-regulated creditors noted that regulation requires them to do so. They also noted the importance of a full, up-to-date understanding of their customer's situation to understand the most appropriate options for them and ensure that arrangements continue to be sustainable.

While there may be good reasons for creditors taking a comprehensive and tailored approach to understanding their customers' situations, the result of this seems to be a high resource burden for debt advisers and an emotional burden for clients. Burden can arise from both the gathering of evidence and the different modes via which provider-creditor communications takes place. One creditor advocated greater investment in communication infrastructure to drive efficiencies.

Different advice providers have different delivery models and levels of resourcing which impacts the extent to which they can support clients with creditor negotiation. Some providers noted that clients need more support to liaise with creditors than they can comfortably provide.

> *"Clients need more help to negotiate with creditors than [we] currently offer, but this will require funding. We do this for some clients but it's very time consuming."*

Responses from advice agencies reported they have greater success gaining forbearance on behalf of clients than when a client self-negotiates. The reason for this is not clear, but further investigation could be beneficial as some advice providers noted that a key positive outcome of the advice process that *can* be possible for these clients – despite financial challenges - is empowerment to self-manage. Some suggested that improvements in self-help materials to help clients negotiate would be helpful, which another suggested a specific service with strong negotiating ability:

> *"A 'deficit budget service', which specialises in deficits and is recognised – [this] could be for [clients for] whom there is no change right now, and clients who are registered get leniency from creditors."*

Other challenges

Debt advice providers mentioned several other challenges they experience when liaising with creditors, that apply across both priority and non-priority creditors. These were:

- Creditors often require sight of a Standard Financial Statement to hold debt recovery action, while a client may need this hold to have the time and space to develop an SFS in the first place. The length of holds can be insufficient to identify a debt solution.
- Creditors can limit forbearance if a client has disengaged or broken payment arrangements in the past, even where this is the result of a vulnerability the creditor is aware of.
- Creditor forbearance can come with the expectation that payment or a solution will be forthcoming – when this is often not possible for these clients. Holds are sometimes conditional on some payment continuing. In some instances there can be a low understanding of access barriers to insolvency (**see section 2.3**) and an expectation that anyone who cannot pay their debts will go insolvent. Forbearance is generally easier to attain if a change in circumstances is forthcoming.

- Debt advice providers reported a lack of understanding of the lived experiences of clients, with value judgements being made on what spending is acceptable (even where spending is within SFS spending guidelines) and sometimes non-viable suggestions being made on where savings can be made in budgets. For example, examples were given of creditors requiring clients use Personal Independence Payments (PIP) to service debt repayments.
- Clients with assets can be problematic to support as some creditors expect assets to be realised whereas clients will want to avoid this.
- Some creditors sell debts and this can present issues if a client thinks or is told a debt has been written off but the purchasing creditor disagrees. Information flow between advice provider/ original creditor/ purchasing creditors can be complex, with advisers reporting being 'passed around'. Conversely, some advice providers suggested debt sale can be helpful as debt purchasers sometimes have more flexible practices, with a focus on attaining an overall portfolio return rather than return from every customer.

More proactive support

Moving away from challenges, respondents highlighted an array of supportive practices that creditors are providing or developing, and the opportunities these might present if expanded.

Many creditors – particularly local authorities and utilities – offer a range of support for their customers in difficulty (e.g. social tariffs, assistance funds, matched payment schemes, arrears clearance schemes), and there is an opportunity to build on these. Some funds are restricted to those who are terminally ill or in *extreme* crisis, and broadening of eligibility could be helpful. Equally, better promotion of support could be helpful, though creditors noted that communication on options may need to be targeted to ensure support is only used by those in real need of it.

Creditors are also developing and testing techniques to identify their customers with vulnerabilities, for greater provision of tailored support. For example:

- Some creditors are using speech analytics to flag vulnerability e.g. Word Detection Triggers.
- Others are improving their processes for encouraging disclosure, using active listening and probing questions to encourage disclosure.
- Some respondents flagged that the Vulnerability Registration Service (VRS) has been set up with the aim of making it easier for consumers to notify their creditors of vulnerability.

