Ability to pay and The Standard Financial Statement (SFS)

Part of the MaPS Supportive Debt Recovery Toolkit

Why this matters

Understanding what a customer can realistically afford is at the heart of fair and sustainable debt recovery. The Standard Financial Statement (SFS) provides a consistent framework used across the debt advice sector to assess affordability, support informed decision-making, and help creditors agree repayment arrangements that are realistic, proportionate, and more likely to succeed.

Creditors who understand a customer's ability to pay their debts are more likely to negotiate fair and sustainable repayment arrangements, reduce defaults and enforcement costs, while improving reputational trust and customer engagement.

Ability to pay can be assessed directly by the creditor, using income and expenditure (I&E) tools or in partnership with the debt advice sector where advisers provide an impartial assessment which may include an offer of repayment.

Creditors can use this guidance to develop and embed their own internal policies and processes, tailoring to their specific debt recovery context.

In this section, we cover:

- Assessing a customer's ability to pay and using this to agree fair, affordable and sustainable repayment arrangements.
- Recognise and use the Standard Financial Statement (SFS) as the standard framework for recording income, expenditure and debt.
- Applying the SFS Spending Guidelines appropriately, recognising them as benchmarks rather than fixed limits.
- How to respond consistently to an SFS submitted by a debt adviser, including when further information or clarification may reasonably be required.
- Supporting customers with deficit budgets, including token payments, proportionate forbearance and appropriate review points.
- Embedding the SFS within internal policies, processes and digital tools to reduce duplication and improve decision-making.
- Working constructively with debt advisers, using clear feedback and shared learning to improve repayment sustainability and customer outcomes.

This guidance applies to personally liable debts owed and does not apply to debt that occurs as a result of fraud or criminal activity.

The SFS is the primary tool used to capture income and expenditure information by debt advisers in England, Wales, and Northern Ireland, whereas the Common Financial Tool is used in Scotland. This guidance refers only to the SFS and is not extended to other I&E formats.

What is the SFS?

The SFS is a nationally recognised format for recording an individual's income, expenditure, and debt. Developed by MaPS in collaboration with creditors, advice agencies, and trade bodies, it provides a consistent and objective framework for assessing ability to pay. The SFS is the standard across the regulated debt advice sector in England, Wales, and Northern Ireland. It is utilised both for informal negotiations as well as being used by the insolvency services for Debt Relief Orders, Bankruptcy, and the IVA protocol. The only exception is in Scotland where the CFS is still utilised. Figure 7 summarises the SFS

Figure 7

Identifying the SFS

The SFS is distinguishable from other I&E formats by its:

1. Licensed usage:	2. Standardised layout:	3. Spending guidelines:	4. Savings category:	5. Comprehensive usage:
Each statement produced during the debt advice process will include the name and licence number of the organisation that completed the statement with the customer.	A two-page A4 document with clearly defined sections for income, fixed costs, flexible costs, priority and on-priority debt repayments, and savings.	Benchmarks based on ONS data for low-income households.	The option to save a small amount during a repayment plan to build financial resilience.	The SFS is used by over 2000 licenced debt advice organisations in England, Wales, and Northern Ireland.

Applying for SFS membership

MaPS recommends that creditors that handle SFS payment offers from debt advice agencies should apply for a free licence [1] provides access to the spending guidelines and other resources.

The role of MaPS

MaPS will:

- Advise SFS members of updates to the SFS Spending Guidelines on an annual basis
- Provide ample notice and support to SFS members when structural changes are being made to the SFS (such as changes to the categorisation)
- Maintain all SFS resources and provide access to these resources to any SFS member through the SFS website.
- Provide a service to any SFS member that identifies issues in SFSs being received from the debt advice sector.

Understanding the SFS Spending Guidelines

The SFS divides expenditure between *fixed costs* and *flexible* costs.

Fixed costs cover essential bills like rent, council tax, and utilities, as well as regular expenses such as insurance, transport, travel, and care or health-related costs. The full list of fixed costs can be found on the SFS website. If a household is in arrears on essential bills, the 'fixed costs' section will only record their ongoing bills and current payments. Any arrears, along with related payment arrangements, will be included in the 'priority debt' section.

Advisers recognise that these fixed costs cannot be easily or quickly changed but will discuss with clients when they believe their level of expenditure ought to change. This might occur if a customer could benefit from a better energy tariff, or they notice that a customer is underpaying their council tax and needs to increase this expenditure. However, it is generally recognised that, in most cases, the customer's inability to alter these fixed costs means creditors should not dispute them.

