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12 January 2018

By email to:  
Gordon Lindhurst MSP  
Convener  
Economy, Jobs and Fair Work Committee  
The Scottish Parliament  
EDINBURGH

Dear Sir,

**Financial Guidance and Claims Bill**

Thank you for your letter of 20 December 2017 to Phil Andrew seeking written evidence on the legislative consent memorandum (LCM) on the Financial Guidance and Claims Bill.

The charity welcomes the opportunity to comment on the LCM and I have been asked to respond. Please find attached the charity's comments for your consideration.

Yours sincerely



Sharon Bell  
Head of StepChange Debt Charity Scotland



# Financial Guidance and Claims Bill

## Background

StepChange Debt Charity Scotland is an independent charity dedicated to overcoming problem debt. We are Scotland's largest provider of specialist telephone and online debt advice, with solutions that are effective, tailored and importantly free. Across the UK, the charity now helps over 600,000 people a year, with more than two million helped since our creation 25 years ago. In 2017 we managed over £4.1 billion worth of debt and helped clients repay almost £350 million to creditors, local authorities and government. Over the past five years we have quadrupled our team of debt advisors in Glasgow; who are dedicated to helping more Scots improve their lives. During 2017 we provided debt advice to nearly 18,000 Scottish clients, almost 20% more than the previous year.

The Financial Guidance and Claims Bill will create a new Single Financial Guidance Body (SFGB) by merging the Money Advice Service, the Pensions Advisory Service and PensionsWise. The objective of this new body is to ensure that members of the public can access good-quality, free-to-client impartial financial guidance, pensions advice and debt advice. We support the provision of free-to-client advice.

## Legislative Consent Motion (LCM)

**Debt advice:** although financial services and markets are reserved, the provision of debt advice is devolved. Whilst the charity supports the LCM, we would ask the Scottish Government to work closely with the debt advice sector in Scotland and to take the local knowledge from the sector to its meetings with the SFGB. Whilst there is a statutory objective on the SFGB to work closely with the Scottish Government, the legislation on its role does not require it to work closely with the debt advice sector or explain how it will come to decisions on how best to provide debt advice.

Scotland has an excellent third sector supporting clients in need of help and advice. We have to be careful that this new body, rather than using the knowledge and skills of an innovative, destroys it. The Scottish Government needs to make it clear in the discussions with the SFGB that the role of the body in debt advice is to identify areas where debt advice is not being provided and then seek to commissioning free-to-client providers to meet this need; working closely with the existing Scottish debt sector.

**Pensions guidance:** As occupational and personal pensions are a reserved matter, we support a consistent UK approach to the advice provision. However, the pension sector has to have an awareness of the different ways of dealing with debt in the different UK

jurisdictions. More and more, people are using their pension freedoms to address their debt problems. This can have major implications now and in future years.

**Money guidance:** As a UK charity, we would support a process that ensures guidance is consistent and of an appropriate quality across the UK. That said the SFGB has to take into consideration local differences and knowledge. The Scottish Government has its own quality standards, the Scottish National Standards, and care must be taken that our investment and individuality are not lost.

It would seem that the powers provided in the legislation require the SFGB to set standards across all of its functions e.g. dictate how all organisation in the information, guidance and advice sectors must operate. This is a huge overreach when considering the functions of the body and represents onerous dual regulation, especially in the debt advice sector where the Financial Conduct Authority (FCA) already authorises organisations. If the respective roles of FCA and SFGB are unclear this will create uncertainty and costs, most notably for regulated charities who might rely on FCA for authorisation and SFGB for funding.

This problem is exacerbated by the mentions of 'enforcement' in the legislation. It is not clear what this means or how it will this translate into Scotland.

In addition, we need to take care that we are not double handing, ie. that organisations and charities in Scotland need to meet the local standards as well as those set by the SFGB. That would be a waste of resources and time which could be better used to help and assist clients.

**Consumer protection:** we support any consumer protection that relates to 'cold calling' and would welcome strengthened powers in this reserved area.

**Strategic financial capability:** As a UK charity, we would support a process that ensures guidance is consistent and of an appropriate quality across the UK. The promotion of occupational and personal pensions or financial services products should be done on a UK wide basis.

**False claims about the provision on information etc.:** As a charity, we support a UK wide provision that protect the public and the integrity of the SFGB from those who might seek to defraud the public by impersonating the body.

**Claims Management Company:** As a UK charity, we would support a UK wide process that protects Scottish citizens from unscrupulous organisations. We have to be careful that we do not create a loop holes which can be detrimental to those living in some jurisdictions compared to others.

## Consultation

With the transfer of the levy funding to the Scottish Government, we welcome the intention to engage with stakeholders, current delivery partners in the debt, money, consumer and wider advice landscape as well as a formal public consultation. Currently, it is unclear how the SFGB will request the resources it needs to adequately discharge its functions and how it will ensure sufficient funds are dedicated for debt advice provision. This is especially crucial given the continuing withdrawal of local authority funds for debt advice across the UK.

The SFGB is silent on what funding will be set aside for devolved administrations and it is not clear how the Scottish Government will ring-fence this funding for debt advice. It is also not clear yet how the SFGB funding will be raised and directed, how spending will be monitored or who will be consulted on the arrangements made.

Therefore we welcome full consultation. It is important to create a coherent and accountable framework for helping people with all their money questions, which is the policy goal behind the single body, and avoid a “postcode lottery” for debt advice.