Respondents suggested there is an opportunity for creditors to identify their customers who are falling into difficulty earlier, and to proactively offer them help - for example supporting clients to ensure they are claiming everything they are entitled to. One creditor suggested this could include comparing their customers' expenditure against open data sources to identify areas of opportunity.

Providers also suggested that creditors should play a greater role in referring their customers to debt advice earlier, when they may have more options available to them, and advice may help them avoid building up further problems such as the use of high-cost credit.

2.2. Collaboration and communication with government departments

Responses highlighted several opportunity areas for the advice sector and government departments to work together to support deficit budget clients. While many of these were similar to opportunities that apply to creditors more broadly (discussed above), some were unique to government so are presented separately here. Some specifically relate to debt collection and link to areas identified as priorities within the Government's Debt Strategy[12]. While others link to administration of welfare benefits, an area which is relevant to the Strategy's aim of preventing avoidable debt.

Communication between government departments/ organisations

Debt advice providers highlighted that clients can struggle to keep different government departments updated on their financial situation, and confusion can arise when a client believes they have reported their status as required but has in fact not (e.g. when a client has communicated to HMRC but not DWP). Advisers suggested that there could be more proactive communication within and between national and local government and that new technologies and data sharing (enabled by the Digital Economy Act) could enable this. Such communication and data sharing could also be used to increase the proportion of clients accessing entitlements and support (e.g. council tax support, Pension Credit).

Affordability of debt repayments

Advice providers noted that, as with other priority creditors, government creditors e.g. DWP and HMRC do not always "accept the SFS", and that this can make negotiating affordable payments challenging. They also noted that many clients in deficit budgets are experiencing deductions from benefits, and that these deductions are not always based on what is realistically affordable. Advice providers suggested that negotiating deductions is a significant task within the advice process and strongly advocated basing repayments and deductions on the SFS.

Advisers also noted that it is not always clear whether there is a deduction 'queue' in place meaning a new deduction can start immediately after they have agreed for an existing deduction to stop. Deductions can also automatically restart after a certain period e.g. 6 months. Providers suggested that an efficient renewal process at the end of the initial stay period would be helpful.

Communication throughout cases

As mentioned above, advice providers noted that processing and resolving benefit claims and appeals can take time. This can create resourcing challenges for them, as a client's debt situation can worsen whilst waiting their benefit case to progress, and advisers may need to actively manage a client's creditors whilst waiting for resolution. One provider suggested that greater clarity and transparency over expected or average processing times might make it easier for advisers to manage other creditors' expectations.

[12] www.gov.uk/government/publications/23-26-government-debt-strategy

Advisers also noted it can be challenging to attain information on/ check the status of a client's benefits situation, and this is important when trying to establish a client's income. Telephone waiting times can be lengthy and there is a lack of electronic communication options. Several respondents suggested it would be beneficial if advisers could communicate with government departments by email and more quickly by telephone, for example by direct phone lines. Others suggested that new technological developments e.g. portals could be harnessed to enable efficient communication.

Navigating complexity

Finally, it was noted that the benefits landscape is complex and it can be challenging for advisers to stay up-to-date with it – let alone clients. Entitlements are complex and advisers noted that clients often do not understand the specifics of what they are entitled to. They also suggested that the extent to which DWP agents *proactively* let clients know about additional entitlements can vary depending on the agent and that more consistent approaches would be valuable.

