Consultation Response:

Cabinet Office

Fairness in government debt management: a call for evidence

Response by the Money Advice Trust

Date: September 2020

Contents

Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2019, our National Debtline and Business Debtline advisers provided help to more than 199,400 people by phone and webchat, with 1.97 million visits to our advice websites.

In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2019 we delivered this free training to over 981 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org

Public disclosure

Please note that we consent to public disclosure of this response.

Executive summary

Introduction

In recent years, we have seen debts owed to local and central government organisations become a much more common issue. In 2019, 29% of callers to National Debtline service had council tax arrears[1] up from 15% in 2009. Callers to National Debtline with benefit and tax credit overpayment debts – owed to the Department for Work and Pensions (DWP), local authorities or HM Revenue & Customs (HMRC) – have increased from just 3% of callers in 2010 to 22% in 2019. Other advice agencies report similar trends. Among the people we help through Business Debtline - the majority of whom are sole traders - around 30% owe a tax debt of some kind.[2] The way in which government organisations collect debts and support those who owe money to them is therefore central to the resolution of many people's debt problems.

We welcome this call for evidence, and the focus of the government – led by the Cabinet Office– on improving fairness in government debt collection. We have seen some welcome steps being taken as part of this agenda, including the establishment of the cross-government Fairness Group and the development of Fairness Principles. Similarly, the introduction of the new Breathing Space scheme and forthcoming Statutory Debt Repayment Plans – which include some debts to government – represent an important step in improving the treatment of people seeking to resolve their debts and increasing the options available to people with debts to government.

Issues with current collection practices

However, despite some positive steps, overall, government debt collection practices lag behind best practice in other sectors. We unfortunately still see significant issues whereby poor practice impacts on people in debt's physical and mental health, exacerbates their financial difficulties and makes it harder for them to resolve their debt problem.

> *"They [government organisations] tend not to deal with the person. They only deal with the debt".*
>
> *"There is not the same treating customers fairly approach [with government debt collection] as there is with loan and credit card companies."*
>
> -Quotes taken from responses to Money Advice Trust survey of debt advisers across the free advice sector

---

[1] National Debtline client records, Full year 2019
[2] Business Debtline client records data, Q1 2020 – Tax debt includes income tax, business income tax, corporation tax and capital gains tax

Large majorities of National Debtline clients surveyed who held debts to central and local government organisations report collection activities had a negative impact on their wellbeing: 80% of those who had debts to DWP, 79% to local authorities and 78% to HMRC. 85% reported a negative impact from the actions of bailiffs/enforcement agents, who are often collecting council tax debts.[3]

i) Affordability

As we explore in our response, evidence from people in debt and from advisers shows that principles of affordability, fairness, and support for vulnerable customers are not yet consistently embedded across government debt collection. There is still not widespread adoption of the Standard Financial Statement; people frequently report having their affordable repayment offers turned down and being pushed for higher amounts they cannot afford; and often little flexibility or account of circumstances is shown. Often, a holistic view of someone's financial situation is not undertaken, resulting in competition between government organisations to obtain payments, even where this will be unaffordable for the individual. These experiences can undermine an individual's efforts to resolve their wider financial difficulties.

ii) Communications

Our evidence also suggests there is significant scope to improve communications between government organisations and people in debt, learning from the private sector – where taking a more supportive approach to communications has led to better collection outcomes. Currently, we see many examples of communications that are unclear, confusing or threatening and which leave people feeling anxious, hopeless and unable to see a solution to their situation.

iii) Support for customers in vulnerable circumstances

In terms of identifying and supporting customers in vulnerable circumstances, our research finds that government organisations continue to perform worse than private sector creditors. Among the advisers the Money Advice Trust surveyed for our response to this call for evidence, just 9% said they thought DWP identified and supported vulnerable customers 'well' or 'very well'.[4] For HMRC, the figure was just 12%. Local councils performed better but still only a third (33%) of advisers surveyed said councils identified and supported vulnerable customers 'well' or 'very well'.

If vulnerability is not correctly identified, and appropriate support provided, vulnerable people can end up being subjected to inappropriate collection or enforcement processes. This can exacerbate existing vulnerabilities, such as physical or mental health conditions, and make it harder for people to engage with their creditors or resolve their debt problems.

[3] National Debtline annual impact survey 2020. Percentages relate only to survey respondents who had at least one debt with that particular creditor. Base for each creditor was as follows: HMRC - 107; DWP – 112; Local council – 177; Bailiffs - 109.

[4] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service, Base 406.

Recommendations for change

This response includes the following recommendations.

i) Reforming government debt collection through a Debt Management Bill

Through the call for evidence, and subsequent policy action, the government has an opportunity to transform its approach to debt management and bring it up to standard with other sectors. We would encourage the government to **bring forward a package of reforms, as set out in this response, as part of a Government Debt Management Bill.** This should be done at the earliest possible opportunity.

