Working collaboratively with debt advice agencies

A strategic toolkit for creditors

Money & Pensions Service

the Money Advice Service

Contents

Acknowledgements

The Money and Pensions Service would like to acknowledge and thank all organisations and individuals that have contributed to the development of this toolkit.

Particular thanks go to those organisations that provided case studies which has helped bring this resource to life.

Executive Summary

The Coronavirus (Covid-19) pandemic is impacting the lives of people right across the UK. The impacts will be felt disproportionately however depending not only on an individual's health, but also their financial circumstances. Over the coming months and years, millions will struggle to make ends meet. The Money and Pensions Service (MaPS) is playing a critical role in helping people to deal with the crisis but supportive creditor practices can also make a huge difference to customers lives at this time. The relaunch of our creditor best practice toolkit is more relevant than ever, and we hope the best practice examples that are included can be embedded in organisations across the UK.

The external environment continues to change at a rapid pace, and it is likely this will carry on for some time. We have already made some changes to our planned work this year and are assessing our options for a range of other activities. **Whilst this is a relaunch of a strategic toolkit for creditors and it has been amended to bring it up-to-date with today's good practice, much of the messaging remains similar to before and is a good reminder of how best practice set out in this document can help deliver vital support to your customers.**

We know people struggling to repay debts are more likely to suffer from mental health issues that can exacerbate the problem. Creditors who demonstrate a responsible approach to supporting customers in financial difficulties can play a huge part in helping to remove some of the emotional burden, whilst also having clear and tangible benefits for the creditor. Conversely, where creditors do this poorly, it is likely to have a negative impact on the customer's financial circumstances, leading to disengagement and harm the creditor's reputation. There are clear links to the experiences of those with problem debt, and crucially the steps they take to resolve the issue, to the way in which creditors engage and support those customers.

Debt advice agencies have told us that they are seeing an improvement in good creditor practice in the three years from when we first published the creditor toolkit. There remains, however, sizeable differences in creditor behaviours which is having a detrimental impact on the advice they provide and the outcomes delivered. To further develop good creditor practice following the progress made since 2017, we have again collaborated with our partner organisations, creditors of many types and trade associations to relaunch an updated toolkit that continues to share insights and expertise around good practice.

This toolkit incorporates the flexibility to cut across different types of creditors and illustrates that achieving good customer outcomes is the most effective way to achieving good creditor outcomes. Regulation and long standing relations with debt advice agencies have no doubt contributed to better creditor practice generally within the financial services sector, the toolkit will have value for all creditors, including local and central government and new and emerging lenders. We have actively engaged with different types of creditors for the relaunching of the toolkit, such as challenger banks and digital lenders, who have made great progress in the early stages of developing their debt collection policies and strategies. Feedback from those creditors suggests this latest version of the toolkit will be particularly useful in further developing their approach. We hope many will consider committing publicly to following this good practice.

Whilst we have retained many of the best practice processes and case studies from creditors that have effective partnerships in place with the debt advice sector, you will see some exciting new approaches to collections and case studies that demonstrate the impact of these. The development of Open Banking and increased demand to engage digitally has also brought about some exciting new opportunities to better support customers in a more effective and efficient way. The toolkit should leave creditors in no doubt therefore that a collaborative approach can, and does, also deliver good business outcomes. Creditors working in partnership with debt advice agencies will achieve fairer customer outcomes, better customer engagement and sustainable repayments.

Our view therefore remains steadfast in that following the seven steps will lead to better customers outcomes, more effective collections processes and improved repayment performance from customers experiencing financial difficulties.

The seven steps are:

1. **Debt advice interventions** – creditors should track the benefits debt advice brings to customers as well their ability to collect arrears payments.
2. **Customer affordability** – creditors should apply the Standard Financial Statement (SFS) methodology and spending guidelines when agreeing affordable repayments
3. **Debt advice referral strategies** – Use this toolkit to review all customer communication channels and help customers with problem debt to easily access independent debt advice.
4. **Creditor oversight of referral partners** – Creditors want to have oversight of what happens to customers post debt advice referral. Use this toolkit to agree an approach with debt advice referral partners.
5. **Engagement & partnerships** – Creditors have day-to-day contact with debt advice agencies. We provide guidance on getting the most from the relationship.
6. **Target specific customer cohorts for debt advice** – We share some examples and case studies of innovative partnership working with debt advice agencies.
7. **Align to the Money and Pensions Service 'supportive creditor standards'** – We have summarised the difference between 'below standard', 'Good practice standards' and 'Exceeding the standards'.

With the launch of the UK Strategy for Financial Wellbeing in addition to the forthcoming Corporate Strategy, we believe that we have provided real tangible steps to encourage more creditors to deliver progressive collections practice, both in processes and at a cultural level. The Debt Advice Steering Group, made up of senior level representatives from debt advice and creditors, maintains that consistent and progressive creditor practice is one of its key priorities, ensuring the topic will be high profile for many linked to the sector.

This is the second iteration of the toolkit and we will continue to update and relaunch as practices, technology and the use of smart data improve. The Money and Pensions Service has already used the first iteration of the toolkit as a template to produce another toolkit specifically for local authorities.

I would like to again thanks all organisations who have contributed to publication of the toolkit, without your support this would not have been possible.

If you would like to discuss this further or discuss how we could help you embed some of these best practice approaches, please do get in touch with me or my colleagues.

Craig Simmons
Head of Debt Policy and Strategy and Insight Team
Money and Pensions Service

Introduction

Our stakeholders have told us that many creditors have effective strategies in place to support customers who are experiencing financial difficulty, which include long-established partnerships with independent debt advice agencies.

However, some creditors are 'out of step' with this supportive approach. They have limited regard to what customers can afford to pay and have poor or non-existent relationships with independent debt advice agencies.

The Money and Pensions Service published the UK Strategy for Financial Wellbeing early this year which sets out some ambitious targets to engage more people with debt advice by 2030. The Money and Pensions Service works collaboratively with both the advice and creditor sectors and we regard that collaborative approach as fundamental to delivering best possible outcomes for customers and creditors.

This resource articulates examples of 'broad good practice when creditors have touchpoints with debt advice agencies' when customers declare financial hardship or an affordability problem when they fall into arrears.

The case studies in this resource provide evidence that creditors that work collaboratively with the debt advice sector create positive and tangible outcomes, both for customers and for creditors themselves.

Customers and debt advisers want to see fair debt collection practices from all types of creditors. But we have also articulated for creditors that debt advice partnerships are not only the right thing to do – but those partnerships can also produce organisational benefits and improve debt collection performance – for example through more sustainable repayment arrangements. This resource captures those cross-sector conversations, and our case studies show how a partnership approach creates better outcomes for both creditors and consumers.

Principles of consistent creditor support

Customers in financial difficulty

Recognition of the need to be treated fairly by all types of creditors during periods of financial difficulty.

Debt advice agencies

Confidence that all creditors are 'operating by the same rules.'

Creditors

Recognition of commercial drivers and the need to collect debt or monies owed. The ability to measure whether they are:

- Working to minimum standards
- Delivering good practice support
- Going beyond good practice support, with targeted approach.

Background

For many years, independent debt advice agencies have campaigned for more consistent creditor practices when people fall into financial difficulty. Those campaigns have been based on the feedback and experiences of clients they have supported and helped with problem debts.

The UK Strategy for Financial Wellbeing, published in January 2020, is a ten-year framework which will help achieve the vision of everyone making the most of their money and pensions. Within the UK Strategy, we have set out the ambitious target to engage 2m more people with debt advice by 2030. We see creditors from all different sectors playing a key role in helping achieve this target by doing even more to engage their customers with debt advice when they need it most.

At MaPS, we have seen evidence of many creditors, including Local Authorities, responding positively to the pandemic. Not only implementing appropriate breathing space periods, but also demonstrating a willingness to engage more people with debt advice through onboarding with the new National Money Adviser Network.

When new breathing space rules go live in May 2021, creditors must apply a 60-day breathing space period in which enforcement action is halted and interest frozen for people with problem debt. This will not only provide a period of calm for customers to assess their options, it will also present an opportunity for individuals to receive professional debt advice to find a long-term solution to their financial difficulties.

It is not the purpose of this resource to campaign for creditors to reduce their use of bailiffs or otherwise tell them how to collect debts. In some cases, enforcement activity can work for creditors and customers – for example, a bailiff home visit may be the first opportunity the creditor has to identify customer vulnerability. That said, we hope to support creditors with this suite of options which may inform a more supportive internal collections strategy, therefore reducing the need for any enforcement activity, including bailiffs.

This resource will also inform the collections strategies of creditor suppliers such as enforcement agents and help resolve the situation at contact centre stage, therefore reducing the need for home visits.

We have identified three strategic themes from debt advice agency campaigns, where creditors could work more collaboratively with the debt advice sector to support their customers. We recognise that many creditors do have supportive strategies in place – therefore we have brought the debt advice sector and various creditor types together to debate and capture best practice. The three strategic themes are as follows:

- Creditor assessment of affordability during times of financial hardship
- Creditor engagement and partnerships with the debt advice sector
- Creditor referral strategies to sources of independent debt advice

Figure 1 – summarising the three strategic themes:

Strategic themes of achieving a supportive revenues strategy

Our stakeholders have also told us of the importance of articulating the value to creditors of debt advice interventions. Throughout this resource we have captured creditor case studies which demonstrate the value of a more supportive approach.

The Debt Advice Landscape

The Debt Advice Landscape

Creditors and customers find the debt advice sector difficult to navigate. Perhaps this is due to nuances between debt advice agencies services, resources and available customer access channels.

In this section, we have summarised the complex nature of the debt advice process and some of the potential client outcomes or debt solutions.

What is Debt Advice?

The Debt Advice Handbook (Child Poverty Action Group 2020) describes debt advice as a series of tools and strategies used to help clients by:

- enabling them to maximise their income;
- explaining the implications of non-payment of each debt and on this basis deciding which are priorities;
- assisting them to plan their budgets;
- helping them choose a strategy (usually to reduce or stop payments) that will minimise the effects debt has on their financial, social or medical wellbeing by giving them impartial, independent and confidential advice that enables them to make an informed choice about the options available to them;
- preserving their home and fuel supplies;
- providing advice or representation with the implementation of whatever strategy is chosen.
- In addition, some advice services also facilitate the administration of debt repayment by receiving payments from their clients and then distributing those to creditors; referred to as debt management plans (DMPs).

In addition, debt advice agencies facilitate a referral to partner organisations that provide other, statutory debt solutions. Examples of these are:

England, Wales and Northern Ireland

- Bankruptcy
- Individual Voluntary Agreement (IVA)
- Debt Relief Order (DRO)
- Covid Payment Plan (CVPP)

Scotland

- Sequestration
- Trust Deed
- Debt Arrangement Scheme (DAS)
- Minimal Asset Process (MAP) Bankruptcy
- Covid Payment Plan (CVPP)

The UK Debt Advice Sector

The independent debt advice sector contains many different types of not-for-profit and commercial debt advice agencies.

Not-for-profit agencies

These organisations provide the public with advice on debt and money as well as a range of subjects including housing, health, work, benefits, and immigration.

Examples are:

- the public sector (e.g. local authority internal money advice teams)
- housing associations (internal money advice teams)
- the larger charitable organisations, such as Citizens Advice, Citizens Advice Scotland, Citizens Advice Northern Ireland and Shelter
- Money Advice Trust (the charity that runs national debt advice services National Debtline and Business Debtline)
- smaller independent organisations (usually charities) many of which are represented by the Advice UK membership body

Creditor 'Fair Share' funded

These specialist debt advice agencies offer free debt counselling and a range of informal and statutory debt solutions.

They also provide free, managed Debt Management Plans (DMPs) and cover some, or all of their costs via optional 'Fair Share' donations from creditor organisations to whom they disburse repayments.

- StepChange Debt Charity (a charity), funded almost entirely from creditor donations
- Christians Against Poverty (a charity), who are partially funded by 'Fair Share' but mainly from donations from individuals and churches
- Payplan – (a commercial organisation) which covers its costs of facilitating free Debt Management Plans (DMPs) from creditor 'Fair Share' funding

Commercial debt advice agencies

These companies provide debt counselling and act on behalf of clients to help them clear their debts. They do this by negotiating with creditors to facilitate repayment of debts. In return for their services they are paid a fee by their clients.

Debt Advice Interventions – the value to creditors

Debt Advice Interventions – the value to creditors

Those creditors that take a collaborative approach with debt advice agencies have told us that they recognise their obligations to have supportive debt collection processes which includes signposting appropriate customers to sources of independent debt advice.

They have told us that closer engagement with debt advice agencies has led to many tangible benefits to the creditor itself, closely linked to positive debt advice outcomes for their customers.

The following case study describes the customer and creditor benefits that British Gas found from their relationship with StepChange Debt Charity.

Case study – British Gas, StepChange Debt Charity and Experian

Measuring the impact of free debt advice in the utility sector

The following research was commissioned to measure the effectiveness of the British Gas and StepChange Debt Charity relationship, and the value of offering free debt advice as part of the collection process.

Background

In 2016, British Gas commissioned Experian to conduct analysis of the British Gas and StepChange Debt Charity databases with the following brief:

To provide insight into whether or not consumers are aided to better manage their arrears because of an existing relationship with StepChange Debt Charity, regardless of whether or not a British Gas debt was within StepChange Debt Charities remit.

- The purpose of the research was to measure the effectiveness of the British Gas and StepChange Debt Charity relationship, and the value of offering free debt advice as part of the collection process.