2.3. Barriers to insolvency

Advice providers noted several barriers to insolvency that affect clients with deficit budgets. While insolvency solution design is outside our remit, these barriers are important to understand when considering the challenges of supporting deficit budget clients within debt advice. For example:

- The application fees for bankruptcy and DROs are one of the biggest barriers for clients. This applies particularly to bankruptcy (£680) which advice providers report as being generally out of reach for these clients, but the considerably smaller DRO fee (£90) can also be a challenge. Charitable grants can help with fees, however there are fewer of these than there were and they can have extensive application processes and strict eligibility criteria.
- DRO rules require that all debts are included in an application. However, clients are not always able to provide all information, especially where there are historic debts or debts not visible on credit reports. DROs therefore come with a risk of leaving clients with debts. Respondents suggested the DRO process can be complex for clients with reduced capacity
- When a DRO is approved, a client is unable to apply for another DRO for at least 6 years. If a deficit budget client has recently had a DRO it will therefore not be an available solution.
- In some cases insolvency may be available but it may not be seen as suitable, by clients or advisers. This can be where it may have a negative impact on a client's immigration status/ applications, career or access to credit - with many clients relying on credit at least some of the time. Given these potential consequences, clients who are – or believe they are - in a short term situation may not deem insolvency as an appropriate way forward.
- Ownership of a vehicle can be a barrier where this is needed for essential purposes (e.g. work or caring responsibilities), as well as where this vehicle impacts eligibility for insolvency (as with DROs) or may be lost with insolvency (as is possible with bankruptcy).

Many responses reflected that bankruptcy and DROs can help to reduce stress and increase overall wellbeing by removing liability for historic debts and stopping creditor enforcement activity, but while they can be deployed tactically to write off a client's debt for a time, they do not address the deficit budget and therefore it is very likely that a deficit budget client entering these solutions will get into further debt and require advice again. For this reason, particularly where insolvency will come with negative consequences or restrictions, it is not always seen as helpful.

Scenarios where bankruptcy/ DROs may be more useful include:

- Where the deficit can be reduced or even eliminated through insolvency, through reducing priority debt payments or benefit deductions.
- For clients with consumer credit debts, as there is a smaller risk to these building up again.
- If there are minimal assets and personal circumstances that mean consequences are not likely to have a major impact (e.g. if a client is unlikely to work again).

We have shared a fuller summary of the feedback on insolvency with the Insolvency Service for consideration within their review of the personal insolvency framework.

3. Moving forward

Respondents highlighted that for many deficit budget clients, ‘traditional’ debt advice outcomes are not possible. Outcomes achieved tend to be around stabilisation and avoidance of deterioration rather than improvement. At the same time, providers noted that short term improvements are incredibly valuable for clients themselves, and should be considered a success when attained. Providers also suggested they could deliver better outcomes and more value with extra investment.

This section sets out respondents’ reflections on what ‘success’ looks like for deficit budget clients, how far providers should go in pursuit of success, and how advice models may need to be updated to enable it.

3.1. Redefining success

Many respondents reflected on the fact that the necessary or ideal intervention for a deficit budget client is different from the traditional view of debt advice (i.e. a generally linear journey), and that achieving traditional debt advice outcomes (i.e. a clear debt solution) is often not possible.

Advice providers suggested it is relatively uncommon to achieve positive, long-term outcomes for clients with longer term deficits. While insolvency or write off can clear existing debts there are barriers to these options, and they generally do not tackle the deficit so problems often return. Increased income can be a good outcome and this has a longer-lasting impact, particularly as it makes insolvency solutions more viable, but this is not possible for many. As a result, the outcomes achieved for deficit budget clients tend to be around stabilisation and avoidance of deterioration rather than improvement.

However it’s important to note that stabilisation and short-term outcomes are nonetheless valuable for clients themselves. Key outcomes that respondents suggested are possible and important are:

- The relief of having their immediate, pressing needs met.
- Feeling supported – *“just being able to talk through the situation provides great relief”*.
- A more sustainable budget, with reduced repayments freeing up money for food/ heating.
- Having agreements with creditors in place, even temporarily, leading to a cessation of debt collection and enforcement and the pressure of these activities.
- Stabilisation or improvement on their arrears position, ideally with debts reducing (potentially through usage of trusts) but at least not increasing.
- Being knowledgeable and informed on their rights, including having a clear understanding of what debts to prioritise, and what creditors can and can’t do as a result of non-payment.
- Having the knowledge and confidence to negotiate with creditors themselves.
- Improved wellbeing, self-worth and feelings of control, and knock-on impacts on relationships, sleep etc.
- Feeling empowered and able to tackle wider issues impacting their situation (e.g. housing, employment) and being connected with support networks or organisations that can help.
- Critically, avoiding negative outcomes - eviction, repossession, suicide.