Flexible costs are broken down into three categories

- Food and Housekeeping
- Personal Costs
- Communications and Leisure

Each of these categories has its own spending guideline.

The spending guidelines within the SFS are derived from the Living Costs and Food Survey (LCF) conducted by the Office for National Statistics (ONS). They reflect typical expenditure for households in the bottom income quintile and are adjusted using the Consumer Price Index (CPI) for historical inflation and then the Bank of England projections for the anticipated inflation over the upcoming financial year.

These guidelines do not determine what is or is not reasonable, as each household has unique circumstances and may require different levels of expenditure. Instead, the spending guidelines offer a statistical benchmark of what low-income households typically spend. Exceeding the spending guidelines is permitted with reasonable justification, especially in cases of vulnerability, and creditors should be prepared to accept a wide range of circumstances for consideration.

How Debt Advisers Complete the SFS in Practice

The SFS is restricted to authorised organisations who must apply for access with a membership number via the SFS website. The process of completing an SFS typically involves:

1. **Initial engagement**: The advice provider gathers detailed financial information from the client, including income sources, household composition, and household costs. This is done through engagement with the customer and data sources such as Credit Reference Agencies (CRA's) or Open Banking data.
2. **Budgeting discussion**: The advice provider will identify where income can be maximised through benefit entitlements or where spending behaviours may need to change and raise this.
3. **Spending Guidelines**: The budget in relation to the spending guidelines, identifying any areas that may require adjustment. Where a customer's expenditure exceeds the guidelines but is justified, the adviser will provide appropriate explanation for creditors.
4. **Ability to pay and debt solution assessment**: Disposable income is calculated, and acknowledging the wider circumstances of the customer, a debt solution will be considered.
    i. Where feasible, a realistic repayment plan is proposed for creditors. The adviser will distinguish between Priority and Non-Priority debts. To ensure that creditors are treated fairly as well as reducing the likelihood of further enforcement activity. For example, the client would be encouraged to pay fines and taxes at a significantly higher rate than a personal loan.

1 https://standard-financial-statement.maps.org.uk/en/apply-to-use-the-sfs

ii. Where the customer is insolvent different insolvency solutions will be explored considering both eligibility and the impact on the customer.

iii. Where the customer is identified to be in a deficit budget then, as well as exploring insolvency solutions, referrals to charitable support and further income maximisation efforts are made.

5. **Submission to creditors**: The completed SFS is shared with creditors, who are asked to engage with the proposal. If the customer can engage with an insolvency solution immediately then this may not occur as engagement with creditors is built into the insolvency process.

6. **Annual review or change of circumstances**: If the customer enters a managed payment arrangement via the debt advice provider (such as a Debt Management Plan) then the SFS will be reviewed with the customer at least once a year. Any updates are then communicated to creditors.

Principles for a creditors approach to the SFS

Creditors should develop internal guidance, processes and practices for handling the SFS that align with this guidance tailoring it proportionately to their specific debt recovery context. This ensures a common set of principles while allowing flexibility for operational differences.

Key principles:

- **Alignment with national standards**: Internal policies and practices on the handling of the SFS should utilise the code of conduct and guidance of the SFS, recognise its legitimacy when completed with the oversight of a regulated debt adviser.
- **Proportionality**: Guidance should be adapted to the nature, scale, and impact of the debt being recovered. For example, low-value debts may warrant streamlined processes, while higher-value or complex cases may require more detailed engagement.
- **Policy review cycle**: Organisations should review their debt recovery policies and SFS-handling procedures annually, or sooner if there are significant changes to the SFS.
- **Feedback mechanisms**: Organisations should provide prompt, clear, and constructive feedback to the submitting advice provider or customer within 10 working days, confirming whether an SFS has been accepted or rejected. This supports transparency, continuous improvement, and fair treatment of individuals.
- **Commitment to ability to pay**: SFS acceptance should be embedded within a wider organisational commitment to assessing and respecting a customer's ability to pay

Guidance on the Handling of a Received SFS

A customer SFS completed with a regulated debt adviser and submitted to a creditor - whether by the individual or the adviser - should be accepted.

What Does "Accept" Mean?

To "accept" the SFS means creditors:

- Recognise the format and figures as a valid representation of the customer's financial situation.
- Engage with the proposed repayment plan in good faith.
- Use the SFS as the basis for decision-making unless there is a legitimate reason to challenge its accuracy.