Methodology

Experian analysed the impact on payment performance of British Gas customers who were also StepChange Debt Charity clients versus British Gas customers with a similar risk profile over a six-month period.

This was achieved through British Gas contributing to the Experian payment performance data sharing scheme, which enabled Experian to have a holistic overview of how the different customer profiles paid for their energy alongside their wider financial commitments.

This allowed Experian to analyse and compare how both customer profiles managed their energy arrears and current consumption.

Key findings

The research showed that StepChange Debt Charity helps British Gas customers to better manage their British Gas arrears. The key findings were:

- The debt recover rate improved by **22%** for those clients advised by StepChange Debt Charity.
- **97%** of StepChange clients remained up to date after seeking advice.
- StepChange Debt Charity clients are **less likely** to go into arrears on their British Gas account and, when they do, will owe less.
- British Gas customers are **more likely** to recover after entering arrears and catch up with their payments if they have a current relationship with StepChange Debt Charity.

- Of those that do fall into arrears, **fewer** will severely deteriorate if they are supported by StepChange Debt Charity.
- StepChange Debt Charity is more successful in helping those customers who are struggling financially.

The research findings validated the importance of British Gas relationship with StepChange Debt Charity and can be used by British Gas in targeting the most appropriate people to refer to StepChange Debt Charity going forwards.

Debt prioritisation

Customers that seek independent debt advice will receive impartial advice on the correct order to repay their debts. Debt advice agencies always advise clients to repay priority debts first because there are serious consequences of non-payment. Examples of priority debts are:

- Mortgage repayments and loans secured on a home
- Rent
- Council Tax owed to local authority
- Taxes owed to central government
- Benefit overpayments owed to central government
- Gas and electricity debts
- Certain payments ordered by the courts
- Child support and maintenance

A debt adviser will always advise that repayments to priority creditors, including additional payments to repay the arrears, should come before repayments to non- priority debts. This is because failure to pay non-priority debts is usually less serious than failing to pay a priority debt. Examples of non-priority debts are:

- Credit card debts
- Some hire purchase agreements (HP)
- Unsecured loans or and payday loans (loans that are not secured against a property)
- Catalogue bills
- Loans from friends or family

The benefits of debt prioritisation to priority creditors

Priority creditors that refer appropriate customers to a debt advice agency can be reassured that payments to their loans or monies owed will be prioritised ahead of commitments to non-priority creditors. Debt advice agencies tell us it is acceptable to agree a reasonable repayment arrangement towards priority arrears before referring the customer to debt advice. A debt adviser will endeavor to include a ‘priority arrears arrangement’ in the customer’s budget, if the income is available for repayment.

Where customers have multiple priority debts

Creditors should also refer customers with multiple priority debts to impartial debt advice agencies. Generally, priority debts cannot be included in a Debt Management Plan (DMP) so a skilled debt adviser can support their client to decide which debts should be dealt with first and find strategies for repayment. The debt adviser will also discuss the range of options available and the possible consequences of non-payment.

Benefits of debt advice to non-priority creditors

Many ‘non-priority’ creditors have also recognised that collaborating with debt advice agencies should be an essential element of their debt collection strategies. They acknowledge that referring customers to debt advice agencies will result in regulated debt counselling, which means priority creditors should be repaid first. But they also know that what payments they do receive, will be more sustainable and that customers seeking debt advice will rehabilitate their finances much quicker.

Arrow Global, the debt purchaser and manager, has kindly shared their approach:

Case study – Arrow Global

The creditor value of debt advice

Recognising that every customer's situation is different, Arrow Global supports customers in financial difficulty by referring them to a wide range of free debt advice providers. These referrals include signposting and funding to StepChange Debt Charity, PayPlan, Citizens Advice and Christians Against Poverty.

Arrow Global takes a multichannel approach, so that customers can be made aware of their debt advice choices at every stage: via our letters, emails and SMS messages, during calls with our people, and via our customer website and portal.

The results are clear: customers taking advice are more likely to have multiple debts and larger overall balances, but they are still able to start rehabilitating their finances more quickly than those not taking advice:

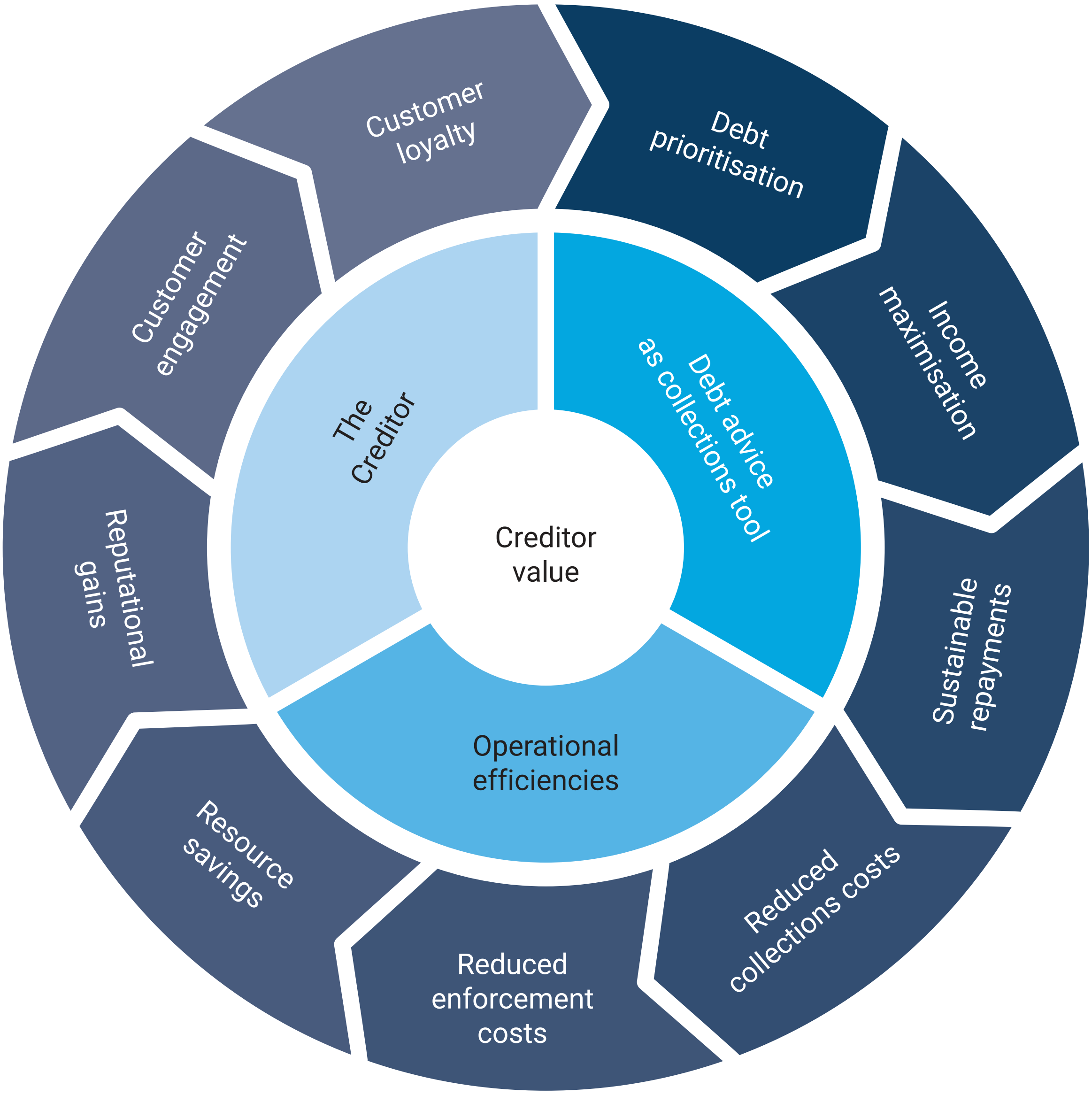
- Over the first six months of 2016, customers who had taken debt advice were on average able to make payments **20% higher** than those in similar circumstances who had not sought advice.
- Arrangements to pay were less likely to be broken, with only 8% of first monthly payments failing, and only **4%** of payments missed in months 2-6. This provides good evidence of the sustainability of debt advice solutions.
- Due to multiple debts, the length of payment plans are often longer for those who have taken debt advice, in fact it can take more than two years longer to settle on average, but **the payments are more sustainable**

As Arrow have discovered, creditors that trust debt advice agency support have found that customer disposable income available for creditors is assessed holistically, objectively and impartially. This means that customer repayments to all creditors are more likely to 'stick'.

Collaborative creditors also report the following tangible benefits which are summarised in Figure 2:

- **Income maximisation** – customers receive advice and support to realise their full welfare and tax credit entitlement potentially meaning more money to repay debts. In addition, some customers can find access to schemes and grants as result of correct benefit entitlement being in place.
- **Reduced debt collection costs** – Reduced collections telephone calls, letters, text messages or home visits chasing broken repayment arrangements.
- **Reduced enforcement costs** – More sustainable payment arrangements mean fewer broken repayment arrangements, which saves litigation or enforcement costs that are often passed on to the customer.
- **Resource savings** – Less debt collection activity requires a lower volume of collections staff, who can be redeployed in other areas of the business.
- **Reputational gains** – Creditors who collaborate with the debt advice industry, and support affordable repayments to arrears, achieve a reputation as a responsible creditor and one that customers are more likely to engage with.
- **Customer engagement** – Increased customer engagement is the key to every successful business. It is particularly important during times of financial difficulty, but also vital to future growth and potential product sales.
- **Customer loyalty** – Customers who are well treated are more likely to make payments, be repeat buyers and contribute to sales of additional products and services.

Figure 2 – Summarising the creditor value of debt prioritisation*



*These benefits are not exhaustive.

To support this model, Wessex Water have shared their partnership approach with debt advice agencies and the positive impact advice interventions have had on arrears repayments and customer engagement.

Case study – Wessex Water

How debt advice interventions have generated sustainable repayments and customer engagement

Wessex Water are supporting around **48,000** customers on low incomes through their tailored assistance programme **tap**’. This programme offers customers a wide range of schemes and low-rate tariffs to help them afford their ongoing water charges and repay their debt along with practical help to reduce water and energy bills.

Water companies differ from financial services providers as they do not have contracts with their customers and they are unable to disconnect the water supply for

non-payment. Wessex Water also find that customers in water arrears are very likely to have multiple debts with multiple creditors.

Therefore, Wessex Water have developed partnerships with debt advice agencies to assess affordability during times of customer financial hardship. Customers in financial difficulty are warm transferred or sign-posted to independent debt advice agencies. The debt advice agencies will provide customers with impartial and independent advice, income maximisation, produce a financial budget and refer to Wessex Water with a sustainable offer of payment.

Wessex Water provides debt advice agencies with a dedicated number for their financial hardship team.

Wessex Water introduced its debt repayment scheme, **Restart**’, in 2004. The scheme helps the customer back on track, into a regular payment habit going forward, and can be combined with a low rate tariff for ongoing charges.

Wessex Water are currently supporting **5,700** customers in water debt through its Restart scheme but has helped many thousands more over the past 16 years.

- If the customer makes regular payments in Year 1, Wessex Water match the amount in a debt write-off.
- In Year 2, if the customer maintains payment, Wessex Water will write off the remainder of the debt.
- Customers are then water-debt-free and continue to pay their ongoing charges.

Wessex have found that **90%** of customers that complete the **Restart** scheme have gone on to maintain up-to date payments of their regular water usage.

Measuring the creditor benefits of debt advice interventions

As mentioned previously, we recognise that creditors have obligations to collect monies or arrears owed. This could be to shareholders, members or perhaps tax payers. To satisfy stakeholders there are several straight-forward ways to measure creditor benefits of debt advice interventions. Some recognised measures include:

- Tracking the sustainability of arrears repayment arrangements post debt advice referral
- Tracking the sustainability of arrears repayment arrangements post implementation of a debt solution, such as a Debt Management Plan (DMP)
- Measuring the volumes of payments (in Pounds) that are disbursed to creditors via Debt Management Plans (DMP)
- Talk to debt advice referral partners about producing creditor specific customer case studies
- Roll rates – The percentage of customers that ‘positively roll’ following a debt advice referral. e.g. they roll from 60 days’ arrears to 30 days’ arrears after seeking debt advice
- Customer surveys of customers that have experienced the advice process – (this may also derive feedback on the creditor itself)
- Volumes of ‘non-paying customers’ that become ‘regular payers’ post debt advice referral.

Customer Affordability

Customer Affordability

Customers in financial hardship are often referred by creditors to sources of independent debt advice. Some customers also contact debt advice agencies directly themselves. Once the customer is engaged, the debt adviser will then support their 'client' to identify what debts are outstanding and perform an affordability assessment to determine what the customer can afford to repay. This is done by preparing a detailed financial statement setting out the customer's income and expenditure (I&E).

The financial statement may then go on to propose a debt solution such as a Debt Management Plan (DMP) or an Individual Voluntary Arrangement (IVA) (Scotland has its own debt solutions – examples are the Trust Deed or the Debt Arrangement Scheme (DAS)).

The Standard Financial Statement (SFS) – a consistent approach to assessing a customer's ability to repay their debts

Prior to 2017 there were multiple versions of affordability assessments in place, which led to varying advice from debt advisers and creditors on what disposable income the customer had available to repay their debts. This often led to inconsistent advice on which debt solution was right for the customer and disputes between debt advisers and creditors.