A Debt Management Bill could combine action to improve policies and practices with changes to existing legislation and regulation, which have so far hampered efforts to improve practice and implement new approaches, not least within local government. In doing so, it would ensure that principles of fairness and affordability are embedded throughout government debt management. There is strong support for such a Bill, and the measures contained within in – including from Parliamentarians - and we hope to see it brought forward at the earliest possible opportunity.

ii) Embedding affordability throughout government debt collection

It is clear from our research, and our experience of supporting people in debt, that action is needed to fully embed principles of fairness and affordability across central and local government organisations. There needs to be greater efforts to properly assess affordability, understand an individual's holistic financial situation and to tailor collection activities to individual circumstances. A revised approach that puts affordability at the centre is likely to result in better collection outcomes for both creditors and people in debt. Specific action on affordability should include:

- All central and local government organisations **adopting the Standard Financial Statement (SFS)** as the means for assessing affordability of debt repayments.
- **Making it easier for people to make affordable arrangements to repay**, and to seek a reconsideration of repayments where these are causing financial hardship.
- Introducing **a single customer view of debt** to enable any government organisation to see all debts owed by an individual both to their and other government organisations, in order to set fair and affordable repayments across all their debts.
- **Piloting and – if successful – rolling out a 'Help to Repay' scheme,** whereby people who keep up with either their ongoing bill payments or a certain level of repayments on their debts receive support in return through 'repayment matching' / equivalent partial write-offs.

- **Reviewing the high rates of deductions** that are currently allowed under Universal Credit, and ensuring deductions are only taken when an SFS budget shows them to be affordable for the individual.

- Bringing the **treatment of historical government debt into line with practice in the private sector** by writing off tax credit overpayments older than three years and implementing new rules that mean people must be told of any benefit overpayments within 12 months of it occurring, or it is waived.

iii) Ensuring fair treatment of vulnerable customers

Identifying and providing support to customers in vulnerable circumstances is a critical area where the government could learn from best practice in other sectors. To improve outcomes for vulnerable people in debt, there needs to be a **consistent approach across government with clear monitoring to ensure that good practice in relation to vulnerability is embedded in all departments**. This should include concerted efforts to:

- Embed the use of the forthcoming cross-government **Vulnerability Toolkit**, developed by the Fairness Group, across central and local government

- **Improve identification** by creating an environment in which customers feel comfortable disclosing their vulnerable circumstances.

- **Empower frontline staff to show increased flexibility** in order to secure positive outcomes for vulnerable customers.

- Ensure vulnerable customers are **offered additional forbearance** – including exempting vulnerable customers for certain collection and enforcement activities, such as bailiff action.

- **Support both frontline staff and senior managers through training and capability building,** to help embed fair treatment of vulnerable customers in the culture of government organisations. Where government organisations fail to do so, there should be clear consequences and dedicated focus on improvements.

- Consider establishing a **cross-government Vulnerability Academy**, modelled on the successful UK Finance / Money Advice Trust Vulnerability Academy for senior vulnerability policy makers in financial services firms.

iv) Improving communications between government organisations and people in debt

Good communications can be key in helping people resolve their debt issues. We would encourage central and local government organisations to review their current approach to communicating with people in debt, with evidence showing that taking a more supportive approach can lead to higher rates of engagement and reduce the negative impact on people’s physical mental and physical health. Government organisations should:

- Consider how they can ensure that their communications with people in debt are always **clear and easily understandable,** and develop more accessible routes through which people can seek clarity on the amount owed.
- Ensure they **offer a range of accessible communication channels** and proactively offer customers the option of how to communicate with them.
- Build awareness **of the help available to people and the options for resolving their debts**,
- We would also like to see clearer and more accessible processes by which people can **complain about government debt collection practices and access effective, independent dispute resolution.** We think there is a strong case for reviving the draft **Public Service Ombudsman** Bill, which could form the basis of a modern, simple complaints mechanism for people to use when they have a complaint against a government department.

v) Meeting existing commitments on the statutory Breathing Space scheme and Statutory Debt Repayment Plans

The introduction of the statutory Breathing Space scheme in 2021 is a welcome step in ensuring that people receive consistent protection from collection and enforcement activity while they seek debt advice. The inclusion of most – although not all – debts to government in the scheme is welcome. Similarly, the proposed introduction of Statutory Debt Repayment Plans has the potential to significantly improve outcomes for people who owe money to government organisations, by offering them a route through which to make affordable repayments to their debts and receive protection from collection and enforcement activity in return. It is vital that progress in delivering these schemes is not lost, and that as many debts to government organisations as possible are included in the schemes. In particular:

- The government must **meet its commitment to include Universal Credit Advances and third party deductions from Universal Credit in the statutory Breathing Space scheme** as soon as possible after its launch in May 2021.
- HM Treasury should **progress with plans for the introduction of Statutory Debt Repayment Plans as soon as possible**, including bringing forward the necessary legislation at the earliest possible opportunity. Given the delay in implementing the scheme, we would expect Universal Credit Advances and third party deductions from Universal Credit to be included from the start, rather than being brought in on a phased basis.
- The government should commission **a broader independent review into the debt solutions available** to consumers – with an aim of ensuring that an appropriate solution exists for every circumstance. The UK’s current debt options framework has evolved in a piecemeal fashion over several decades, and the household debt landscape is changing rapidly (not least due to Covid-

19). Despite recent improvements such as widened Debt Relief Order eligibility criteria and the forthcoming introduction of Statutory Debt Repayment Plans, a full review of debt solutions is needed to ensure that no-one in financial difficulty falls through the gaps of the options available.

vi) Improving fairness in council tax collection

The collection of council tax arrears is one area where affordability concerns are particularly prevalent, especially given the pace at which collection can escalate and move through to enforcement by bailiffs. The Ministry of Housing, Communities and Local Government's commitment to review the current guidance on council tax collection is welcome, however given we have seen only small, incremental change in recent years, it seems clear that the impact of a voluntary approach based on guidance will always be limited.

