

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

Debt Arrangement Scheme (Scotland) Amendment Regulations 2019

SUBMISSION FROM [Jacqueline McDonald, Debt Advice Coordinator, Citizens Advice & Rights Fife]

Citizens Advice & Rights Fife (CARF) broadly welcomes the proposals in the Building a Better Debt Arrangement Scheme Consultation, 2018.

CARF has provided the residents of Fife with the opportunity to apply for The Debt Arrangement Scheme, where appropriate since its inception in 2004.

We initially received a 3 year funding stream from the Scottish Executive to recruit 4 Money Advisers and make DAS DPP applications. Despite this funding ending CARF continued to provide money advice to the residents of Fife making DAS DPP applications, where appropriate.

The introduction of a cap on fees would be welcome to ensure the debtor is able to pay as much of the debt back as possible, however the option of a higher than current fee risks making the scheme less attractive to creditors.

Proposals regarding simplification of the process, reduced need for reviews and deemed consent or automatic approval are also welcome changes to remove some of the administrative burden on the Money Adviser.

The burden on the free money advice sector has been recognised in multiple reports including Money Advice & Pensions Service Publication, Mapping unmet demand for debt advice in the UK, June 2019, which estimates Fife is meeting less than 50% of the demand for money advice in the area. Reinvestment into the sector could not only relieve budgetary constraints and enhance significantly stretched services but allow more debtors to be seen in a shorter timescale while being able to recruit, train and retain Money Advisers.

Despite being a local charity, CARF is consistently second only to the national organisation, Stepchange, in terms of DAS DPP submissions from the free money advice sector.

We would hope that those organisations providing free money advice, but not currently providing the option of DAS DPP applications, would be given the opportunity to discuss why this is the case and, where it is caused by funding constraints consideration be given to reviewing investment opportunities to change the situation.

These proposals have made a significant leap forward in putting the debtor first, reducing unnecessary bureaucracy, continually seeking to improve the scheme in conjunction with the changing debt landscape as well as reducing financial burden on the debtor and free money advice sector. Positivity and support from many stakeholders is clearly detailed in the published responses.

What has been historically underfunded is the ongoing administrative obligations on approved Money Adviser's and the resulting strain on the already overstretched resources.

DAS DPP's can last a significant period of time with debtors returning on a number of occasions either due to changes in circumstances, requiring case review, variations, payment holidays or simply ongoing reassurance and not only for those who are considered vulnerable. The work this generates is not factored in and has had such a noticeable impact of late in this organisation that we are making changes to the data recording in our internal case recording management system to capture the number of returning cases and time spent on them after the initial DAS DPP approval.

CARF also broadly welcome proposals for AIB to act as Payment Distributer as we expect this will reduce bureaucracy and communication between 2 agencies instead of 3, however potential communicative improvements have yet to be experienced as eDEN has only recently become a live site.

While some have expressed concern that the AIB will act as Payment Distributer, we would suggest that many of the clients of the free advice sector would support reinvestment into the very services that had supported them during financial difficulties and a period of extreme stress.

This service has anecdotal case examples where clients have applied for a DAS DPP via a fee charging organisation claiming they were not made aware of the free service available in Fife and requested CARF act as Approved Money Adviser in their case to reduce the fees / term of repayment. There are also cases where the DAS DPP was clearly unaffordable, and Sequestration was a more realistic route for the debtor.

There is no additional financial reward for CARF to take on these cases, our advice is simply holistic and in the interest of the debtors in Fife, however we are firmly in favour of reinvestment into the free money advice sector in order to allow us to extend the support we provide but only where it is not offset against, or instead of, current funding.

Funding to the free money advice sector has not only consistently reduced over recent years but also fails take into account the impact of potential economic changes to the regional workforce and the additional demand that creates. Fife recently suffered the closure of the Tullis Russell paper mill and only this month (June 2019) the notice that Havelock Europa was in liquidation, both creating a bottle neck of new client's seeking support not just for money advice, but also benefits and employment advice.

A transparent and robust proposal detailing charges levied by the AIB as Payment Distributer and how investment will be calculated and paid back to the free Money Advice sector is critical for ongoing stakeholder engagement and support of the proposals.

Generally, the proposals should ensure increased accessibility for the debtor, viability for creditors and sustainability for the Money Advisers.