This changed in 2017 with the launch of the Standard Financial Statement (SFS) which has delivered a universal methodology together with a single set of household spending guidelines.

This initiative – led by the Money and Pensions Service but developed in partnership with advice providers, creditors, trade associations has brought greater consistency to the debt advice process, and a smoother transition through the experience for consumers, advisers and creditors (Figure 3 summarises the SFS at a glance).

More than 90% of debt advice in the UK is now delivered using the SFS and many creditors have also embedded the methodology within their debt collection policy and processes.

How have creditors 'operationalised' the SFS?

MaPS has encouraged creditors of all types to switch all existing income and expenditure forms (I&Es) used within debt collection processes to the categories and framework used by the SFS – and to apply the appropriate spending guidelines when assessing customer affordability.

Many creditors typically use I&Es:

- In collections contact centres to negotiate payment arrangements with arrears customers.
- On creditor websites. Customers can 'self-serve' by completing an I&E and making a payment offer towards their arrears.
- As attachments to debt collection letters. Customers can complete an I&E and return to the creditor making a payment offer.

The SFS is now used and recognised by all types of creditors including financial services providers, local authorities, utility providers and suppliers of debt collection services such as enforcement agents.

Each year, MaPSs releases a set of updated SFS spending guidelines, which cover areas of flexible household spending.

All creditors can register to use the SFS via sfs.moneyadviceservice.org.uk.

Figure 3 – The Standard Financial Statement (SFS) at a glance

STANDARD FINANCIAL STATEMENT

A single format financial statement for use by advice agencies and the UK debt recovery industry which is replacing the other existing formats in use

A single set of common fixed and flexible expenditure categories

One set of spending guidelines (or trigger figures)

A savings category to build financial resilience

Developed in collaboration with debt advice agencies, creditors, trade bodies and others

What does the SFS mean for creditors?

There are two ways that creditors can embed the SFS. First, we encourage all creditors to support the principle of SFS and recognise that SFS financial statements have been prepared by a skilled debt adviser from a debt advice agency generally regulated by the Financial Conduct Authority (FCA).

Secondly, we know that many creditors and suppliers of debt collection services use their own version of an income and expenditure statement in contact centres as part of the debt collection process. 'Suppliers of debt collection services may include:

- Debt collection agencies (DCAs)
- Enforcement agents
- Legal service providers (LSPs)
- Field agents
- Debt Management companies that provide strategy services and analytics
- IT-based service partners that supply debt collection software

MaPS recommends that all creditors and their suppliers should amend internal case management software to include use of the SFS. This will reduce the risk of discrepancy between a customer's affordability assessment with their creditor and a financial statement prepared by a debt advice agency.

The SFS spending guidelines are derived from the Office of National Statistics ONS) and provides guidance on what is reasonable household expenditure for individuals or families experiencing financial difficulty. Crucially, this should avoid situations where collections colleagues have to make personal judgements on what is reasonable or unreasonable spending habits.

All creditor case management software should be updated with the SFS spending categories and trigger figures. We have also produced an optional SFS Microsoft Excel tool which is available on sfs.moneyadviceservice.org.uk.

Case study – Southwark

Southwark is a historic but dynamic and thriving London Borough situated south of the Thames and facing the City. Southwark contains some of Britains most iconic landmarks such as Tower Bridge, London Bridge, Borough Market and the Shard, the tallest building in western Europe, and perhaps the most powerful and visible manifestation of the borough's recent rapid growth and regeneration.

Southwark has one of the fastest growing populations of any local authority area in the country – rising by 22% since the 2001 census and set to rise by another 20% by 2030 when it is expected to exceed 360,000.

Alongside the new prosperity in parts of the borough, Southwark still has some of the most deprived wards in the country and rented social housing makes up a larger proportion of its dwellings than any other local authority area in England and Wales. The Council itself is the largest social landlord in London.

Deprivation, a younger population and the preponderance of renters, social and private, among their residents are all factors driving the fact that levels of over-indebtedness are higher in Southwark than in many other parts of the country.

Southwark Approach to Debt Collection

With an ongoing commitment to customers, Southwark are aiming to break the cycle of increasing arrears and fees/ charges by understanding a customers circumstances and prioritising ongoing liabilities, whilst accepting an affordable regular payment towards debts.

Southwarks approach consolidates and manages a customers debts to the Council, enabling greater insight into customer circumstances – including other debt. It also allows a single view of customer indebtedness and a single arrangement covering multiple debt types, whilst providing increased automation of services creating capacity to deal with cases that are more complex.

Use of the Standard Financial Statement (SFS)

The adoption of the Standard Financial Statement (SFS) across Southwark Income Operations has enabled the Council to effectively assess a customers' income and expenditure and has been imbedded into the process for Council Tax, Rent, Housing Benefit Overpayment and Sundry debt collection.

By using the SFS, the council has been able to provide customers with a consistent approach to payment negotiation with the completion of one income and expenditure form either through the council or a debt advisor.

Customers who approach the council directly are able to complete the form online; with assistance over the telephone; or a hard copy printed and posted.

Arrangements

When negotiating a payment arrangement with a customer the primary considerations are affordability and sustainability. Southwark use the Standard Financial Statement spending guidelines as a basis for assessing affordability.

Further Support

As well as referrals to an in-house Income Maximisation team, Southwark has joined the 'Money Adviser Network (MAN)' as a referral partner which is provided by MaPs in partnership with Citizens Advice, Money Advice Trust and Step Change Debt Charity. The process enables Southwark to refer customers who are experiencing over indebtedness to a debt adviser simply and quickly. The Council holds recovery whilst the customer engages with the debt adviser and tailor its recovery approach on a case by case basis depending on the outcome.

The SFS savings category

The SFS includes a savings category, recognising the benefits of building additional financial resilience for debt advice clients. The savings allowance is designed to encourage savings behaviour and to increase the chances of sustainable repayments during debt solutions and creditor payment arrangements.

Many debt advice clients will not have the necessary disposable income to save. The savings category is optional and reliant on the recommendation of the debt adviser. Savings are limited to 10% of monthly disposable income, capped at £20 per calendar month.

MaPs does not expect creditors to provide customers with advice on savings provision when assessing affordability as part of debt collections processes. However, creditors should give the customer the option to use the savings category if disposable income allows.

Further information on SFS

Creditors requiring support with process changes should contact the Money & Pensions Service via sfs.support@moneyadviceservice.org.uk

SFS website

The standalone SFS website with secure login offers information, including:

- the SFS format;
- an Excel tool;
- spending guidelines;
- guidance for advisers; and
- general info and FAQs.
- A developer's toolkit to aid implementation
- On-line training resources

In summary – good practice for creditor handling of financial statements

Creditors should:

- **Accept SFS financial statements from debt advice agencies that have authorisation from the Financial Conduct Authority (FCA).** By 'accept' we mean that creditors should acknowledge that a qualified debt adviser from a regulated debt advice agency has assessed what the customer can afford to repay. At this point the creditor should NOT attempt to negotiate an increased payment from their customer but accept this as an accurate representation of the client's situation. Where a realistic payment is proposed, this should be given reasonable consideration.
- **Accept SFS financial statements from customers who self-serve via on-line debt advice tools.** Many customers chose to receive online debt advice via tools such as those provided by StepChange[1] or National Debtline[2]. The tools are regulated by the FCA and give the customer an opportunity to complete an SFS at their own pace.
- **Have a clear internal policy and procedures setting out how financial statements from debt advice agencies should be handled.** The policy should provide colleagues with consistent guidelines on when SFS payment offers should be accepted and when it would it may be appropriate to query with the debt advice agency. The policy should also indicate when it would be appropriate to acknowledge the SFS financial statement but proceed with enforcement options –these scenarios would be a last resort only and unique to each creditor sector.
- **Consider freezing litigation or enforcement action** – By accepting a repayment arrangement, creditors are acknowledging what the customer can reasonably afford to repay and should not make demands for an increased payment.
- **Contemplate whether you need to fully review every financial statement from FCA regulated debt advice agencies.** The internal resource costs may be considerably greater than the payment uplifts achieved. As above we suggest accepting reasonable payment offers that are within the SFS spending guidelines and sample checking for training issues. An exception to this rule is where a creditor reviews a financial statement in full to understand opportunities to engage the customer with types of support that may be unique to that organisation.
- **Implement a process to identify and feedback recurring customer or training issues.** Recurring customer issues or trends can happen within the operation of both debt advice agencies and creditors.
- **Creditors should appoint a 'Debt Advice Liaison Manager'** who would be a designated person to manage the broader external relationship with debt advice agencies and be a point of contact for the sector. Depending on the size of your organisation, this may not be a full-time role.
- **Consider holding call calibration workshops with debt advice referral partners.** This can be useful to better understand how debt advice agencies apply spending guidelines in debt counselling appointments. This engagement opportunity can involve front-line Collection Agents, Managers, Quality Assurance, the Debt Advice Liaison Manager and others.

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1 https://www.stepchange.org/debt-remedy-advice.aspx
2 https://tools.nationaldebtline.org/dat-reg

- **Support SFS financial statements that include a monthly savings or contingency amount.** Acknowledge that in doing so the customer is being encouraged to take steps towards being more financially resilient. Also, that a contingency fund could support more sustainable arrears payment arrangements for the creditor.
- **Register for membership of the SFS** This is can be done via sfs.moneyadviceservice.org.uk. Prospective members can complete a brief application which will also include agreeing to a Code of Conduct outlining best practice usage of the SFS. Once registered, creditors can access approved formats, user guidance, spending guidelines, an Excel tool, links to eLearning material and FAQs

In summary – good practice for when a Debt Management Plan (DMP) is proposed

When debt advice agencies send an SFS financial statement they may also propose a Debt Management Plan (DMP) which is an informal 'managed' debt solution. A DMP involves the agency aggregating the balances of the customer's unsecured debts and proposing a reduced payment to each creditor involved. The agency will then disburse the proposed payment to each creditor on behalf of the client – usually monthly.

In this section, we have articulated good practice creditor standards in the handling and administration of DMP payment proposals.

Creditors should:

- **Extend an initial breathing space of 60 days, upon receipt of evidence that a client is engaged in a Debt Management Plan with an FCA-regulated debt advice agency**[3] – creditors should consider an extension of a further 30 days, where demonstrable progress is being made in the implementation of the DMP. 'Breathing space' means the suspension of all collection's activity relating to debts included in the DMP.
- **Provide all requested information relating to relevant debts to the debt advice agency within 10 working days of receipt of request** – with the customer's informed consent.
- **Provide account balance information to the debt advice agency within 10 days of receipt of the request.**
- **Accept DMP proposals from debt advice agencies that are fully regulated by the Financial Conduct Authority (FCA) and confirm this in writing to the debt advice agency within 10 days of receipt of the proposal.**
- **Freeze interest and charges on the affected customer debts and consider the cessation of ongoing enforcement or litigation.**

Creditor efficiencies by using debt advice agencies web portals

Many of the larger debt advice agencies have online creditor web portals which are used to exchange information with creditors without the need for postal delays and associated costs.

Communication benefits

Creditor web portals can be useful to electronically exchange communications such as

- Debt Management Plan proposals (DMPs) enclosing copies of the customer financial statement
- Customer changes of circumstances during the duration of the DMP
- The annual review of a DMP, advising of any changes to repayment amounts
- Miscellaneous information requests from the debt advice agency such as checking current arrears balances or contractual payments required.
- Visibility of essential documentation such as 'signed letters of customer consent'.

Opportunities for creditor efficiencies.

Access to creditor online portals is usually free, with minimal set-up costs and may derive the following benefits:

- Ability to view status of 'tasks' relating to DMPs
- Reporting opportunities
- Ability to message debt advice agency 'out of hours'
- Performance management – as may report on staff usage

Creditors should speak to the larger debt advice agencies about receiving access to their creditor web portal.

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3 This section relates to Debt Management Plans, but creditors should apply breathing space of 30 days from collections activity as soon as they are made aware that a client is engaged with a debt advice agency.

When income and expenditure is assessed for payment arrangements

Many creditors also use income and expenditure forms internally, at various touchpoints with customers in financial difficulty. This could be in collections contact centres, websites or they may enclose an I&E with collections letters for completion.

An income and expenditure form or financial statement is often completed with the customer by a collections contact centre agent. This process is particularly prevalent in the financial services sector. A financial statement is generally completed with the customer to determine the disposable income available to repay the arrears owed to the creditor. This is not a regulated advice conversation, but rather an information-gathering exercise for negotiating the instalment terms for repayment of arrears.

The I&E completed is usually embedded into the creditor's arrears case management software and should be based on the SFS.

MaPS does not expect any creditor to introduce new processes that require an affordability assessment, but where the creditor deems it necessary the process should be based on the SFS.

Customer Income and Expenditure fatigue

However, the completion of income and expenditure forms / financial statements by creditors does have its disadvantages. On average, people in financial hardship are likely to have debts owing to six different creditors. This could mean that customers are expected to complete an income and expenditure form multiple times. Naturally, every creditor that uses this process does so, to determine what can be repaid to its own arrears. The problem with this process is that some creditors are more demanding than others which can put unnecessary pressure on the customer to pay more than they can afford. Therefore, completing income and expenditure forms haphazardly may jeopardise existing payment arrangements with other creditors, and is unlikely to be sustainable.

Some customers may become tired of completing multiple I&Es. So, a situation can be created where the customer becomes aware of spending guidelines and what they 'can spend', rather than 'what they actually spend'. Again, this means that the I&E is unlikely to reflect the customer's true spending habits and result in conflicting and unstainable payment arrangements with multiple creditors.