Respondents felt it was crucial that approaches to measuring advice quality and impact reflect the outcomes it is feasible for clients to achieve:

> *"[MaPS should] reflect the complex, non-linear nature of deficit budget casework when measuring the quality and quantity of debt advice. Quality assurance frameworks are geared towards cases where there is a defined end point, which may not be the case."*

These outcomes may not be traditional advice outcomes, but are nonetheless beneficial for clients and wider society. One provider noted that clients with alleviated stress levels will make less use of the NHS and local authority services, while another noted that the social value of debt advice has been demonstrated previously[13] and should be considered when measuring the value of debt advice.

At the same time, many providers felt they could be delivering better outcomes and more value for clients with extra investment in certain areas:

> *"[Value] is often limited by a client's ability to take on some of the ongoing work by themselves, due to the limitations advisers are facing with time and targets, and this is challenging for more vulnerable clients."*

However, some did note that significant amounts of time are already spent helping clients, with questions over whether these efforts are resulting in significant outcomes. There are often wider factors that stand in the way of them delivering even short term outcomes.

> *"Difficult to say [advice] delivers value for the client. Can improve wellbeing but depends on the client's expectations - clients often want presenting issue/ debt to be looked at only and can be difficult for clients to understand advice limitations."*

This diversity of views suggests the value for money of additional support for deficit budget clients would need to be carefully considered, however providers flagged concerns around the concept of value for money and suggested we need to carefully consider how we define and measure this:

> *"MaPS and other funders should be cautious about measuring VFM, so they do not lose sight of the wider often unquantifiable benefits [debt advice] can provide."*

> *"Whilst we appreciate the appetite to evidence value for money, this is not easy and funders should be cautious they do not lose sight of the wider benefits advice can provide."*

These comments suggest there is an opportunity to develop a more nuanced understanding of what 'value for money' means in the context of debt advice – going beyond simple metrics to a more holistic understanding of the impact brought about from funds invested.

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[13] moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/economic-impact-of-debt-advice-summary.pdf

3.2. Defining limits

Notwithstanding potential opportunities, providers widely acknowledged that there is a limit to what debt advice, and advisers, can achieve, particularly for clients with long-term structural deficits. Responses suggested there should be greater reflection on how to establish an appropriate 'end goal' for clients in difficult situations, and that better definition and acknowledgement of debt advice's limits would be beneficial – particularly in terms of clarifying expectations on debt advisers.

> *"There is a limit. MAPS need to realise this as advisers are starting to feel the impact of this".*

Suggestions on where debt advice's limits should be were mixed, however some reflections were:

- Maximising income is within this limit, and a key part of the debt advice process.
- Addressing a client's wider needs is important and as a minimum, there needs to be a full exploration of the situation and a client's options for further support, with referrals being made if necessary.
- Enabling clients to know and understand their rights is crucial, as is empowering a client to advocate for themselves in the longer term (where their capability allows).
- Emotional support is incredibly important for clients, and receiving this support can build a client's confidence so they are able to manage independently. At the same time, advisers are not counsellors or support workers, and it's important to manage client expectations on this.

One provider who has recently changed their delivery model to give more comprehensive support suggested that any limit should be significantly beyond current offerings:

> *"We're finding that more up-front investment results in more positive outcomes for clients. Of course there's a limit to what debt advice can be expected to do but the current traditional approach is a long way from that so concentrating on what more it can do is helpful."*

Respondents widely noted however that supporting deficit budget clients was not just the responsibility of debt advice, and that all types of organisation - public, private and third sector – had a role to play.

3.3. Rethinking the advice model

As mentioned at the start of this document, responses made it clear that many deficit budget clients need more comprehensive support: more time, more casework and more flexibility than can be accommodated without placing significant strain on advisers and providers.