In summary acceptance means recognising the SFS as the primary and trusted assessment of the customer's financial circumstances. Creditors should use the SFS as the starting point for decision-making, avoid requesting duplicate information wherever possible, and engage constructively with repayment proposals. Where additional information is genuinely required to inform a decision, creditors should explain why and seek to minimise additional burden on the customer and debt adviser

Creditors may hold additional information about a customer's account history, payment behaviour or previous engagement. Where such information is relevant, it should be considered alongside the SFS to support balanced and informed decision-making."

Acceptance or declines should be documented and accompanied by prompt feedback to the submitting organisation or customer within 10 working days.

Continuous Improvement Through Feedback

Effective use of the SFS relies on trust, confidence and collaboration between creditors and debt advice providers.

Where appropriate, creditors should provide constructive feedback where:

- information is missing
- assumptions appear unclear
- repayment proposals are unsustainable
- circumstances change shortly after submission

Where referral partnerships exist, creditors and debt advice providers should use aggregated outcome data and regular engagement to understand which approaches lead to the most sustainable repayment arrangements. This shared learning can help refine referral processes, affordability assessments, and customer support, improving outcomes for both customers and creditors.

This ongoing feedback loop helps strengthen confidence in the SFS process, improve consistency, and support better customer outcomes.

Token Payments and Deficit Budgets

Where an SFS shows that a customer is in a deficit budget, this means their essential living costs exceed their income and there is **no disposable income available** for debt repayment.

In these circumstances, debt advisers may propose a token payment (often £1 per month) to multiple creditors. This should not be interpreted as an indication of ability to pay. Instead, it is a holding arrangement used to maintain engagement while the customer's situation is stabilised.

For creditors, the following principles should apply:

- **Understand what a token payment represents:** A £1 offer signals that the customer currently has no capacity to make meaningful repayments, rather than a reduced ability to pay.
- **Avoid pressuring for increased payments:** Requesting higher payments where a deficit budget has been evidenced risks pushing the customer further into hardship and undermining essential expenditure.
- **A request to increase a token payment in these circumstances should be treated as a rejection of the SFS assessment.**
- **Use proportionate forbearance alongside the token arrangement**
  This may include pausing or reducing collections activity, suspending interest and charges, and allowing time for income maximisation or debt solutions to be explored.
- **Recognise that token arrangements are typically temporary**
  A token payment is not intended to represent a long-term repayment solution. It is a short-term measure while circumstances are assessed, or change is anticipated (for example, benefit decisions, housing changes, or progression into an insolvency solution).
- **Agree a clear and reasonable review point**
  It is entirely appropriate for creditors to agree **a review date** (for example, 3–6 months or aligned to a known change in circumstances). This ensures the arrangement remains relevant and provides an opportunity to reassess ability to pay if the customer's situation improves.

Taking this approach helps ensure customers are treated fairly, supports regulatory expectations around ability to pay, and creates the conditions for more sustainable engagement if and when circumstances improve.

Exception: When the SFS May Not Be Accepted

Creditors may decline an SFS based repayment offer in certain circumstances, such as:

- If the expenditure stated is above the spending guidelines and no explanation is provided.
- Clear evidence of fraud or misrepresentation.
- Material inaccuracies in the financial data provided.
- Non-compliance with the SFS format (e.g. missing sections, altered guidelines).
- The debt advice organisation name and license number are not included on the SFS.
- Duplicated or outdated submissions where a more recent SFS is available, or the one-year review date has passed.

In most cases these will be simple inaccuracies such as data entry errors. It's advised that these rejections should be documented and accompanied by prompt feedback to the submitting organisation or customer, within 10 working days.

However, where there are concerns about the quality of SFS outputs, fraud, misrepresentation, or any other suspected misuse of the SFS by a licensed provider, MaPS can offer assistance to address the issue.

Exception: When the SFS is Accepted but Further Action May Still Take Place

Some creditors may accept the SFS as a fair account of a customer's situation but still choose to take further action. Acceptance of an SFS should normally result in creditors giving due consideration to the customer's evidenced ability to pay, any known vulnerabilities, and their engagement with debt advice before commencing or escalating enforcement action. It is accepted that an SFS does not prevent enforcement in all circumstances, but creditors should be able to demonstrate that any subsequent enforcement decision is proportionate, reasonable, and informed by the customer's individual circumstances - For example, if a creditor or supplier of debt collection services can demonstrate that a customer possesses assets that could fairly and reasonably be sold to make a settlement towards their debt.