Case study – IE Hub

Case Study on the implementation and use of IE Hub and an SFS enable online affordability assessment for creditor.

IE Hub is a web portal empowering the millions of UK consumers in financial difficulty to assess and share their affordability data. IE Hub delivers a seamless digital engagement with customers to self assess and share their income and expenditure (I&E) details. This can be used to establish affordable repayment plans, assign forbearance and identify customers who are in or are at risk of financial vulnerability, while also adding compliance to the FCA I&E sharing requirement.

Consumers owe on average £14,129 in unsecured borrowing split between 6 creditors*. While collections processes vary each will seek to gather a form of income and expenditure assessment. This leads to I&E fatigue for the customer and potential disengagement. IE Hub works with our partners to establish a single point of contact for the customer and allows them to manage, store and share their I&E information. By empowering customer to complete the I&E process online, partners are able to reduce AHT and focus on outcomes.

Sally Schulz, Team Leader, Castle Point Borough Council

"I spoke to the customer who said that she had been scared to contact us. The customer went on to say that she was surprised how easy the IE Hub form was to complete and how it made sense to her...We contacted the customer the day we received the IE and agreed a mutually acceptable arrangement.

IE Hub works with firms from many sectors including banking, retail, debt collection, utilities, local government and housing to establish a share point and engagement with the customer. For each partner we are able to establish an SFS compliant budget and assessment process, while also managing all updates to budget guidelines. The COVID-19 pandemic has accelerated the need to engage with customers digitally and we have been able to onboard new partners and expand their capacity and capability quickly.

The customer is guided through a tailored budgeting process and can access Open Banking to build clear and accurate picture of their finance. Atom Bank has signed up to IE Hub and invited customers to share I&E with them, they have received an 88% response rate via the IE Hub portal. 34% of IE Hub customer share their I&E within 24 hours with 23% opting to populate their I&E via open banking.

IE Hub allows I&E information to move from the creditor to the customer, this can be used to update the outcome of a collections contact and keep the customer informed of any activity.

Michael Line, Operations Director, JTR Collections

"Using IE Hub meant we were able to achieve a realistic and sustainable payment plan with the customer without the need for a long and detailed telephone call. We were also able to update the customers arrangement directly to their I&E using the CRM portal so they could see how this was manageable within their monthly spending going forward"

*StepChange Debt Charity Statistics Yearbook 2019

In summary – good practice for creditor income and expenditure processes

Creditors should:

- **Convert all existing income and expenditure forms used in collections contact centres to the SFS methodology.** This will align creditor budget sheets used by creditors to those used by the debt advice sector and provide consistency when assessing what disposable income the customer has available to repay his / her debts.
- **Ensure that income and expenditure forms attached to collections letters, websites, and any 'in house' digital tools for financial difficulties customers, are aligned to the SFS**
- **Creditors should contractually require debt collection suppliers to convert any existing processes of assessing affordability to the SFS methodology**
- **In line with FCA guidance[4], creditors should provide the customer with a copy of their SFS financial statement.** This can be used for consistent discussions with other creditors and the debt advice sector.

4 https://www.fca.org.uk/publication/finalised-guidance/finalised-guidance-consumer-credit-coronavirus-additional-guidance-firms.pdf

- **Allow customers the opportunity to allocate a monthly savings contribution or contingency fund for emergencies.** Collections agents can give the customer the option and can avoid straying into a regulated advice conversation. Use of the SFS should make this process consistent.
- **(Where there are two or more creditors with arrears) Offer a referral to a debt advice referral partner, ideally by way of a warm transfer.** This should happen immediately after completion of the I&E and negotiation of payment towards the arrears. This will give the customer the opportunity to receive independent advice on their whole debt situation and opportunities to maximise their income.
- **Contemplate whether it is actually necessary for collections agents to complete a full I&E.** An alternative process is to immediately refer all customers with two or more debts in arrears to a debt advice partner to complete an SFS financial statement. A mechanism can be agreed to route the customer back to the creditor with a payment offer towards the arrears. This may create a better customer experience, reduce customer I&E fatigue and create efficiency savings for the creditor.

NatWest Group is a good example of a creditor that takes this approach. Its organisational benefits are described in the following case study:

Case study – NatWest Group

How NatWest and PayPlan overhauled debt advice referrals across multiple channels

Best practice case study

NatWest Group and PayPlan have been working in partnership over the past few years to radically improve referrals to free debt advice, while keeping customer choice paramount.

One in six people in the UK are burdened with financial difficulties but only one in five of those will engage with debt advice. This lack of engagement is driven largely by a fear among customers about having to discuss their financial difficulties with a stranger. To remove this fear, NatWest has been working in partnership with PayPlan to optimise the debt advice customer experience.

Traditionally, NatWest had relied upon signposting (letters/emails/websites) or hot keying customers (3 way handover) to sources of free debt advice. These methods delivered poor engagement – about five percent of customers act upon the signpost. Hot keying is better with around 20 percent of customers opting for it, but NatWest believed those customers felt pressured or fatigued by the offer of a hotkey.

NatWest felt these methods were dated and failed to recognise the shift in demand from customers towards digital services. NatWest and PayPlan recognised this need for change and have developed a number of new initiatives:

1. A new creditor referral hub

This form sits on a NatWest desktop enabling them to digitally refer a customer to PayPlan. Using this form, NatWest instructs PayPlan to contact a customer at a time that suits them, via their channel of choice.

PayPlan subsequently contacts around 69 percent of those individuals.

Referrals are tagged by NatWest colleagues, enabling PayPlan to feedback detailed MI and outcomes on all referrals made – solving the debt advice black hole and enabling better management of processes. Critical to the success of this initiative was the NatWest investment in embedding the process into quality assurance activity (QA). PayPlan visited all of the NatWest collections sites to deliver training (and continue to provide refresher training and support) which re-enforced how to spot the early signs of debt and financial stress, how to refer customers to debt advice and how to explain what would happen next in the customer journey.

2. Online support via Struggling Financially web pages and referrals via the online chatbot.

NatWest customers can now access PayPlan support directly via the re-designed ‘struggling financially’ pages on the NatWest/Royal Bank of Scotland and Ulster websites.

Here, customers can arrange for a PayPlan call back or start a PayPlan digital journey without speaking to a NatWest/Royal Bank of Scotland and ULster colleague. This feature bridges the gap for customers who are not yet in debt but are struggling to make ends meet. The tool can also be used to help with budgeting.

Also whilst customers are on the website there is an online chat feature and as part of that journey customers will also be directed to the self referral tool which allows customers to arrange for a PayPlan call back or to start a PayPlan digital journey.

3. One-touch referral from a digital income and expenditure

NatWest customers can now be transferred seamlessly from the NatWest digital I&E to PayPlan, carrying their contact details and completed Standard Financial Statement information through the systems, avoiding the need for the customer to repeat the I&E process.

4. NatWest mobile banking app.

NatWest have also introduced within their NatWest banking app information about PayPlan and a link which directs customers to the self referral tool to arrange for a PayPlan call back or to start a PayPlan digital journey.

The combination of these initiatives has decreased the time a NatWest customer takes to get into debt advice, removed worry from customers and increased the numbers of customers engaging with free debt advice. Through greater engagement, more NatWest customers are now benefitting from free debt advice, helping them to achieve better outcomes through holistic debt support.

Explaining the rationale for the partnership, Chris Laverick, head of supplier management at NatWest, said: "Recognising that only 20 percent of customers engage with debt advice, and that traditional methods of referring (signposting & hot keying) were not working for our customers (evident through poor contact rates), we set about finding a more appropriate solution.

One solution was never the answer, so a combined approach looking at it through all channels, whilst keeping customer choice at the core, has worked really well. Every metric set out in our success criteria has moved positively. Customer feedback is positive, and importantly our colleagues have bought into it.

Peter Munro, partnerships director at PayPlan, added: "Creditors are often the first people to spot the signs that a customer needs debt-help but struggle to engage customers with the appropriate support.

"NatWest have responded to this challenge with a fresh collaborative approach and successfully re-defined what 'best practice now looks like for the debt advice customer journey. We look forward to working with them to continue pushing the boundaries even further and influencing positive change across the industry."

The outcomes

Through analytics and customer feedback, NatWest have been able to demonstrate that customers have: :

- Engaged with debt advice via these channels where they had not previously heard about debt advice
- Improved contact rates (PayPlan to customer)
- Increased awareness of why they had been referred, testament to the training and awareness of the service PayPlan provide and felt calmer and reassured at the end of the journey.
- felt more determined to sort out their debts after speaking to PayPlan.

"Without exaggeration, I did not have sufficient funds in my account to purchase shopping online. I'd received a letter from the government advising me that I was vulnerable and therefore should quarantine for 12 weeks. I have medical conditions which are aggravated by stress and I felt desperate. The NatWest colleague I initially spoke to, and was probably very emotional with at the time, was a huge help and I'm grateful that she recommended PayPlan to me."

Combined with better engagement and NPS scores, the case study proved that providing a channel of choice, at a convenient time for the customer, is in-line with customer expectations and should become the norm.

Debt Advice Referral Strategies

Debt Advice Referral Strategies

Customers present their financial difficulties to creditors in different ways. This could be in telephone conversions, face-to-face, or online via webchat or email.

Creditors also proactively seek engagement when payments are missed, and they do this commonly via outbound calling, collections letters (enclosing leaflets), text messages and home visits.

In addition, creditors also publicly display information about how to seek support for financial difficulties and they do this via their websites, and mobile technology such as apps.

Most creditors recognise an obligation to refer appropriate customers to sources of regulated debt advice, but many have told us of the problems they experience in doing so. Some creditors advise us that:

- Their customers find it difficult to navigate the landscape of the debt advice industry.
- They would like guidance on the appropriate customer cohorts to support with debt advice referrals.
- Many creditors are aware of nuances between the largest debt advice agencies and would like guidance/ confirmation on when it is appropriate to segment customer referrals to different debt advice agencies.
- They have problems with customer inertia when they recommend a referral to debt advice

In this section we have summarised good practice in debt advice referral strategies but advise that several cross-sector initiatives are under way to further improve referral mechanisms from creditors to debt advice agencies. This includes our own PACE project[5] which is a cross sector technology-based pilot which aims to simply how customers access the debt advice journey.

Debt advice referral partners

Many creditors have established ongoing partnerships with specific debt advice agencies to prioritise referring appropriate customers for independent debt advice. This is known as a debt advice referral partner. Referral partners can be national, telephone debt advice agencies, or local 'face-to-face' charities. A debt advice partner may also be an 'in house' money advice team.

Debt advice referral options

In this chapter there are frequent references to the following referral options. Our definitions are as follows:

- 'Warm transfer' (or hotkey transfer), This where a creditor offers to immediately transfer a customer to an independent debt advice referral partner.
- 'Immediate call back' Where a creditor collections agent sends a debt advice agency notification of a referral via a web-based referral form. The advice agencies contact centre software will immediately call the customer and transfer them to a debt adviser.
- 'Scheduled call back' Where a creditor collections agent sends a debt advice agency notification of a referral via web-based referral form. The advice agency will call the customer back within an agreed timescale.
- 'Customer self-referral' Where the customer requests an appointment with a debt adviser. This can be done via 'self-referral tools' that can be placed on creditor communication channels such as websites. Some tools allow the customer to request an immediate or scheduled call back from a debt adviser
- 'Digital referral' Where the creditor helps the customer to engage with an on-line self-help debt advice tool.
- 'Signposting' Where a creditor provides the contact details for trusted debt advice partners via collections telephone agents, websites or within letters or brochures.
- The Money and Pensions Service Debt Advice Locator Tool (DALT). This tool helps the public access sources of debt advice across the UK, whether the channel preference is telephone. face-to-face or online. https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator
- The Money and Pensions Service helpline (0800 138 7777) will help callers find a debt advice agency based on four principles; emergency, previous advice, client capability and appropriate channel.

5 https://moneyandpensionsservice.org.uk/pace/

Telephone referrals to debt advice agencies

Creditors telephone agents should:

- **Identify if the customer is struggling to pay their bills, has missed payments or is worried about missing payments.** Ask the customer a couple of high-level key questions that will quickly provide a view on debt levels, number of creditors and if they have difficulty paying priority bills. We recommend working with a debt advice referral partner on the wording used to engage a customer in a referral, clearly highlighting the benefit, not overpromising, and ensuring the customer understands fully what will happen next.
- **Check the customer is not already engaged with an independent debt adviser.**
- **Offer a telephone transfer to a debt advice referral partner.** Depending on your debt advice referral partner, this can via done via an immediate call back or warm transfer arrangement. Using these pro-active methods should ensure higher customer engagement.
- Offer to facilitate a scheduled call back from a debt adviser. (Only where creditors have this arrangement in place with a debt advice referral partner).
- **It may be more appropriate to signpost some customers with vulnerabilities or communication problems to a local face-to-face debt advice partner.** Examples of face-to-face debt advice agencies are the local Citizens Advice, Christians Against Poverty or a chosen member of the Advice UK network.
- **Transfer or signpost the self-employed to debt advice agencies that provide business debt advice.** This group of customers require specialist debt advice and access to debt solutions for the self-employed. Examples of debt advice agencies that support the self-employed are Business Debtline and PayPlan (we have included a case study from Business Debtline, describing their creditor partnership offering).
- Figure 4 illustrates what we believe to be a best practice telephone referral process:
- **If a customer declines a telephone transfer signpost to a debt advice referral partner AND Money and Pensions Service Debt Advice Locator Tool (DALT)** . The DALT will give options of telephone, face-to-face and online debt advice and assist the customer in navigating the debt advice sector. https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator

Case study – Business Debtline

Business Debtline, part of the Money Advice Trust, help self employed people across the UK to tackle their debts and manage their money with confidence. Last year Business Debtline helped over **52,000** people by phone and webchat to tackle their debts and manage their money.