We would therefore urge the Cabinet Office to work with the Ministry of Housing, Communities and Local Government to move forward with an expanded review which includes changes to the 1992 Council Tax (Administration and Enforcement) Regulations, with the aim of preventing the fast escalation of council tax and ensuring councils have more flexibility to collect debts in an affordable way. In particular, we would encourage the government to make changes to:

- **Stop people becoming liable for their entire annual bill** when they fall behind on instalments
- **Introduce a statutory 'pre-action protocol'** for councils to follow before beginning to enforce council tax debt – including a requirement to set up an affordable repayment plan. This would, in effect, place the Good Practice Guidance for Council Tax collection on a statutory footing.
- **Replace the costly and ineffective liability order process with a more effective consumer safeguard** so councils have more power to collect debt flexibly.
- This should be accompanied by **changes to current metrics around collection targets** and the introduction of **statutory reporting of debt collection methods and outcomes** to incentivise good practice and quicken the pace of improvement.

vii) Addressing the harm caused by bailiff action

Enforcement of debts by bailiffs can be a particularly distressing experience. Local authorities in England and Wales are the largest user of bailiffs (officially known as enforcement agents) – passing 2.6 million debts to them in 2018/19.[5] We have significant concerns that much of the debt passed to bailiffs is held by those unable to

[5] Money Advice Trust Freedom of Information request of 367 local authorities in England and Wales, April 2019. For more information see Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales,* https://www.stoptheknock.org/

pay, who are often in vulnerable circumstances, rather than those wilfully evading payment.

The fee structures and incentives for bailiffs encourage them to push for full payment and to move quickly to the visits stage, rather than working with the individual to resolve their debts. Systemic problems in the market and a lack of independent regulation also mean bailiffs and bailiff firms are regularly breaking the rules and the revised National Standards introduced in 2014.

The government itself has recognised the need for action. In November 2018, the Ministry of Justice launched a call for evidence on bailiffs[6], which closed in February 2019. We would urge the government to seize this opportunity to respond, setting out the steps they will take to:

- **Establish independent regulation of the bailiff industry**, to ensure bailiff firms and individuals follow the rules which govern their behaviour.
- **Put in place a free and independent complaints mechanism** to ensure people can get redress when bailiffs break the rules.

[6] Ministry of Justice (2018) *Review of enforcement agent (bailiff) reforms: call for evidence*

Summary of evidence sources used in this response

Throughout this response, we draw on a wide range of insight and evidence. This is referenced throughout, however for ease we have also summarised the key pieces of Money Advice Trust evidence here.

New advice sector survey on government debt collection

In August 2020, we conducted an online survey of advisers across the advice sector, including through our Wiseradviser training service, to inform our response to the call for evidence. We surveyed our own advisers at National Debtline and Business Debtline, the two advice services run by the Money Advice Trust, as well as advisers and supervisors from other free-to-client debt advice providers, who are registered with the Trust's Wiseradviser service – which provides free training to debt advisers across the UK. We received a total of 413 responses – of which 348 responses were from advisers from external organisations (reached through the Wiseradviser survey) and 65 were advisers from National Debtline and Business Debtline. As the surveys were identical, we have combined the results for the purposes of reporting. Fieldwork was conducted online between 10 August – 2 September 2020. Individual bases for each question are given within the document. Unless otherwise stated, the quotes from debt advisers included in this response are taken from qualitative responses to the survey.

National Debtline and Business Debtline client records data

Our client records contain demographic and debt information for most of the people we help through National Debtline and Business Debtline. Where client record figures are used in this report, they are drawn from the full sample of people who used our services during the specified time period. This enables us to monitor the proportion of clients owing debts to different creditors – including government organisations – and to track this over time.

To inform our response, we also conducted a more detailed analysis of a sample of 356 people helped by National Debtline and 504 people helped by Business Debtline between March – April 2020, for whom we had full income and expenditure data. This enabled us to complete a detailed comparison of the situation of those who had at least one debt to a government organisation against those who had no debts to government organisations. The results of this analysis are referenced throughout and included in full in box 1 and 2 in our answer to question two.

National Debtline and Business Debtline client surveys

Within this response, we draw on findings from surveys of National Debtline and Business Debtline clients.

Each year we survey National Debtline and Business Debtline clients via an online questionnaire to help evaluate our services and to understand more about the longer-term impact of their debt situation on their lives. This includes asking about the impact of different creditors' actions on their wellbeing and the extent to which different creditors offered assistance to help them resolve their debt situation. Our most recent annual impact survey, the results of which are drawn on in this response, was conducted online between 11 December 2019 – 11 February 2020. The National Debtline survey received a total of 674 respondents and the Business Debtline survey received a total of 281 respondents.

Reference is also made within the response to results on businesses' take up of digital technology. This is taken from our Business Debtline online survey which is sent to clients 6 weeks post-contact, primarily to seek views on their experience of the service and outcomes from the advice they were given. Figures are taken from Q1 and Q2 2019 aggregated results, with fieldwork conducted between 11 February – 12 August 2019. Total sample size was 207.