> *"Ultimately, need much more time to support clients to achieve better outcomes."*

> *"Either the funding structure changes so that we can spend more time with clients to do this, or it's accepted that we will signpost/refer/hand this work back to clients to do themselves with a minimal amount of guidance. The latter would, in most cases, end/limit the client's debt advice journey."*

Many respondents noted that more comprehensive support for these clients will not be possible without increased levels of funding per client and some reflected on the possible consequences of this in a context of high demand for advice and likely static levels of advice funding:

> *"If debt advice providers (DAPs) take on greater expertise with regards to deficit budgets, it will likely be in more [clients'] best interests for creditors to refer to DAPs so DAPs will need sufficient resources. Resourcing is likely to be a challenge [with] additional workload on a per [client] basis."*

However several responses suggested that current delivery models, which may measure performance based on volumes rather than outcomes, are struggling to deliver value for clients and consequently value for money. Responses also noted that not being able to deliver value for clients, and the difficulties of trying to do so within pressured environments, is detrimental to adviser wellbeing – with many responses noting that advisers are becoming increasingly demoralised.

> *"[Regardless of what] advisers are funded to do, they will continue to take whatever steps are necessary to help clients as far as possible, including casework for clients with deficit budgets. MaPS' model of debt advice should reflect this reality, to ensure that advisers are not asked to work unreasonably long (and unpaid) hours to provide the right outcomes for clients."*

Others reflected on the role that technology or specialism might play in enabling greater support:

> *"Ideally, advice would be supported by appropriate back-end automation that could be delivered efficiently and at scale. It would have access to a single communications service/platform that includes all creditors. This could quicken processes."*

> *"It may make sense to develop centres of expertise so different providers are able to offer bespoke solutions to different cohorts, rather than all providers trying to offer all services to all [clients]."*

While others suggested that investing more resource in clients up-front may have neutral or even positive resource impact if it results in more sustainable outcomes. For example, a provider that has recently changed their delivery model to provide greater support to clients up-front noted:

> *"We have started to see in the new methods we are testing that value for the client and value for money increases significantly. We had lots of repeat clients before who would repeatedly come back to us. We are seeing less of this now and if people do come back to us, it is tending to be at an earlier stage in their journey (better equipped to face the upcoming challenges) rather than at crisis point."*

Even if greater resource per client is not cost neutral, some respondents suggested we should consider who our services are aimed at, and who our focus is on. One noted that providers not in receipt of levy funding may struggle to deliver a good service to deficit budget clients, who are very costly to serve, and suggested that we should target and tailor our services towards clients that non-MaPS funded providers are less able to support.

4. Reflections and next steps

The needs of clients with deficit budgets are complex, and this has been reflected in the scope of this call for evidence and in the comprehensiveness of the responses we received from it.

There is much to consider, and we are mindful that we will not have all the answers ourselves. As such, whilst we will consider and develop options ourselves, we will also need to harness the ideas and expertise of others.

Below we have set out our initial reflections on the findings and steps we will take as a result. While some of these steps can be taken in the short term, others are more complex and will require deliberation and consultation.

Within our Debt Commissioning Strategy consultation (planned for early 2024), we will set out further thoughts on this topic and seek feedback on potential proposals, as well as inviting stakeholders to suggest alternative ideas. We will also ask our debt adviser panel[14], with their comprehensive experience of supporting these clients, to support us with our next steps.

4.1. Support from advice services

This call for evidence has highlighted that many clients with deficit budget need more comprehensive support from advice services, and that they may need this support delivered in different ways.

They can face challenges engaging with the advice process, particularly where they have vulnerabilities that are impacting on their capacity. While such vulnerabilities are not unique to clients with deficit budgets, there are strong links and previous research[15] suggested that a 'universal design' approach could have benefits for all clients. As such, we will:

- Reflect on how advice can be more accessible to clients with additional vulnerabilities, including clients with low literacy and/or language barriers.
- Consider whether additional training is needed to help advisers support clients with additional vulnerabilities, and how advisers can be supported to access this training.
- Consider how journey models could be flexed to give clients the support they need, when they need it. This will include looking at what we can learn from improvements to journeys introduced within our new national contracts.