Business Debtline has a proven track record and report that over **76%** of the businesses they speak to continue to trade after receiving advice.

Business Debtline also work closely with the creditor community. Some large creditors have approached them to ask for support with significant proportions of customers that are self-employed or have Buy-to-let portfolios de facto small businesses. Business Debtline s creditor partners are keen to ensure that its customers get to the right advice, suitable for people who are self-employed, first time.

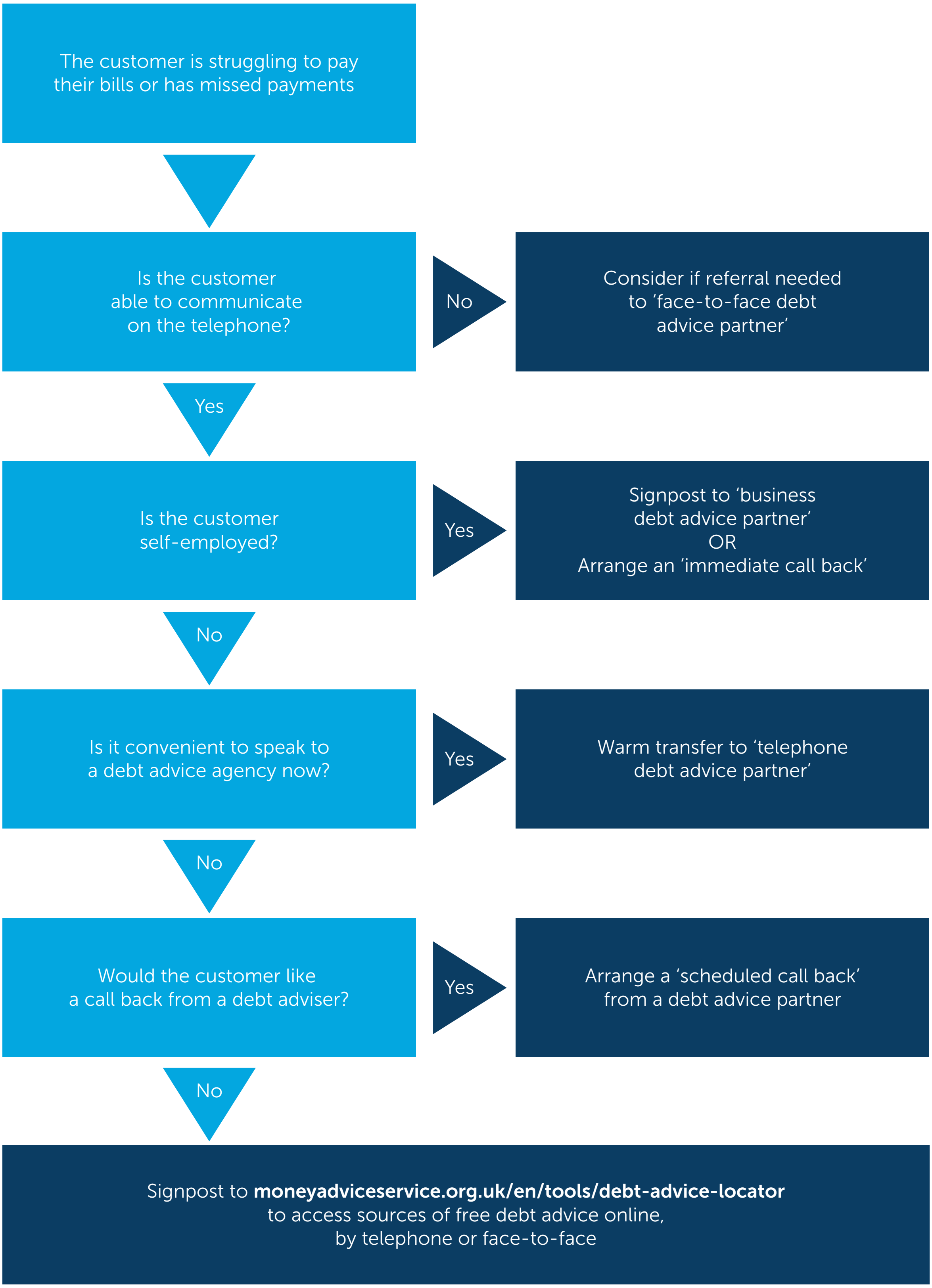
To support the embedding of referral strategies, Business Debtline advisers have:

- Visited creditor contact centres, listened to calls and supported call guidelines including the appropriate referral triggers
- Provided awareness training to front line collections agents
- Arranged for Business Debtline desk-drop materials for Collections contact centre agents

Using this segmented referral approach ensures that creditor customers are referred to the relevant advice first time. In some case's Business Debtline have become the primary referral partner for large creditor departments that specifically support self-employed or Buy-to-Let customers.

businessdebtline.org/

Figure 4 – Creditor debt advice referral strategy (telephone)



The 2014 Financial Conduct Authority *'Thematic review – Mortgage lenders arrears management and forbearance'*[6] refers to a best practice example of how mortgage lenders have worked in partnership with debt advice agencies to support secured arrears repayments. Debt advice agencies such as PayPlan and StepChange Debt Charity has these types of partnership in place which also provides the benefit of creditor referral reporting – subject to customer consent.

The following case study describes the Payplan offering to creditors.

Case study – PayPlan

How debt advice supports creditor arrears repayments

Many priority and non-priority creditors are using PayPlan s debt advice referral process.

The PayPlan referral process is different as referring creditors are asked to provide a small amount of customer data   subject to verbal customer consent.

The information requested is:

- Collections agent's name
- Customer s name
- Details of any repayment arrangement towards priority arrears

PayPlan recognise that creditors have an obligation to oversee the journey of customers that are referred to debt advice. Therefore, the data is used to provide creditors with feedback on debt advice appointment outcomes and to provide updates throughout a customer s debt advice journey.

PayPlan provide several referral options to support customers including:

1. Warm transfer by telephone
2. Online web form   creditor collections agents can request a PayPlan call back on behalf of customer
3. Signposting customers to PayPlan s website where a customer can self-request a call back themselves
4. PayPlan provide referral training to creditors free of charge.

Creditor benefits

Priority-debt payment arrangements are accurately included in a client's financial statement.

PayPlan provide reporting on the outcome of referrals. Information provided can include

- Volumes of referrals
- Referring collections agent
- Mortgage details
- Progress of case
- Debt advice appointment outcome
- Client attributes and demographics

FCA View

A mortgage lender s referral process was highlighted as good practice by the Financial Conduct Authority (FCA) in their 2014 thematic review into Mortgage lenders arrears management and forbearance.

Firms that made it easy for customers to obtain early money advice saw better outcomes.

One lender had piloted a hot key system which allowed agents to transfer borrowers directly to a third party debt advice agency. The advice was independent and free of charge to the borrower. Because of these referrals, some borrowers prioritised their essential outgoings against non-essential expenditure. **The lender experienced up to a 50% increase in payments received, resulting in reduced levels of arrears and improved outcomes for both borrowers and the firm.**

6 FCA – Thematic review into mortgage lenders https://www.fca.org.uk/publications/thematic-reviews/tr14-3- thematic-review-mortgage-lenders%E2%80%99-arrears-management-and

- **If the customer accepts a warm transfer to a debt advice agency. hold debt collection or enforcement activity on for a minimum of 60 days.** This will allow the customer time and space to seek advice on their whole debt situation. This period is commonly known as informal 'breathing space'. (In 2021 the UK Government will introduce a new statutory Breathing Space scheme)
- **Follow up on the debt advice referral.** For example, by engaging with the customer at 14, 30, 60 & 90 days to understand if the customer is still engaged with independent debt advice. Alternatively, negotiate referral reporting with a debt advice agency. The objective is to understand whether the customer requires further support or whether it is appropriate to resume debt collection activity.
- Embed a Debt Advice Referral Strategy within the debt collection Quality Assurance process. We would recommend following the process set out in Figure 4 above.

Creditor letters and signposting to debt advice

- **Signpost early to sources of debt advice** – In addition to debt collection letters consider referencing in response to other potential triggers such as unauthorised overdraft use, direct debit fails or communications supporting life events such as bereavement, divorce and separation or redundancy.
- **Contact centre staff should be familiar with all collections letters and be familiar with debt advice agencies that are referenced. This ensures that telephone and letter messages are consistent.**
- **Creditor marketing and collections functions should work together.** This is to ensure that customer messaging via collections letters, text messages and emails complement each other with consistent signposting to external debt advice agencies.
- **Consider a partnership communications approach with an external debt advice provider.** Take a joint approach – debt advice agencies are experienced at promoting their supportive services and may be able to help with appropriate language. Some creditors have achieved success by targeting groups of customers that are difficult to engage with. The customer 'call to action' could vary depending on the objective of the campaign. The customer may be given the option of contacting the creditor or perhaps the debt advice agency if they are more comfortable.
- **The body of collections letters should not endorse signposting to more than two debt advice agencies.** Too much choice may create anxiety and risk, disengaging the customer from the advice they need. Instead, signpost to a debt advice referral partner AND the Money and Pensions Service Debt Advice Locator Tool www.moneyadviceservice.org.uk/en/tools/debt-advice-locator
- **Ensure collections letters signpost to a debt advice agency in the correct nation.** Avoid signposting Scottish or Northern Irish customers to debt advice agencies in England and Wales, when there are distinct differences in debt collection litigation and statutory debt solutions.

When customers visit creditor premises

- **Train sales or retail staff to spot the signs of problem debts.** StepChange Debt Charity's six indicators of financial difficulty are a useful tool as shown below in Figure 5. We accept that creditors have two options in this this scenario.

1. Sales staff can signpost customers to moneyadviceservice.org.uk/debt-advice-locator or the Money and Pensions Service helpline on 0800 138 7777. The MAPS helpline will direct the customer to a suitable debt advice agency. It is a good idea to produce an internal leaflet with this information.
2. Or, some creditors may prefer to train sales or retail staff to refer customers to the creditor's own specialist financial difficulties team in the first instance, who would discuss forbearance options before referring the customer to debt advice.

Figure 5 – The six indicators of financial difficulty[7]

The six indicators of financial difficulty
1 Making minimum repayments on credit commitments for three months or more
2 Falling behind on essential bills
3 Using credit to pay essential bills
4 Using credit to keep up with credit commitments
5 Using credit to get through to payday
6 Getting hit with overdraft or late payment charges on a regular basis
Life on the Edge (2013) and The New Normal (2015) – both by StepChange Debt Charity StepChange Debt Charity define people reporting three or more of these indicators as being in severe financial difficulty. Those reporting one or two are considered to be in moderate financial difficulty.

- **Offer a telephone transfer to a debt advice referral partner – offer a private room on site.** Some customers may visit a creditors office and report problems making payment. Some creditors (such as local authorities or housing associations) may first refer to internal sources of debt advice. However, some customers may prefer to engage with external sources of debt advice. Where this occurs, it is good practice to offer a telephone referral to a trusted debt advice partner. A private room should be allocated in the creditor offices where the creditor can introduce the customer to a debt advice provider. The Hyde Group, the housing association, describes such a process in the case study below.

7 StepChange Debt Charity. Life on the edge and The new normal
stepchange.org/policy-and-research/life-on-the-edge.aspx
stepchange.org/policy-and-research/the-new-normal.aspx

Case study – The Hyde Group

How residents that visit in person are supported with debt advice

The Hyde Group have an internal team of specialist advisors offering money & debt and welfare benefit advice; employment support, and health advocacy services to its 100,000 residents. This holistic service uses behavioural economics and nudge principles to maximise engagement and deliver long-term tenancy sustainment outcomes.

From April 2019 to March 2020 they supported in excess of 2,000 residents at risk of homelessness and achieved rental cost gains in excess of £3M through reducing rent arrears, securing benefit payments and securing sustainable arrears repayment agreements, as well as additional financial outcomes for residents of £1M.

On average an eviction costs Hyde between £8 10k and in the above period they estimate to have prevented in the region of 100 evictions, allowing residents to remain in their homes. This has a wider impact on public services such as social care, homelessness provision and health services.

Advisers are highly trained, and the teams' debt advisors are certified by the Institute of Money Advisers and offer a full range of solutions in line with recommended practice. Hyde have a limited authorisation with the Financial Conduct Authority.

Sometimes residents prefer advice from someone that is not their housing provider which is why they also work in partnership with other debt advice agencies such as StepChange and Debt Free London. Hyde have a direct referral process in place with both partners to support residents that are experiencing debt problems. Hyde also refer clients to these partners where they have identified that a Debt Relief Order is a possible solution. Hyde receive regular feedback from their partners, and keep in touch with residents they refer over time this allows them to respond to other needs that emerge as the residents progress through the advice process.

Doorstep collection, enforcement agents and home visits.

- **The customer should be provided with a leaflet signposting to the Money and Pensions Service debt locator and helpline.** moneyadviceservice.org.uk/debt-advice-locator or the Money and Pensions Service helpline on 0800 138 7777. The MAPS helpline will direct the customer to a suitable debt advice agency.