We also conduct ad hoc surveys on particular topics. In 2019, we conducted an online survey of Business Debtline clients to understand more about their experience of HMRC debt collection. The survey was sent to people who had contacted Business Debtline by phone in 2018 and who had at least one debt owed to HMRC (classified as one of the following: Capital gains tax; Corporation tax; Income tax; PAYE; VAT; National Insurance). Fieldwork was conducted between 21 August – 5 September 2019. Total number of respondents was 256.

Freedom of Information Request to Local Authorities in England and Wales

As part of our *Stop The Knock* research series, we have issued Freedom of Information requests on debt collection practices to all local authorities in England and Wales bi-annually since 2015. The most recent Freedom of Information exercise was conducted in April 2019, and related to local authority collection practices in the 2018/19 financial year. 367 authorities (98%) responded to the request (up from 94% in 2017), with seven authorities not responding within the research period, which in all cases was longer than the statutory timeframe of 20 working days. 17 authorities responded only partially, in that they did not provide bailiff use figures for all of the debt types requested. One authority declined to respond. For more information and an interactive map of these results over time, please see https://www.stoptheknock.org/

Further information

For further information on any of the evidence used in this response, or to see further detail of survey results, please contact Grace Brownfield, Public Affairs and Policy Manager, at grace.brownfield@moneyadvicetrust.org.

Responses to individual questions

Scope

Question 1: Please provide details of any debts owed to central and local government organisations you believe should not be considered as part of this call for evidence.

In order to achieve the government's ambition to improve fairness in its debt management, we think **it is essential that all debts owed to central and local government organisations are included within the scope of the call for evidence.** This includes court (and other) fines owed to government organisations. The impact of poor debt collection practices on (often vulnerable) people is the same, regardless of how the debt originated, and it is vital that the principles of fairness and affordability are employed consistently across all government debts.

We recognise there are a range of contexts and types of debt within this scope, and this may mean that the exact way in which principles of fairness and affordability are embedded is different in practice depending on this. We think this is the most appropriate way to deal with a variety of debt types, rather than excluding any entirely. A poor debt management approach on just one of someone's debts can destabilise an individual's financial situation further and make it much harder for them to resolve their debt problem. For these reasons we would not support any debts being excluded from the call for evidence.

Affordability

Question 2: Do you have any concerns about the way affordability is assessed by central and local government organisations agreeing debt repayments?

The strong focus on the need to improve on affordability within the call for evidence is very welcome. Appropriately assessing affordability is key to securing good outcomes for both creditors and people in debt. While in recent years we have seen some limited progress on this within government debt management – such as the introduction of the HMRC Time to Pay service – overall, affordability is an area in which government organisations lag significantly behind best practice.

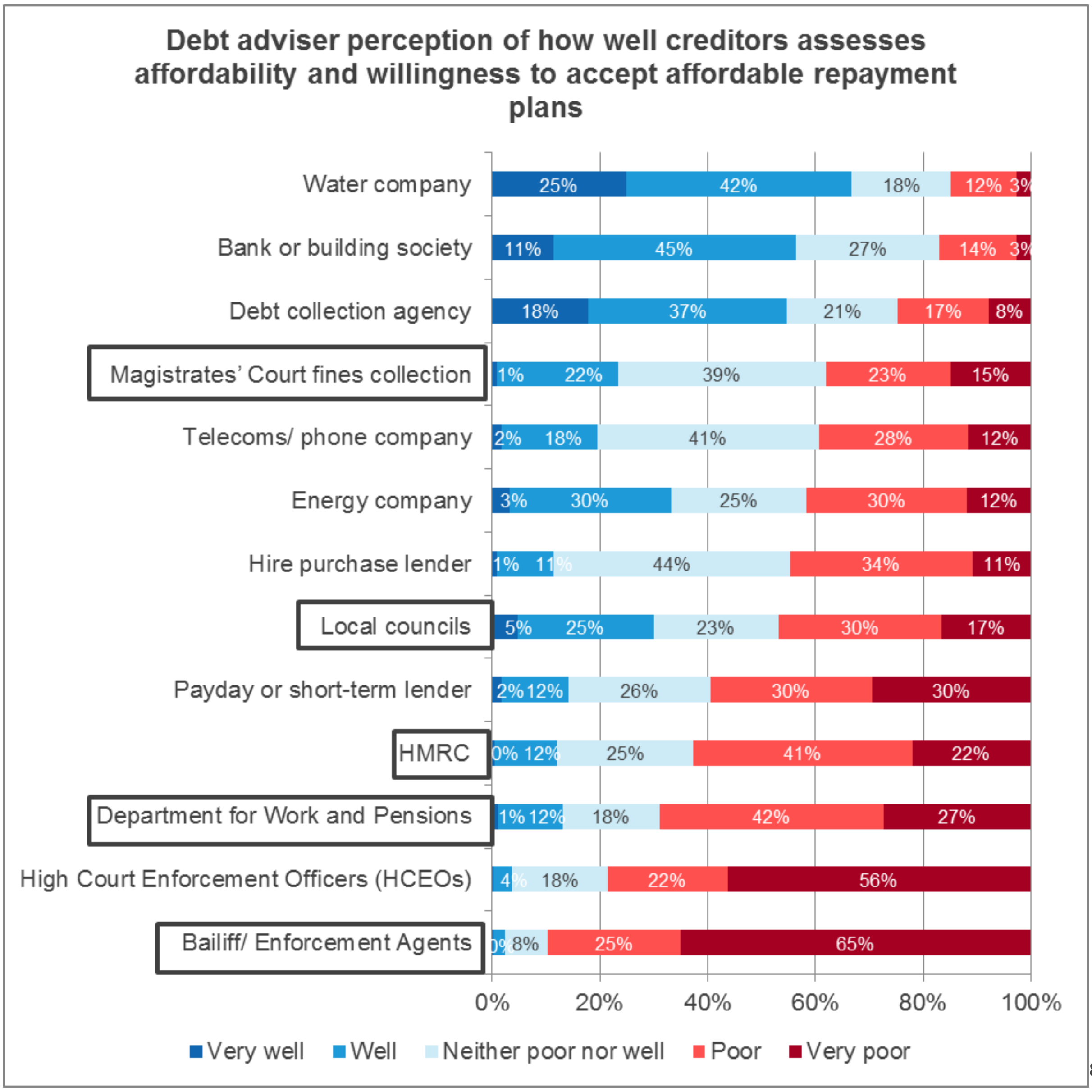
In the private sector, particularly within financial services, the clear focus on affordability sees widespread use of the Standard Financial Statement (an agreed, objective tool for assessing affordability, run by the Money and Pensions Service). Flexibility in accepting affordable offers of repayment and agreeing repayment plans is common, and there are clear review points and opportunities for customers to raise if payments have become unaffordable.