The creditor may decide to pursue enforcement action that is not dependent on the customer's income and expenditure position. Information about the customer's household, as captured in the SFS, should be considered as part of the risk assessment process when considering enforcement action.

If neither of the above situations apply but a creditor continues to request that a customer increase their regular payments beyond the amount determined by the SFS, this would constitute a rejection of the SFS. MaPS cautions against this approach, as it may introduce risks for both the customer and the government organisation. For example:

- The customer may face hardship, potentially having to forgo essentials such as food to meet payment demands.
- Increased payment pressure may worsen vulnerable circumstances.
- Unsustainable payment arrangements may lead to missed payments, reducing returns.
- The costs of additional enforcement action may outweigh any long-term benefits of securing sustained repayments. This is particularly important when considering cases where the customer is in a deficit budget. In these cases, the adviser has been unable to create a sustainable budget within the customers income. While most of these cases will enter an insolvency solution some debts may be exempt. In other cases, the customer may be anticipating a change in circumstances (such as immigration status changes, house sale, or divorce proceedings).

Use of the Standard Financial Statement (SFS) in Debt Collection

Where a creditor requires a detailed understanding of a customer's income and expenditure, the SFS should be used as the standard approach. Examples of this are:

- Setting up or reviewing payment arrangements
- When a customer reports financial difficulty or indicates they cannot maintain current payments
- Considering forbearance measures such as payment holidays

Creditors should use the SFS because it provides a consistent and fair method for assessing ability to pay, aligned with the debt advice sector and helps create realistic, sustainable repayment plans that protect the customers' essential living costs.

How to apply the SFS

SFS members have access to the framework, methodology and spending guidelines and these should be incorporated into the creditors chosen I&E tool. Thereafter:

- Identify immediately if the customer has multiple debts, as a debt advice referral should be offered
- Complete the SFS with the customer
- Gather accurate details of income, expenditure and priority bills and debts
- Validate expenditure against SFS spending guidelines
- Calculate disposable income and set a sustainable repayment plan
- Confirm the plan in writing, with a copy of the SFS and set a review date

Customer-friendly explanation

"Where we need to understand your income and expenditures, we use the Standard Financial Statement. This helps us agree a payment plan that is fair and affordable, without putting your priority bills at risk."

The London Borough of Southwark are an example of a local authority that use the SFS as part of their Council Tax recoveries process:

Southwark Council – Coordinating Multiple Debts into One Affordable Payment

Southwark Council has developed a *Single View of Debt* approach to bring together multiple debts owed by an individual into a single, coordinated recovery process. In a large borough, residents may owe multiple types of debt to the council, including council tax, rent arrears, benefit overpayments, and other service charges. Managing these separately create competing demands, inefficiencies, and increased pressure on residents.

The approach: SFS at the centre

Southwark's model is underpinned by the **system-wide adoption of the Standard Financial Statement (SFS)** across all debt types.

This enables:

- A single ability to pay assessment covering all liabilities owed to the council
- Alignment between service areas, avoiding conflicting repayment requests
- A clear understanding of what a **customer can realistically and sustainably afford across all debts combined**

By embedding SFS, the council ensures that recovery decisions across council tax, rent, and other public debts are consistent and affordability-led, rather than driven by individual service priorities.

Coordinated recovery and referral

Using this foundation, Southwark:

- Consolidates debts into **one repayment arrangement** across multiple liability types
- Coordinates recovery activity across teams, reducing duplication
- Holds recovery action while customers engage with support

The council also partners with the MaPS run **Money Adviser Network (MAN)** to provide rapid access to debt advice, supported by weekly outcome data to inform follow-up and engagement.

Southwark tracked the first 500 customers to MAN, primarily for rent and council tax arrears, and found that around **50% reduced their debt by an average of £500.**

SFS self-serve options

Many organisations now offer digital self-serve tools where customers can complete the SFS online at their convenience. These tools often:

- Guide customers step-by-step through income and expenditure categories.
- Include built-in trigger figures for reasonableness checks.
- Allow customers to upload evidence (e.g., payslips, bills).
- Provide secure submission directly to the creditor's system.
- integrate with Open Banking and Benefit Checks for faster, more accurate data capture.

Benefits of self-serve SFS

- Customer convenience: Complete at a time that suits them, reducing call times and stress.
- Efficiency: Cuts down on lengthy phone conversations and speeds up ability to pay decisions.
- Accuracy: Digital tools often validate entries and flag missing information.
- Engagement: Empowers customers to take control of their budgeting and repayment plan.
- Scalability: Easier for creditors to handle large volumes without increasing staff costs.