Creditor websites and signposting to debt advice

- If customers are up-to date with payments make clear whether they are likely to benefit from debt advice or whether money guidance/ budgeting support would be a better starting point. In figures 6 below, we suggest some potential messaging for creditor websites:

Figure 6

At [INSERT CREDITOR NAME], we are committed to supporting our customers who are experiencing money worries including the additional impact of coronavirus.

If your finances have been affected by coronavirus but you are up to date with bills and credit commitments, you may wish to consider accessing moneyadviceservice.org.uk/money-navigator-tool to better understand your personal money situation.

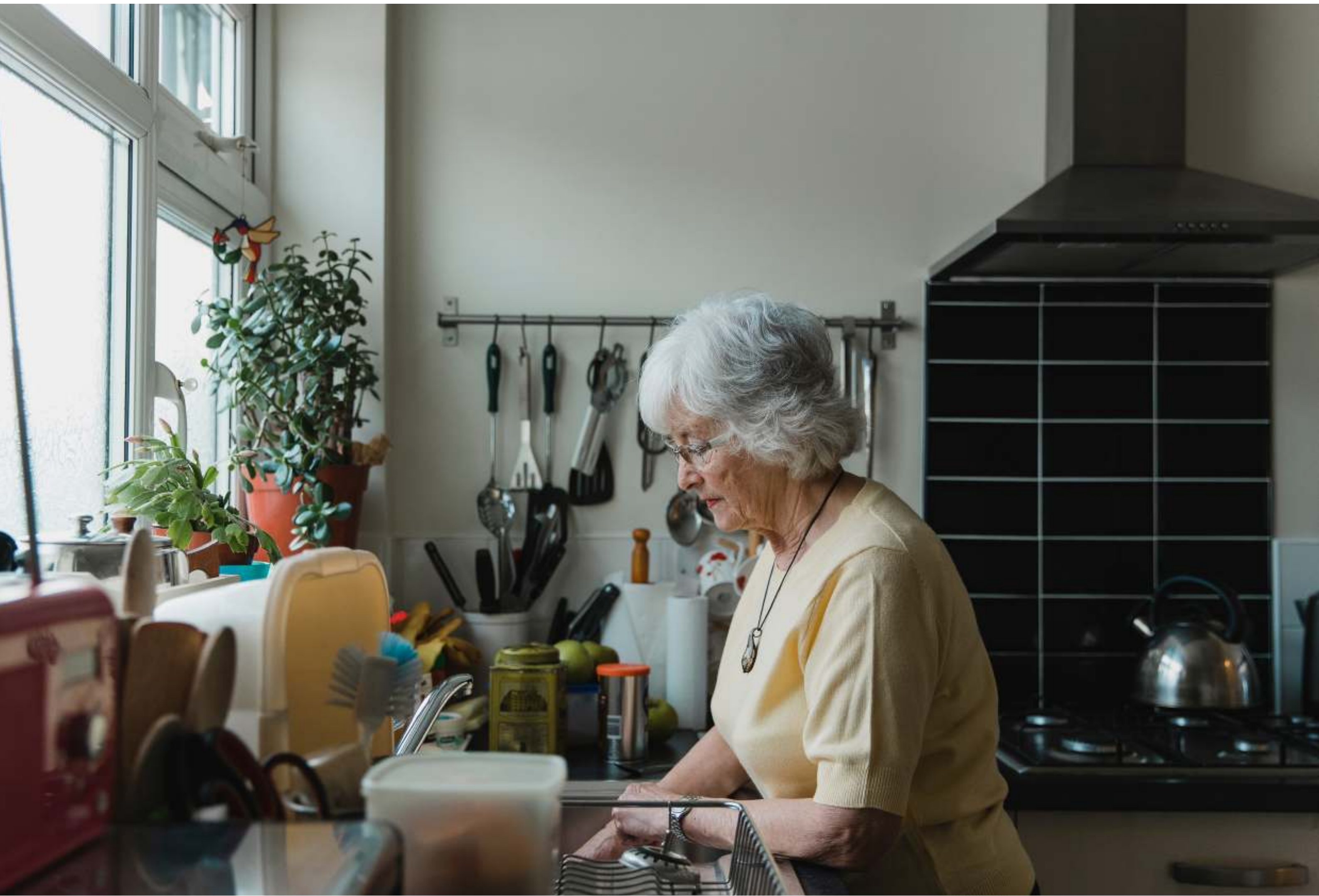
However, if you are worried about debt or have missed payments, there is also free and independent debt advice available. We have partnered with (INSERT NAME OF DEBT ADVICE REFERRAL PARTNER)who offer free support online or by telephone.

If you would like to speak to The Money Adviser Network please follow this link to provide your contact details in confidence so you can be connected with a qualified and regulated money adviser.

- **Financial difficulties support information should be easy to find.** It should be prominent and navigable from the website 'home page' and not lost in 'product sales information'.
- **Consider timed 'pop up' messages referring to websites or webchat services of debt advice agencies.** These can be timed to appear if customers hesitate on financial difficulties information.
- **Track the volumes of customers that exit creditor websites via links to websites of debt advice agencies.** Discuss volumes and trends with your debt advice partner and look for opportunities to improve on the wording and language used.
- **Signpost customers to free online debt advice services.** StepChange[8] and National Debtline[9] both host good examples of online debt advice tools that allow customers to 'self-help' by guiding customers through the completion of a budget, and provide advice on income maximisation, household spending habits and debt. Each tool is complimented by telephone, webchat or e-mail support if required.
- **Provide links to the webchat services of debt advice referral partners.** Many customers expect to communicate with their product and services providers by webchat and this can often be a way of engaging with vulnerable or hard to reach customers.

In the following case study, Lloyds Bank, describe what we consider to be a good practice approach to helping customers to access external sources of debt advice via a creditor's website:

8 https://start.stepchange.org/#/
9 https://tools.nationaldebtline.org/dat-reg



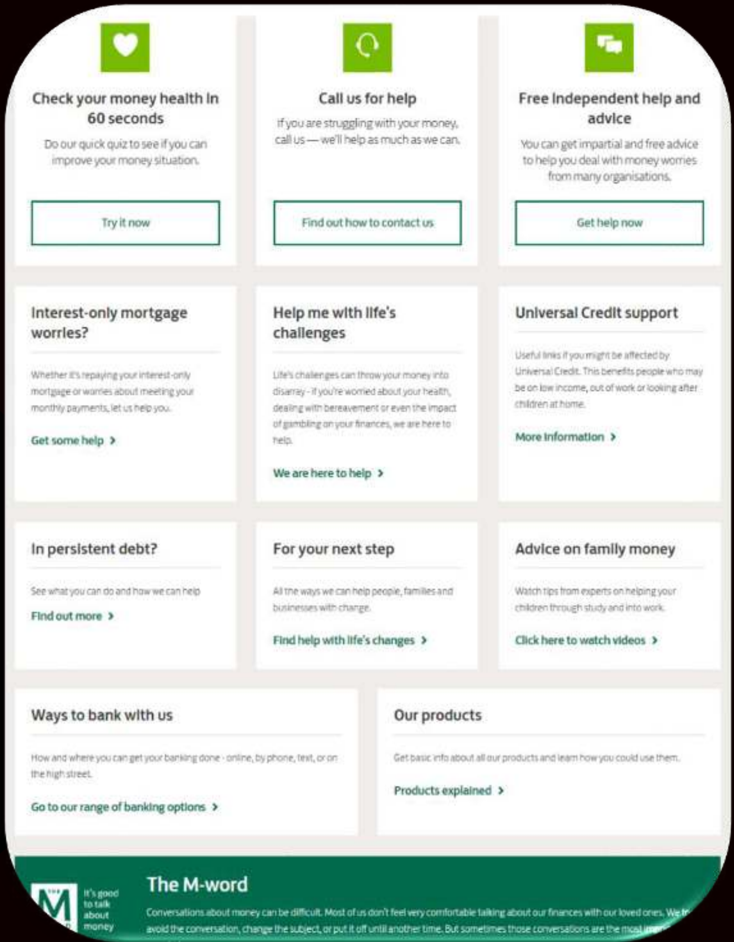
Money Worries

At LBG, we support our customers experiencing financial difficulty through a range of channels including over the phone, face-to-face in one of our branches, or online via our **Money Worries** webpage. We recognise the stigma associated with seeking debt advice and so Money Worries is a self-service tool designed to provide our customers with quick and useful advice if they are concerned about their money situation. These public web pages are available across our Lloyds, Halifax and Bank of Scotland brands.

Our research found that…

- Those in financial difficulty are worried about their situation but don't always know where to get help
- Customers want information which is simple and easy to understand so they can self-serve
- Customers want access to help without having to call or sign into Online Banking
- Many customers look for help online

Signposting to 3rd party support



Money Worries has had over **1 million** visitors since August 2018.

Visits have increased significantly since the COVID-19 outbreak as customers seek quick and accessible advice and support.

Money Health Check

Our Money Health Check is a series of 6 quick questions, providing customers with:

- ✓ **A picture of their finances**
- ✓ **Tips on how to save cash**
- ✓ **Help to get on top of their debts**

Upon completion, customers are signposted to a range of self-service tools such as: a benefit calculator, utilities comparison and credit rating check

26% of all visitors to Money Worries complete a Money Health Check

Introducing the Money Adviser Network (MaPS PACE Project)

What is the Money Adviser Network?

The Money Adviser Network (MAN) is a free government sponsored partnership opportunity for creditors in the public and private sector. The MAN is a technology focused pilot which simplifies how creditors refer customers in financial difficulty to free regulated debt advice.

The first phase of the MAN is now testing three key innovations:

1. Virtual Contact Centre VCC): To improve the customer journey by providing a single point of entry to a panel of debt advice agencies. The VCC directs customers to an agency with capacity to help immediately or, in busier periods, an overflow Money and Pensions Service agent.
2. Open Data Proposition: Utilising credit reference and open banking data to improve validation of household expenditure when completing the Standard Financial Statement (SFS). This should enable the debt advice process to be expedited meaning that creditors receive expedited offers and may increase the number of customers that move forward with debt repayment solutions.
3. Improved Creditor Feedback: To provide creditor referral partners with key updates on customer progress throughout the debt advice journey that will help inform creditor debt collection strategies.

What if a creditor has an existing debt advice referral strategy or a local funding arrangement?

The MAN has been designed as a pilot in partnership with creditors and with three leading debt charities to be compliment any existing referral arrangements with local or national debt advice agencies. Demand for local debt advice usually exceeds supply, so the MAN VCC can provide additional debt advice capacity for creditors allowing local services to concentrate on those most in need of face to face support. We are supportive of local advice funding and are working with debt advice membership bodies to maintain local funding arrangements.

The Proposition

- A new virtual contact centre (VCC) which provides a single point of entry for creditor referrals to a panel of debt advice agencies
- Customers can opt for an immediate call back, scheduled call back or be referred to an online debt advice tool
- Live creditor referral partners can add a link their websites, so customers can ‘self-refer’
- Open banking and CRA technology to help pilot debt advisers quickly and accurately complete the Standard Financial Statement (and validation of financial statements for creditors)
- Creditor feedback on post referral activity that will help inform better collections strategies

Firms interested in becoming a referral partner for the MAN should contact kevin.shaw@maps.org.uk.

MaPS also welcomes prospective partnerships with suppliers of creditor debt collection services.

‘Creditor Oversight’ of referral partners – what is reasonable

'Creditor Oversight' of referral partners – what is reasonable

Creditors have an obligation to ensure that customers are provided with access to high-quality debt advice where appropriate, but they also have an obligation to ensure the customer reaches the right outcomes, particularly when a warm transfer is endorsed to a specific debt advice agency.

Whilst the pandemic will limit how creditors can engage, it is still advised that creditors do engage with advice agencies through other digital platforms such as Microsoft Teams or Zoom. To support creditor obligations, most debt advice agencies tend to operate an 'open door' policy with creditors to share details of how they support customers. However, debt advice agencies have told us that volumes of creditor visits were becoming problematic, jeopardised the impartiality of the agency and were basically 'pseudo audits'. Debt advice agencies are usually charity organisations and understandably want to avoid the cost implications of being treated as a creditor supplier.

We asked creditors, debt advice agencies and others to debate how creditors can reasonably oversee their customer's referrals to debt advice partners. The following is thought to be good practice.

- **Appoint a dedicated person to directly manage the relationship with debt advice agencies.** A nominated person with appropriate influence and authority should hold regular review meetings with the debt advice agency's 'Creditor Relationship Manager'. Use this meeting to discuss referral volumes, outcomes and opportunities to work in partnership to support specific cohorts of customers in financial difficulty. The debt advice agency can also provide the creditor with feedback on what difficulties customers are experiencing in dealing with the creditor.
- **Negotiate regular reporting on the outcome of debt advice referrals.** Debt advice agencies have no obligation to provide reporting, but may be willing to do so if the creditor can demonstrate that the information will be used to support the customer. For example, the creditor could use outcome reports to apply 'breathing space' from collections activity or identify internal forbearance solutions for the customer. This feedback can also help inform how creditors re-engage with customers who may disengage with advice.
- **Meet with the debt advice agency reasonably regularly.** Hold your regular review meeting, but also take the opportunity to listen to debt counselling calls or observe face-to-face appointments (when able to do so). Use this as a learning opportunity to understand customer behaviour during times of financial difficulty.
- **Avoid performance managing your debt advice referral partner as you would a supplier.** Partnership meetings are not audits. But do use visits to gain assurance about use of the household spending guidelines, compliance with data protection legislation, identification and treatment of customer vulnerability, and the identification and treatment of other extraordinary customer circumstances.
- **Hold 'call calibration' sessions.** Do this with main referral partners to review a full end-to-end customer journey. The agency and creditor should listen to calls together and discuss learnings.
- **Consider doing sample audits of payment proposals received from referral partners.** Assess whether payment proposals are in line with the spending guidelines of the Standard Financial Statement (SFS).
- **Agree a Memorandum of Understanding (MOU) with your debt advice referral partners.** It is worth the effort of drafting an MOU to outline what creditor and debt advice agency expect from the relationship. Example of contents of an MOU include referral processes, conduct during third-party visits (when able to do so), and escalation points.