Unfortunately, in our experience of working with people in debt, we often do not see the same good practice from government organisations. There is still not widespread adoption of the Standard Financial Statement; people contacting debt advice agencies frequently report having their affordable repayment offers turned down and being pushed for higher amounts they cannot afford; and often little flexibility or account of circumstances is shown. In addition, a holistic view of someone's financial situation is usually not undertaken, resulting in competition between government organisations to obtain payments, even where this will be unaffordable for the individual. These experiences can undermine an individual's efforts to resolve their wider financial difficulties.

As part of the Money Advice Trust survey of debt advisers across the free advice sector,[7] we asked respondents to assess a list of creditors by how well they assessed affordability and were willing to accept affordable repayment plans, revealing the extent of perceived poor practice compared to the private sector. 69% of respondents rate the Department for Work and Pensions (DWP) as poor or very poor at assessing affordability – four times the number who said so for banks and building societies. Similarly, 63% of respondents say HMRC is poor or very poor at assessing affordability. These figures are higher than every type of private sector creditor, including payday and short-term lenders, who 60% of respondents rate as poor or very poor. 47% of respondents rate local councils as poor or very poor, although a large proportion also

[7] Adviser Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service, on government debt collection: Base 412.

said councils were neither poor nor good at assessing affordability – perhaps reflecting the range of practices that can be seen across the country.



[8]

Current issues with government organisations' approach to affordability can be categorised into five key areas:

- Lack of affordability assessments
- Unreasonable requests for repayment and refusal of affordable payment offers
- Pace of escalation of collection activity
- Lack of flexibility to take account of individual circumstances
- The challenge of getting unaffordable repayments reduced

[8] Adviser Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service, on government debt collection: Base 412.

Lack of affordability assessments

> *"The biggest challenge that people have when trying to deal with debts owed to central and local government is "the ability to negotiate a fair repayment proposal in line with the Standard Financial Statement used by other creditors. They [government organisations] completely ignore this and impose their own recovery which is standardised and rarely based on affordability and vulnerability."*
>
> -Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

The current nature of government debt management means that often a robust affordability assessment is not conducted as part of collection processes. Where they are conducted, they are usually performed based on each individual government organisation's own, non-standardised, Income and Expenditure (I&E) form. These often aren't made public and there is little transparency over the spending they capture and how they assess disposable income – meaning it is impossible to assess whether these are objective and reasonable.

This challenge is not unique to government organisations and is one that other creditors in other sectors have historically faced: the need for a shared I&E that captures an accurate, fair and reasonable assessment of an individual's financial situation and ensures that all creditors receive a fair element of any disposable income available to repay debts. The Standard Financial Statement (SFS) – and its predecessor, the Common Financial Statement – were created to address this exact issue.

The SFS is an industry-standard, objective tool developed by the Money & Pensions Service for assessing affordability as part of debt advice and debt collection and is widely used by debt advice agencies and FCA-regulated creditors. The Insolvency Service uses the SFS for statutory debt solutions – such as IVAs, DROs and bankruptcy. The Scottish government use the Common Financial Statement (the predecessor to the SFS) within Scottish debt solutions. Indeed, the Common Financial Statement is enshrined in legislation as the 'Common Financial Tool' which must be used to assess affordability, creating an important level of consistency.

However, we understand that the majority of government departments do not currently use the SFS to calculate affordability in debt collection. Furthermore, a Freedom of Information request by the Money Advice Trust of 340 lower tier authorities in England and Wales in 2019 found that just 23% (77 councils) reported that they used the SFS as part of their debt collection processes, with a further 14 saying they were considering adopting it.[9]

This is disappointing and should be urgently addressed. As we explore further in our answer to question three, use of the SFS helps ensure that any repayments agreed will

[9] Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales*, https://www.stoptheknock.org/

be affordable and sustainable and – crucially – that the individual has enough money set aside in their budget to pay their on-going bills and liabilities. The SFS also contains a savings element, which allows people to save up to 10% of their surplus, to a maximum of £20 a month. The inclusion of the savings element is in recognition of the benefits of building financial resilience to help people withstand future income or expenditure shocks, and supports wider government policy to increase financial resilience and support people to develop a savings habit.