The responses suggest that while income maximisation cannot help all deficit budget clients, there are cohorts for whom further support with this could make a significant difference. As such we will develop and consult on potential options for better supporting clients with income maximisation, including ways of supporting clients to understand and access benefit entitlements. Assessment of possible options will need to consider a number of factors, including the capacity, resource and expertise required to effectively support in this area.

[14] A small expert cohort of 16 debt advisers working with MaPS in an advisory capacity to inform its future approach to debt advice commissioning and other topics relating to its statutory objectives for debt advice.
[15] moneyandmentalhealth.org/publications/debt-advice/

The responses also highlighted that clients have a range of pressing and wider needs that are important to tackle to enable engagement and sustainable outcomes. We will consider how these needs might be identified and tackled more effectively and efficiently, including considering how debt advice can better link to wider services able to support clients with holistic needs, many of which are based locally. Variation in national and local delivery models and provision by area mean there is unlikely to be one simple solution to this challenge but rather a number of different approaches that may help.

While many responses suggest liaising with creditors is difficult and time consuming, other responses have noted that where there are good relationships and partnerships between advice providers and creditors, this can be much easier. We will reflect on:

- How clients who need support to communicate with creditors can receive that support, regardless of where they first present for advice.
- Whether there are opportunities to empower more clients to negotiate by themselves, for example through developing or sharing of pre-existing support materials or tools.
- How we can support advice services to build and maintain relationships with creditors.

4.2. Support from creditors

The call for evidence has highlighted many areas where advice providers and creditors (including government) could work together to deliver better outcomes for clients. As debt sector coordinator, we have relationships with many creditors, regulators and membership bodies, and will use these to encourage adoption of supportive practices. In particular, we will:

- Support the UK Regulators Network to encourage collaboration across their membership with regard to the needs of deficit budget clients as set out within this document as they consider what their shared expectations are in relation to debt collection across different sectors.
- Continue to support the FCA in its focus on improving outcomes for borrowers in financial difficulty - and have included findings from this call for evidence within our response to the FCA's recent consultation on the Tailored Support Guidance.
- Support the Local Government Association with its development of a Debt Maturity Framework, a resource which will enable local authorities to review local approaches to debt recovery, identify areas for improvement and access support materials and best practice.
- Support the newly established Enforcement Conduct Board as it develops its Accreditation Scheme and Standards and vulnerability protocols (with Standards planned to launch in summer 2024).
- Collaborate with a range of creditors, regulators and membership bodies with the aim of increasing consistency between evidence requirements and more efficient decision making.

Many of the opportunities highlighted in this work have synergies with objectives in the 23-26 Government Debt Strategy. We sit on the Government Debt Management Function's (GDMF) Fairness Group and are leading specific 2023-2025 objectives for government debt management. These objectives include (1) summarising the current cross-sector approach to affordability assessments and making recommendations for improving consistency (2) identifying options for a Digital Economy Act data sharing pilot related to affordability of debts owed to government. The Fairness Group also has an objective to develop best practice guidance for customers with a deficit budget. We will feed insight from this call for evidence into these workstreams to help improve client outcomes for those with debts to government.

We will also gather more detailed evidence on challenges experienced by the advice sector when liaising with government departments on behalf of debt advice clients and share this insight with the Department of Work and Pensions (DWP). Following this, we will discuss further with the DWP to find ways to help advisers effectively navigate support that already exists, as well as to explore additional support or other improvements that could improve client journeys.

We will also update and promote our creditor toolkits[16] to incorporate the findings from this call for evidence, to help creditors understand how they can better support deficit budget clients. This will include greater guidance on usage of the SFS and where possible inclusion of good practice case studies.

Finally as secretariat of the Standard Financial Statement (SFS) , we will take steps to increase its usage, including where creditors have signed up but have not embedded it across all colleagues. In particular, we will:

- Establish how the current signatory organisations are using it, and identify and tackle any challenges to embedding it within frontline practice.
- Collaborate with creditors to better understand attitudes towards SFS guidelines and work towards a better recognition of these guidelines.
- Review whether processes for informing us about non-compliance with the SFS code of conduct are working as well as they could be, or whether these processes could be improved or more widely communicated.