Engagement and Partnerships

Engagement and Partnerships

Most creditors have a day-to-day relationship with debt agencies. Much of the relationship is administrative and may involve payment proposals, payment disbursements, web portals, and debt sales.

There can also be escalations from either party regarding customer treatment.

Creditors should have a dedicated team, or person responsible for managing engagement with the debt advice sector. We recognise that smaller creditors may incorporate liaising with the debt advice sector into part of an operational manager's day-to-day duties.

Many creditors are more pro-active, take a more targeted approach and work in partnership with debt advice agencies to develop innovations to support cohorts of customers with specific advice needs.

Some creditors are more visible externally than others and get involved in debt advice industry events, or cross-sector working groups seeking to resolve issues affecting the experience of their customers.

What is good collaboration with the debt advice sector?

We facilitated a cross-sector workshop on how creditors can effectively engage with the debt advice sector. Many participants said those creditors that are visible at debt advice industry events are usually those that have senior support within their organisation. This usually means that the creditor recognises two things:

1. The creditor has an obligation to work with external debt advice agencies to provide impartial advice to customers in financial hardship.
2. There is also value to the creditor in debt advice support – particularly around sustainable arrears repayments and increased customer engagement.

Debt advice industry events

There are several key debt advice industry events which creditors can attend which may create positive engagement with debt advice agencies – and network with other creditors that have established partnership strategies in place.

As well as attending the conferences, some creditors host an exhibition stand. Exhibiting provides an opportunity for creditors to promote internal work that may better support their customers. Creditors tell us these are useful events to gather feedback directly from debt advisers that may have helped their customers.

We suggest creditors start by considering the following events:

- The Institute of Money Advisers (IMA)[10] Annual Conference –The IMA is a professional body that acts for money advisers in England, Wales and Northern Ireland
- Money Advice Scotland[11] Annual Conference – Money Advice Scotland is an umbrella organisation which promotes the benefit of money advice and financial inclusion in Scotland
- Advice UK[12] Annual Conference – Advice UK is the UK's largest support network for independent advice services

The Money Advice Liaison Group (MALG)

The Money Advice Liaison Group, known as MALG, is a not-for-profit UK membership organisation whose purpose is to galvanise organisations to work together to improve the lives of people in problem debt.

Through its national and regional member meetings and conferences, it aims to challenge members to do things differently, bringing new perspectives from different sectors. MALG membership includes representatives from a diverse range of public, private and third sector organisations, all with an interest in matters relating to personal debt.

Creditors can find their closest regional meeting and details of MALG annual conference via malg.org.uk/.

The role of the Debt Advice Liaison Manager (or team)

Debt advice agencies have told us that a clear and obvious point of contact at each creditor is important. This works best when the point of contact is a dedicated role with authority and influence to not only manage relationships with the debt advice sector, but also can deliver change in relation to client impacting policies within the organisation. This can be at strategic level but also with front-line collections agents – they can benefit from communication on causes of financial difficulty and sources of external support.

Again, we accept that smaller creditors may not have a dedicated Debt Advice Liaison Manager and best practice described can be delivered proportionately within the organisation.

10 i-m-a.org.uk/
11 moneyadvicescotland.org.uk
12 adviceuk.org.uk

Transparency should be two ways: there should be an open-door policy between creditor and debt advice agency and this should involve mutual visits. Creditors should be open to feedback from debt advice agencies and use this to inform fair and ethical debt collection strategies. In the table below we have documented what we believe to be a good debt advice engagement strategy.

Figure 6 – The debt advice engagement strategy – eight steps to good practice

The debt advice engagement strategy – eight steps to good practice
1 **Debt Advice Liaison Manager / Team should have a senior sponsor (ideally at board level) within the organisation who can influence changes needed to support people in financial difficulty, which may involve partnerships with the debt advice sector.**
2 **Implement a defined external engagement strategy** with the debt advice sector. Build a reputation as a creditor that wants to engage with debt advice agencies when that supports your customers. Do this by meeting regularly with debt advice referral partners and by attending and participating in industry events.
3 **Have an internal engagement strategy** – place importance on updating front-line collections agents on the causes of over-indebtedness, indicators of financial difficulty and sources of external support. Monitor referral volumes with senior operational colleagues to ensure the appropriate arrears customers are given access to impartial debt advice.
4 **Be an escalation point for debt advice agencies** to raise issues and trends affecting their clients/ your customers.
5 **Act as a conduit between the creditor's internal operation and the debt advice sector** – there are many administrative interfaces such as customer feedback, reporting mechanisms, payment disbursements, and funding queries.
6 **Facilitate an open-door policy to the debt advice sector** – encourage debt advice agencies to visit you and understand the challenges creditors face. Welcome feedback and use this to shape processes and policies.
7 **Manage oversight of debt advice referral partners** – on behalf of the creditor organisation, oversee that referred customers receive fair and appropriate outcomes from debt counselling appointments. Visit debt advice agencies to understand the support customers receive post referral. Share outcome Management Information (MI).
8 **Be the creditor's subject matter expert on the debt advice industry** – necessary for responding to industry consultations or identifying legislative or regulatory changes that impact on the creditor. Evaluate partnership opportunities with debt advice agencies – identify ways for a targeted approach with customers that may need specialist advice and present internal propositions which could deliver customer and creditor value.

Taking a targeted approach to partnership working

Taking a targeted approach to partnership working

Once creditors have implemented good practice strategies for affordability, debt advice referrals and engagement strategies, they should consider whether a more segmented approach is appropriate for customers that require specialised support.

Many creditors already take this approach and this chapter discusses only some of the options that may be available for innovative partnership working with debt advice agencies.

Income Maximisation

The charity Turn2us report that £10billion of welfare benefits and tax credits go unclaimed each year.[13] Therefore, debt advice agencies provide advice on welfare entitlement or 'income maximisation' as part of the debt counselling process.

There are also debt advisers and entire organisations that specialise in welfare support and this type of advocacy can often go beyond the support available from debt advice agencies. Some creditors in financial services and utilities have recognised that partnering with specialised income maximisation organisations can help customers to improve their financial resilience and complement their debt advice referral strategies. Therefore, they have taken the opportunity to refer customers that struggle with the complexity of the welfare system.

The cohorts of customer that commonly benefit from this type of support can be vulnerable customers that do not understand the welfare system. Or perhaps the disabled, retired or those experiencing a money life event such as separation or a bereavement.

Income maximisation organisations can offer specialist case ownership support and if appropriate, advocacy with government bodies such as DWP, HM Revenue & Customs or the Pensions Advisory Service.

Creditors benefit from income maximisation support as customers that find uplifts in income can be more resilient in maintaining arrears repayments.

13 turn2us.org.uk/About-Us/News/News-Review

In the following case study, IncomeMAX, a telephone based Community Interest Company (CIC), describe their partnership approach with a range of creditors:

Case study – IncomeMax

Case study on a community interest company approach to income maximisation support for vulnerable & low income households.

IncomeMax are an award winning social enterprise who work in partnership with a range of creditors to provide telephone-based, personal and human-centred welfare and benefits advice to vulnerable and low income customers.

Established in 2009, IncomeMax help around **15, 000 families** each year to establish missing sources of income and financial support.

To manage referral and capacity, IncomeMax have developed a partner network, so that targeted customer referrals can be made into specific projects.

The referral process is simple. The partner creditor identifies appropriate customer's that may benefit from support and IncomeMax will provide a call back – subject to customer consent. Customer engagement is high **70%** of referred customers accept support.

The income maximisation service is tailored to each family but follows a broadly similar process.

Firstly, IncomeMax agents undertake a full financial assessment with each referred customer, establishing the current financial situation and circumstances in each case.

Secondly, the IncomeMax agent identifies potential sources of new income; these can include new benefits, additional elements within existing benefits and charitable grants as well as ways to reduce key household bills like energy and water.

Finally, IncomeMax provide support and advocacy to customers to ensure extra income is realised. This can include making phone calls with customers, writing letters or completing forms.

Outcomes for IncomeMax customers include increased income and reduced household bills.

IncomeMax customer feedback shows that customers receiving income maximisation advice feel supported, relieved and generally better about their financial situation afterwards, especially if new income sources help with debt repayments.

The structure of the welfare system means that it is possible to segment the types of customers that can benefit from specialist income maximisation support. Appropriate customer cohorts may include disabled people, single parents, pensioners and carers. Life events, such as divorce and separation, having ababy or becoming sick also act as key indicators for referral to specialist income maximisation support

What IncomeMax customers say;

"It was invaluable help for me as I have problems filling outforms. The three-way call with the Jobcentre was so helpful and really took the stress out of trying to understand the benefits system."

Additional income confirmed for IncomeMax customers since 2009 now stands at £24 million pounds.

To join their referral partners visit www.incomemax.org.uk and learn more by watching their 10 year video https://youtu.be/xV9iG5X2vTs

Helping customers access charitable funds and grants

Charitable funds are run by organisations that provide grants to people in financial difficulty. These type of Charitable funds only provide grants to people who meet their eligibility criteria, using a sum of money that the organisation has set aside for this purpose.

The funds are provided by organisations (including creditors such as energy and water companies) that have grant giving as part of their aims and objectives.

Each charitable fund eligibility criteria is different, but there are some commonalities such as:

- Specific health conditions or disabilities
- Jobs or industries that an individual works or was previously working
- Older people or families with children or young people
- Nationalities or faiths
- Aimed at specific regions in the UK
- Low incomes

In certain circumstances, charitable grants can be awarded to people with arrears or debt problems. The following case study describes a partnership that the energy company Scottish Power have with the debt advice agency National Debtline (NDL). The partnership supports Scottish Power arrears customers to access independent debt advice and helps eligible customers to access the 'Scottish Power Hardship Fund'.

Case study – Scottish Power

Scottish Power work in partnership with National Debtline to provide support for customers who struggle to pay their electricity or gas bills.

Scottish Power train their staff to recognise signs of financial difficulty, such as the loss of a job or benefits, or increased expenses due to illness or disability. Their collections team will attempt to resolve the issue before the customer s arrears increase beyond their control, but also signpost customers to National Debtline. Scottish Power explain to customers that National Debtline can provide an income and expenditure check, help with budgeting for their on-going energy use and other bills, and advise on their overall debt situation.

National Debtline also have a bespoke process with Scottish Power to specifically support their customers. Following a referral, National Debtline will assess whether the customer is eligible for the Scottish Power Hardship Fund and provide details of how to apply to the independent fund administrator. This helps many customers with little or no surplus income to get the fresh start they need.

Those customers who don't qualify for the hardship fund are referred to the Scottish Power Payment Care Team to set up an affordable payment plan, based on the Income and Expenditure statement completed with National Debtline.

Scottish Power refer an average of **115** customers to National Debtline on a weekly basis. Of those:

- 50% of those engage with National Debtline and seek debt advice
- 30% of those that engage with National Debtline go on to make an application to the hardship fund

The lady I spoke to at National Debtline listened attentively to my problem with Scottish Power. She then gave me advice on how to approach them [ScottishPower] and how to say what I wanted to say. In fact, there was a sample letter in the pack of debt advice she sent me. Due to following her advice, I had a call from Scottish Power saying they were going to forgive the debt.

National Debtline client feedback

Customers with interest-only mortgages

In 2013 the Financial Conduct Authority (FCA) published its findings from its review into interest-only mortgages.[14]

The report states that 90% of all interest-only borrowers have a repayment strategy in place. However, just under half of all interest-only borrowers are modelled as likely to face a shortfall. Typically, many of these customers will have high levels of forecast equity in their properties.

For some creditors, further lending may not be appropriate, so they have looked to engage cohorts of customers with impartial debt advice. The following case study describes the targeted approach that Barclays Bank have taken to support customers reaching the end of their interest-only mortgage – in partnership with StepChange Financial Services (part of StepChange Debt Charity).

14 fca.org.uk/news/press-releases/fca-publishes-findings-review-interest-only-mortgages-and-reaches-agreement

Case study – Barclays Bank

Case study on partnership with StepChange Financial Solutions

Barclays Bank PLC has established partnerships with the debt advice sector going back many years. Customers in financial difficulty are referred to sources of impartial debt advice via telephone, letters and the Barclays website.

They have also taken a targeted approach to providing support for cohorts of customers facing quite specific difficulties.

Interest only mortgages

Some Barclays customers have interest-only mortgages that reach the end of the term, without having put a repayment vehicle in place. The mortgage term expires and although they can maintain the regular monthly payments, they are unable to find the funds to repay the outstanding capital balance. Quite often, customers had experienced debt problems which compound the situation and have mitigating circumstances, such as ill health, which means downsizing could be difficult.