It is therefore concerning that the SFS is not currently required to be used across central and local government organisations.

The lack of appropriate affordability assessments means we frequently see repayment rates set at unaffordable levels. Currently, affordability assessments are not conducted before deductions from benefits or direct earnings attachments are put in place, meaning people can be left without enough money to meet their essential costs.[10]

With direct earnings attachments (or attachment of earnings for council tax arrears), it can often be assumed these are affordable because they are taken at a set percentage based on an individual's earnings. However, affordability is based not just on income, but on expenditure too. Without an assessment which considers the individual's essential expenditure, there is no way of knowing whether the percentage being taken will leave the individual with enough money to cover these.

This can be a particular problem for people with high housing costs and those with health conditions or disabilities, who often experience additional costs associated with these. We explore this further in our answer to question 5.

"The biggest challenge is agreeing affordable repayments. Often deductions are taken without any assessment of the debtor's ability to pay. Where there is an affordability assessment, it may not take into account items which are essential for the client's family or may use inconsistent rules compared to other government departments, or may be restricted by a maximum repayment time."

"The inflexibility of deduction rates from Universal Credit (and the fact that where the rates are variable, they are typically set at the maximum) regularly leaves people unable to afford their basic needs, going without food, or even being unable to pay for rent."

"The rate of deductions tend to be unaffordable and set at rates which impact on their ability to budget their priority expenditure."

"Automatic deductions from benefits or wages without affordability assessments can be incredibly harmful, leading debtors to borrow from elsewhere, thus causing

[10] According to research by StepChange Debt Charity, 40% of people surveyed who had money deducted from benefits to repay debt said it led to them falling behind on essential household bills; and 20% had to use credit to pay essential household bills – a risk factor for problem debt. See StepChange Debt Charity (2018) *Briefing on Third Party Deductions*

recurrent and persistent debt, decreased motivation and poor mental health."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

The lack of affordability assessments also means there is no opportunity to see a holistic view of financial circumstances, including other debts owed. Amongst National Debtline and Business Debtline clients, those with government debts had a higher number of priority debts than those without government debts.[11] In a survey of Business Debtline clients with HMRC debt, 35% had multiple debt issues just with HMRC.[12]

The failure to properly understand and account for multiple debt issues results in situations where government organisations compete to obtain payments, even where this will be unaffordable for the individual. This is highly inefficient for the government organisation – meaning they are duplicating their resources on collection activity and competing with each other for a limited pot of money that an individual has to put towards repayments. We note, for example, that HMRC states that they expect 50% of an individual's disposable income to be put towards their Time to Pay arrangement.[13] However, only if they know the customer's wider debt situation, will they know if this is affordable or reasonable.

"Where multiple debts exist different government bodies do not take account of debts owed to others when setting repayment terms."

"[Among government organisations there is] no joined up approach, departments compete for limited income."

"Local government collection practices can have a detriment on people's health and wellbeing. Different departments can be vying or competing with each other to collect money (i.e. if rent and council tax is owed to the local council). Rather than have a joined up approach, both departments will compete to try and get all the individuals available income (and more in some cases) rather than taking an equal amount."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

[11] Analysis of 365 National Debtline and 504 Business Debtline clients who contacted the service in 2019. See Box 1 and Box 2 for further information

[12] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.

[13] HMRC Policy Paper: How HMRC supports customers who have a tax debt, August 2020