4.3. Moving forward

The responses have made it clear that many deficit budget clients need more comprehensive support from advice, in a way that is likely to require increased funding spent per client, at least initially.

There is an argument that investing effort in clients up-front can deliver better outcomes and thus reduce the effort spent over time, but this does require that effort to be spent (and paid for) initially. There will be challenges to making this investment within a backdrop of high and increasing need for debt advice[17] and pressures on public money. We also need to bear in mind the feedback received that the challenges facing many deficit budget clients cannot be resolved by debt advice alone.

At the same time, we recognise that we have a statutory requirement to ensure advice is available to those most in need of it as well as to bear in mind in particular the needs of clients in vulnerable circumstances. We note that some responses suggested our focus should be on serving clients with complex needs *comprehensively*, rather than serving many clients *sufficiently*. However, if we were to place a greater focus on deficit budget clients, careful consideration would be needed of possible impact on other clients (or potential clients).

[16] moneyandpensionsservice.org.uk/2021/01/29/working-collaboratively-with-debt-advice-agencies-a-strategic-toolkit-for-creditors/
[17] moneyandpensionsservice.org.uk/2023/01/25/need-for-debt-advice-and-how-households-are-reacting-to-changes-in-the-cost-of-living/

Bearing all this in mind, we will explore options whereby the services we commission could serve some clients more comprehensively (either directly or in partnership), and will consult on this within our Debt Commissioning Strategy consultation. When exploring options we will:

- Investigate the impact of our recent reduction to the level of clients served through our community-based grant funding, to understand the impact this adjustment has made and what it means for future delivery models.[18]
- Examine what data from our new national contracts can tell us about the relationship between client complexity, time to serve and outcomes achieved.
- Seek evidence to understand the potential costs of different approaches, as well as potential impact and outcomes of those approaches. This will include collaborating with other funders to understand alternative approaches.
- Consult with stakeholders on the scope of our debt advice funding, including any limits to its coverage. This will include investigating how closer collaboration with our other services (e.g. money guidance) and other funders could enable clients' needs to be met more holistically.
- Investigate how technology and specialism could help us increase support to clients in an efficient way.
- Assess how value for money can be defined and measured more holistically.
- Reflect on the feedback given regarding the reality of supporting deficit budget clients, and the extent to which our quality and performance frameworks reflect this. This will include ongoing monitoring and review of any feedback given by funded organisations regarding any challenges with meeting our Standards with deficit budget clients (including those with additional vulnerabilities), as well as considering the needs of these clients going forward, when reviewing the Debt Advice Quality Framework.

While supporting more clients and supporting clients better is not always a zero sum game, there will be strategic choices to make regarding what we should prioritise within our funding, that will not be straightforward ones to make. We will welcome support and guidance from all stakeholders in helping us to make these decisions.

[18] moneyandpensionsservice.org.uk/2023/04/14/maps-makes-changes-to-debt-advice-grants-in-response-to-increased-complexity-of-client-cases-in-community-based-services/

Appendix – respondents to call for evidence

We would like to thank the following organisations and individuals for taking the time to share their invaluable insights through written responses to this call for evidence:

Christians Against Poverty

Citizens Advice

Citizens Advice Manchester

Citizens Advice Scotland

Community Money Advice

DEMSA

East Midlands Money Advice

Helen Griffith

Institute of Money Advisers (CertMAP cohort)

Institute of Money Advisers

Jonathan Davies

Leeds Citizens Advice

Money Advice Trust

Money and Mental Health Policy Institute

NIACRO

Perth Citizens Advice

Rethink Mental Illness

StepChange Debt Charity

Stockton and District Advice and Information Service

Talking Money

We would also like to thank the 4 others who responded on a confidential basis, as well as the organisations and individuals that took the time to engage with us within informal discussions to enable us to understand this subject in greater depth.

Contact us

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Money & Pensions Service