CDER Group, an enforcement firm, uses the SFS by partnering with IE Hub and Inbest.

IE Hub, Inbest and CDER Group – Streamlining SFS completion

IE Hub [2] is an income expenditure web portal that empowers customers in financial difficulty to take control of their debt situation. Customers can access the IE Hub portal and complete a single I&E form, based on the Standard Financial Statement. IE Hub has also integrated the Inbest benefits calculator to make income maximisation an integral part of the service. The I&E can then be shared using IE Hubs digital journey with all organisations the customer owes money to (creditors).

To agree a sustainable repayment plan, creditors should first understand a customer's ability to pay, which is usually done through the completion of an I&E. This is time-consuming for the creditor and stressful for customers if they must repeat the process with multiple creditors.

IE Hub helps customers to complete an SFS based I&E once and they have now established successful partnerships with over 109 creditors, debt advice providers, and support partners.

Also, IE Hub's integration of the Inbest [3] benefits calculator has identified over £204 million in annual unclaimed benefits since going live, increasing customer income by an average of £6,312 per year.

Partnership with CDER Group

CDER Groups Vulnerability Strategy includes a commitment to delivering fair resolutions for both creditors and those experiencing enforcement action. CDER have a specialist welfare team that manage extended payment breaks and longer-term repayment agreements.

To negotiate payment arrangements CDER use the SFS as their benchmark for assessing 'ability to pay' and now partner with IE Hub to streamline the process:

"Working to collect an HMCTS debt, we contacted a father of two looking to agree a repayment plan and sent a link for IE Hub. Within a couple of hours, the customer had completed their I&E and returned it to us. The customer was able to attach proof of income and vulnerability as he suffers from Bipolar and is an amputee. The I&E was assessed against the SFS, and after a conversation with the customer, an arrangement was agreed. Through the benefit check, we identified that the customer was entitled to an additional £779 per month. The customer was happy and said that IE Hub was easy to use"

Digital affordability tools can help remove barriers that prevent customers from accessing support and agreeing sustainable repayment arrangements. The case study below shows how Northumbrian Water and Inicio have combined digital innovation, income maximisation, and partnership working to improve customer engagement and support outcomes.

2 https://www.iehub.co.uk/

3 https://inbest.ai/benefits-calculator/

Northumbrian Water and Inicio – Enabling better outcomes through digital affordability assessments

Northumbrian Water works closely with a range of debt advice providers, pro-actively signposting services, and respecting recommendations on customer repayment plans. Its collaborative approach helps customers access the right support at the right time.

A common barrier for customers seeking help is the challenge of providing complete income and expenditure details - an essential step in qualifying for discounts and financial assistance.

To address this, Northumbrian Water partnered with Inicio to develop Budgie, a user-friendly online self-service platform that simplifies customer affordability assessments. This approach has enabled more than 30% of consumers that were previously struggling to engage to secure help.

Budgie features a virtual AI assistant that guides users through an income and expenditure assessment, aligned with the MaPS Standard Financial Statement. Through Budgie, customers can:

- • Submit a clear, detailed breakdown of their finances at a time that suits them
- • Receive a personalised budget to help manage bills, clarifying available support
- • Share budget information with other creditors and support organisations

Complementing Budgie, Northumbrian Water has embedded the Policy in Practice benefit calculator for its customers. This tool not only confirms access to company discounted social tariffs but also helps **customers access up to £24bn of support that goes unclaimed each year.** Notably, over 70% of eligible customers were unaware they qualified for additional financial support, highlighting the value of such digital tools.

While expanding the role of digital self-serve tools, Northumbrian Water continues to maintain multi-channel options, including a strong community presence to ensure it doesn't leave behind digitally unconfident customers. It continues to work with a range local networks to reach customers, recognising that debt often intersects with housing, benefits, and other challenges. One recent example is its collaboration with believe housing, a social housing provider in County Durham managing over 18,000 homes. Northumbrian Water launched a six-week pilot programme, co-locating its staff within believe housing's offices. In partnership with the local authority, MaPS-commissioned debt advice providers, and other stakeholders, the initiative created a one-stop support hub offering integrated assistance across water, housing, council tax, and debt advice. Northumbrian Water is now exploring next steps with interest from two additional housing associations keen to replicate the approach.

Money & Pensions Service

Want to know more?

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