Unreasonable requests for repayment and refusal of affordable payment offers

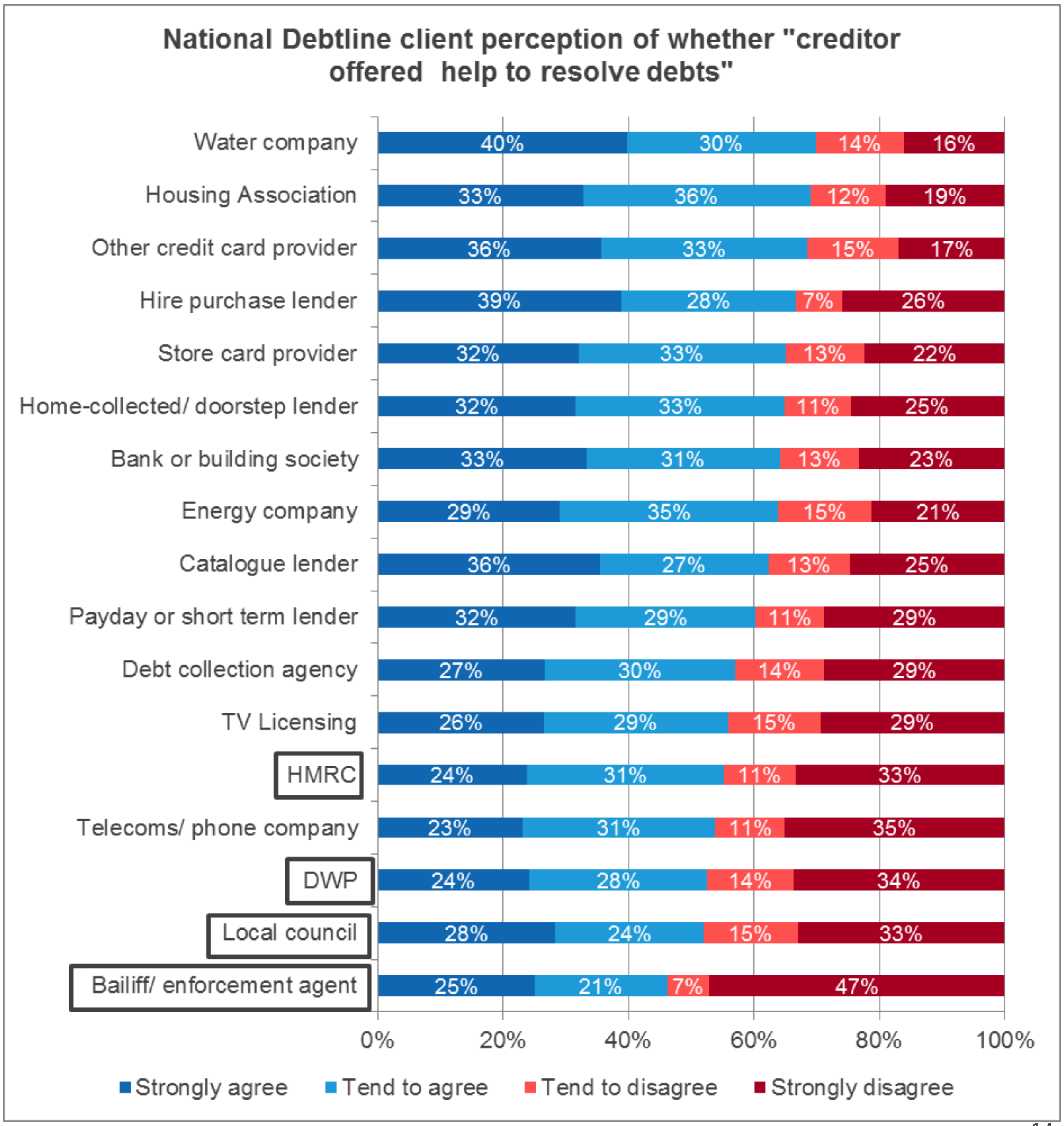
"[The biggest challenge is] trying to agree a repayment schedule at a rate that is affordable and within a time frame that is acceptable to central and local governments. Council Tax is an example: often [local authorities] only want to accept an arrangement that would ensure the client is back up to date before the next tax year. Whilst this is ideal, it's not always realistic especially where a client has multiple priorities to deal with."

"From time to time a client will mention how a bailiff was understanding or HMRC agreed to a repayment over a longer period of time but these positives are very few. I would go as far to say as 5 people out of 100 have a positive experience, it could be lower though depending on the debt."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

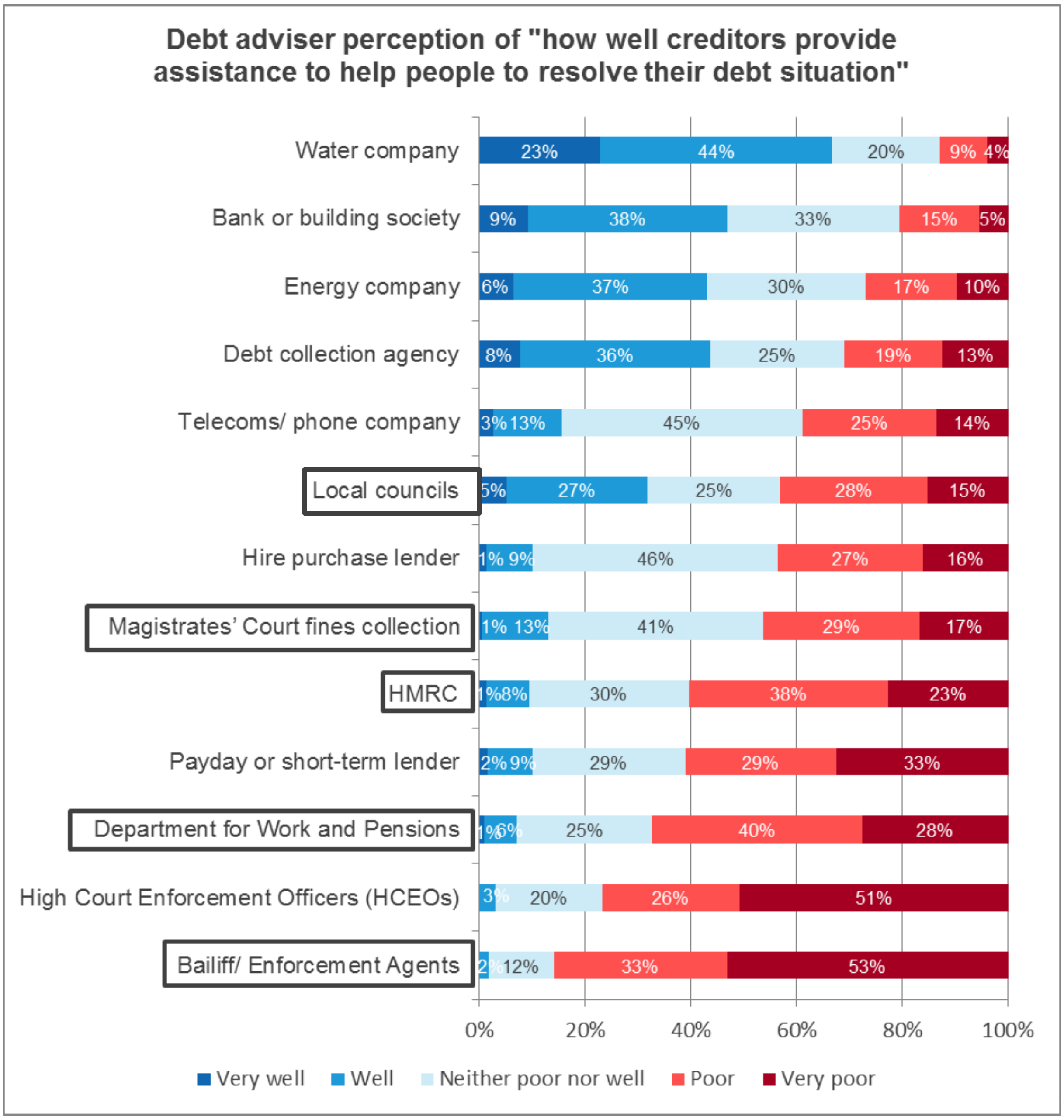
The lack of affordability assessments often leads to unaffordable demands for payment being made. The lack of recognition of the SFS from some government organisations and the inflexibility in approach also means that affordable offers of repayments – made either directly by individuals or by debt advisers on their behalf – can often be rejected. This can be a particularly challenging situation for individuals who have offered the maximum they can afford.