For this reason, Barclays have developed a working partnership with StepChange Financial Solutions (part of StepChange Debt Charity) to enable direct referral of interest-only customers for free, independent financial advice. Barclays customer-facing staff are trained to identify potentially eligible customers and how to signpost appropriate customers to StepChange Financial Solutions. With the customer s consent, staff can also warm transfer them to StepChange Financial Solutions.

This approach is complemented by joint Barclays and StepChange Financial Solutions mailing campaigns and an online web page where customers can visit for more information.

Eligible customers have released funds which has enabled them to:

- Clear the mortgage
- Pay off unsecured debts
- Carry out overdue home maintenance or improvements
- Reduce their monthly outgoings
- Create a savings buffer for emergencies.

Specialist 'housing' debt advice

Some creditors are piloting referring cohorts of mortgage arrears customers to a specialist housing debt advice agency when an eviction seems inevitable. The housing debt advice agency will provide the appropriate money management, budgeting and welfare advice support – but can also provide case ownership support on rehousing if homelessness becomes a risk.

For some mortgage customers, it may be appropriate to exit ownership if the loan becomes unaffordable. Therefore, the creditor has chosen to partner with support services which can provide a more controlled exit from the property. The customer is supported with negotiation and advocacy with local authorities and landlords and helped to access emergency housing when appropriate.

This partnership benefits the creditor as it helps maintain customer engagement during the eviction process and the housing debt advice agency will encourage the customer to maintain the property for an effective sale. It is in the best interests of the customer as a higher sale price post repossession can mean a lower residual mortgage shortfall debt. The debt advice agency also supports by providing debt advice on any post repossession mortgage shortfall debt owed by the customer. In this situation, the creditor wants to achieve a sustainable repayment arrangement towards any shortfall debt.

Partner customer engagement strategies

Several creditors in financial services, utilities and local authorities have tested partnerships with debt advice agencies as a strategy to engage 'difficult to reach' cohorts of customers. Usually, there is an indication that customers may be experiencing problem debt with multiple creditors – the objective being to engage the customer with debt advice support, advise on debt prioritisation and potential debt solutions. Participating creditors tend to benefit from this support, particularly if they are a priority creditor. Some simple examples of this are:

- Creditor writes to customer and advises they have been unable to make contact regarding arrears. Creditor advises that the customer will receive a telephone call from an impartial debt advice agency offering support.
- Creditor is unable to generate contact with customer regarding arrears via usual collections letters. Creditor sends another letter, co-branded with a debt advice agency suggesting the customer may instead want to consider debt advice support. This method works best as part of a complementary suite of messages including text messages and website 'landing pages'.
- Creditor provides funding for specialised debt advisers within its premises, to aid effective referrals from collections contact centre. The Royal Bank of Scotland (RBS)/Natwest have shared their partnership approach with Citizens Advice Southend in the case study below.
- Creditor seconds staff into debt advice agency to work together to engage arrears customers.

North Somerset Council have kindly shared their partnership approach with North Somerset Citizens Advice in the case study below.

Case study – NatWest and Citizens Advice Southend

NatWest recognise that customers in vulnerable circumstances sometimes need additional support. Their Debt Management Operation (DMO) manages personal and business banking customers and they have set up dedicated specialised support teams (SST) who provide that extra help for those experiencing financial difficulty.

NatWest have also identified that partnering with other organisations can make a difference. One of those key partnerships is with Citizens Advice Southend. The bank provides support and funding for two Citizens Advice colleagues who are based within the banks DMO premises alongside NatWest staff to provide an independent advice service for vulnerable NatWest customers.

Providing this service has meant that NatWest staff can refer the appropriate customers immediately to dedicated Citizens Advice resource. The bank provides staff with training on how to promote the benefits of engaging with independent advice with Citizens Advice – this increases the likelihood of customers taking up the opportunity.

NatWest recognise that during those financial 'life moments' (such as bereavement, loss of job, divorce or separation) their first interaction will often be with their creditors and the service provides the perfect opportunity to encourage those customers in financial hardship to interact with an independent adviser who may help avert a real crisis. Citizens Advice colleagues work alongside bank colleagues from the Southend office but they take NatWest referral calls privately in a private room ensuring that the conversations remain completely impartial.

NatWest and Citizens Advice staff report that the partnership makes a real difference to customers in financial difficulty and helps to engage them earlier with impartial debt advice.

Customer survey data also supports this with positive feedback and high levels of customer advocacy.

This service also helps people access other advice services such as welfare support, housing advice and other specialist services.

Following the success of this in their DMO operation, in 2020 NatWest and Citizens advice has extended this service to provide support and help to customers from other areas within the bank and bringing together Citizens Advice, Citizens Advice Scotland as well as local Citizens Advice offices.

Case study – North Somerset Council and Citizens Advice

Case study on the 'First Steps' partnership

North Somerset Council have many low income, vulnerable residents who are struggling to pay their Council Tax and debts owed to other creditors.

This why they began a partnership with North Somerset Citizens Advice to engage those in receipt of Council Tax support with impartial debt advice.

The scheme is sponsored by a local councillor.

Under this scheme, the council have sponsored two officers who are based at the offices of Citizens Advice to work in the local communities, building trust at Citizens Advice outreach centres. The council also work with Citizens Advice by making home visits to those receiving Council Tax Support and struggling to pay Council Tax. The objective is to support residents with holistic debt advice and prevent additional charges being added from enforcement activity.

Benefits

Engagement with difficult to reach residents has increased by **66%** and the confidence customers have in the council has undergone a step change. **20%** of these engaged customers are now paying their Council Tax, with **80%** also currently going through the assessment and support service. **These customers had previously disengaged from council attempts to contact them regarding non-payment of Council Tax.** By having officers working in the area and engaging with customers face to face the council have been able to adapt to customers' communication needs and preferences.

They still use letters and emails to make contact but they are presented in a clear and straightforward manner avoiding jargon.

Both organisations have input into the scheme. A data sharing agreement is in place to share relevant casework information. Data is collected to study the health and wellbeing of individuals at the start and during the process.

Anonymous resident case study

Allan F had historic Council Tax debts of approximately £4,500. Allan had become a complete social recluse, not answering the door or phone to anyone if he didn't recognise them. A single parent and primary caregiver for two very young children, he admitted to having suffered severe depressive episodes because of this, and had been on the verge of suicide on several occasions.

By actively seeking out engagement and offering support with his situation, the scheme officers could carry out a full assessment of Allans situation and put a Debt Relief Order (DRO) in place. Allan is now in a stable environment and is stronger mentally. He has now started volunteering with Citizens Advice as he wants to offer the same support that he was given through the scheme.

The MAPS Supportive Creditor Standards

The MAPS Supportive Creditor Standards

To summarise this resource, we have consolidated good practice examples into the below table to illustrate good creditor collaboration with debt advice agencies. In doing so, we use the following definitions:

Below standard

"Where the creditor's debt advice collaboration involves basic signposting to various debt advice agencies.

Debt advice agencies that want to engage must contact the general customer service or debt collection helpline.

The creditor does not recognise payment offers based on the Standard Financial Statement (SFS)"

Good practice standards

"The creditor has a robust strategy in place to effectively route appropriate customers to sources of external debt advice. Telephone transfer processes are in place and referrals are segmented by customer need, such as for the self-employed or the particularly vulnerable.

The creditor supports payment offers from debt advisers based on the SFS . Moreover, the creditor has aligned all internal forms of income and expenditure forms to that of the SFS.

A clear nominated person or team is in place for liaison and escalations on customer treatment from debt advice agencies. A dedicated creditor line is advertised for debt advisers to call."

Exceeding the standards

"The creditor demonstrates that collaboration with the debt advice sector is embedded into their debt collection strategies. A close working relationship is in place to target specific groups of customers/clients for engagement or debt advice support. This should include all forms of customer communication such as telephone, letters, website or face-to- face contact.

The creditor's debt advice engagement strategy is aligned to the "MAPS eight steps to good practice."

Below standard	Good practice standards	Exceeding the standards
	Debt advice referral strategies	
▪ Basic telephone signposting to various debt advice agencies ▪ Basic letter signposting to various debt advice agencies ▪ Website financial difficulty pages have basic signposting to various debt advice agencies	▪ Telephone transfers to debt advice referral partner are embedded. ▪ Customers can 'self-refer' to debt advice via the creditor's website ▪ Bespoke telephone referral process in place for self-employed customers ▪ Bespoke referral process in place to face-to-face debt advice referral partner where appropriate ▪ Arrears letters signpost to debt advice referral partner AND Money and Pensions Service debt advice locator tool ▪ Arrears letters signpost to debt advice agencies in correct nation ▪ Telephone signposting to debt advice referral partner AND Money and Pensions Service debt advice locator tool ▪ Minimum of 60 days 'breathing space' from collections activity applied on debt advice referral ▪ Quality assurance process includes guidance on the appropriate customers to refer to debt advice	▪ Website gives direct access to debt advice webchat ▪ Joint mailing campaigns with debt advice partner ▪ All debt collection suppliers have contractual agreements on telephone and digital referrals ▪ Telephone contact strategies in place follow up debt advice referrals to offer internal forbearance and re-refer where appropriate

Below standard	Good practice standards	Exceeding the standards
	Customer affordability	
- Payment offers based on the Standard Financial Statement (SFS) are processed but customer expenditure is inconsistently challenged - The creditor has its own internal rules on assessing a customer's ability to pay - Collections agents make their own judgements on the customer's ability to pay	- The creditor recognises payment offers that are based on the SFS - The creditor does not challenge household expenditure that is within the SFS spending guidelines - If the creditor is unable to accept the payment offer, a reasonable explanation should be provided to the customer and to the debt adviser - The creditor has aligned all internal income and expenditure processes to that of the SFS	- Creditor front line agent complete the SFS before sharing with an external debt adviser - Debt collection suppliers are obligated to recognise payment offers based on the SFS - The creditor debt collection suppliers are obligated to align all internal income and expenditure to the SFS
	Engagement & Partnerships	
- No clear point of contact for debt advisers. Debt advisers must call usual customer service helpline	- Dedicated line in place for debt advice agencies to call - Dedicated 'debt advice liaison manager' or named operational person available for debt adviser escalations relating to customer treatment	- Memorandum of Understanding (MOU) in place with debt advice agencies covering site visits - Debt advice engagement strategy in place. Aligned to MaPS '7 steps to good practice' - The creditor works strategically with debt advice agencies on partnership initiatives to support specific cohorts of customers with specialist advice

About the Money and Pensions Service (MaPS)

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The MaPS vision is “Everyone making the most of their money and pensions.“

We are an arm’s-length body, sponsored by the Department for Work and Pensions, with a joint commitment to ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. We deliver this across five core functions.

We are funded by levies on both the financial services industry and pension schemes

Our five core functions are:

1. Pension guidance

We provide information to people about workplace and personal pensions. In 2019/20 our trained pensions experts will help 290,000 people with their pensions queries along with expert help on our website at pensionsadvisoryservice.org.uk. We will also support 205,000 people aged 50+ to make decisions on their defined contributions pension pots through our Pension Wise service at pensionwise.gov.uk.

2. Debt advice

MaPS provides people in England with information and advice on debt and is the biggest funder of free debt advice .We work with our delivery partners to support customers to get free and effective advice while driving up the quality of debt advice and providing training and support to advisers on the ground

3. Money guidance

We provide information designed to enhance people’s understanding and knowledge of financial matters and day-to-day money management skills. We provide free, impartial money guidance to millions of people through our website moneyadviceservice.org.uk, our call centre and our webchat service.

4. Consumer protection

We work with government and the Financial Conduct Authority (FCA) to protect consumers against financial scams.We support the efforts of the wider financial services industry to protect consumers and to gather and share actionable insights to help the sector decide where best to prioritise its efforts.

5. Strategy

In 2020 MaPS published its UK Strategy for Financial Wellbeing. The UK Strategy is the ten-year framework which will help achieve the vision of everyone making the most of their money and pensions. MaPS plays a key role in achieving this vision, by supporting and working with a wide range of other organisations and by delivering services where appropriate.

Our approach

To produce this resource, we have taken a collaborative approach by considering the views of a broad range of creditors and debt advice agencies:

- We facilitated three expert workshops in October 2016, December 2016 and January 2017 to capture the views of a diverse group of creditors, debt advice agencies, trade bodies and others. A full list of participating organisations is contained in Appendix A.
- We visited several creditors in financial services, utilities, local authorities, and the social housing sector to capture approaches to debt collection and partnership working with debt advice agencies.
- We held follow-up discussions with participating organisations to document case studies of ways of working that we thought were innovative and demonstrated positive outcomes for creditors and customers in financial hardship.
- We held a workshop with our Debt Advice Operational Group (DAOG) in March 2017
- We held a final workshop in May 2017 with organisations that took part in the 2016 events. This was an opportunity to provide feedback on draft contents of this resource before final publication.
- In November 2020 this resource was rebranded and received a light update to consider recent sector developments.

Appendix

Appendix A

The following organisations participated in workshops facilitated by MAPS, which were designed to debate best practice in how creditors work in collaboration with debt advice agencies:

Barclays Bank HSBC Bank

Nationwide Building Society

Wessex Water

Arrow Global

Credit Services Association (CSA) Computershare Loan Services

Lloyds Banking Group

The Hyde Group

Vanquis Bank

Council of Mortgage Lenders (CML) Atom Bank

StepChange Debt Charity Money Advice Trust

Citizens Advice (England and Wales) Citizens Advice NI

Debt Managers Standards Association (DEMSA) Christians Against Poverty

Payplan

Debt Resolution Forum (DRF) Money Plus Group

Institute of Money Advisers (IMA)

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