Just one creditor refusing an affordable payment proposal can disrupt an individual's efforts to resolve their wider debt situation and can be incredibly disheartening, often leading people to lose hope in dealing with their debt and creating the risk that people disengage. This is reflected in the low scores government organisations receive from people in debt and advisers when asked to rate how well they perceive different creditors provide assistance to resolve people's debt situations. [See chart on following page].



[14]

[14] National Debtline annual impact survey – respondents were asked "Please take a look at the list of creditors and other organisations below. For the ones that apply to you, please tell us to what extent you agree they offered to help you resolve your debts". Total respondents for the question was 544, percentages are shown only as a proportion of those who had debts to that creditor, so individual bases vary. Any creditors where the base was lower than 50 have been removed from the graph.



[15]

"I find that the biggest challenge that people have when trying to deal with debts owed to central and local government is when they are not being heard and are forced to repay back a debt with a payment plan which is not affordable for them."

"People feel intimidated and pressured into agreeing to payment plans which are not affordable, and very often circumstances and vulnerabilities are not taken into account."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

[15] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Base 407.

Unaffordable repayment plans or collection methods have a high risk of failing. They also heighten the likelihood the individual will fall into arrears on other bills or be forced to take on credit – simply shifting the debt from government to essential service providers or financial services.

In some instances, there is no process at all by which people can offer affordable repayments to stop collection activity escalating. For example, in the magistrates' court, once a warrant of control has been issued to recover a court fine, the court has little power to postpone or delay bailiff action or to make an order to allow the charge to be paid in affordable instalments. There is no simple and easily accessible mechanism to allow people to make an application to pay in instalments based on what they can afford to pay. This in in contrast to what happens in the County Court, where the N245 procedure (which is largely paper-based) allows people to apply to the court to suspend a warrant of control and to offer affordable repayments to their creditors. In the first quarter of 2020, 7% of callers to National Debtline had a magistrates' court fine debt[16] and between February 2019 and February 2020, over 43,000 people viewed the National Debtline factsheet on magistrates' court fines, reflecting the significant number of people dealing with these type of debts.[17]

Being unwilling to accept affordable offers of repayment also stands in sharp contrast to practice within financial services, where the FCA stipulates that a firm must accept reasonable repayment offers from people in debt and debt advisers acting on their behalf.[18] Failure to do so is considered a breach of the FCA's rules on Treating Customers Fairly:

> *"An example of where a firm is likely to contravene Principle 6 [Treating Customers Fairly] and CONC 7.3.4 R is where the firm does not allow for alternative, affordable payment amounts to repay the debt due in full, where the customer is in default or arrears difficulties and the customer makes a reasonable proposal for repaying the debt or a debt counsellor or another person acting on the customer's behalf makes such a proposal."* - FCA Handbook, CONC 7.3.8

It is recognised that some debts to government are particular obligations that the individual has to repay, and they must be encouraged to do so in the interests of fairness to other taxpayers. However, an important aspect of fair and effective debt management is recognising that if an individual simply does not have enough money to repay at that point in time, then they will not be able to – no matter how much pressure is placed on them.

It is important to distinguish between those who are non-compliant and are wilfully avoiding repaying, and those who simply cannot afford to repay at that point in time. Affordability assessments are key to identifying these two groups, and tailoring

[16] National Debtline client records, Q1 2020
[17] Google analytics data: Between 28 February 2019 – 29 February 2020, the Magistrates' court fines Factsheet received 43,041 unique page views.
[18] FCA Handbook, CONC 7.3.8

collection and forbearance strategies accordingly. This is something that is well recognised within the private sector, who understand that pursuing a higher rate than is affordable is unsustainable and only leads to increased costs of collection.

Pace of escalation

Another aspect of concern around affordability in government debt collection relates to the pace of escalation in collection activity if someone is unable to pay. The increasing demands can place significant pressure on people, particularly those in vulnerable circumstances, and mean people may agree to unaffordable options through fear of further consequences. As we explore in our answer to question five, it also has a significant negative impact on people's mental and physical health and undermines any principle of fairness in debt collection.

The rapid pace of escalation also means there can be limited opportunity for people to engage with their creditor and seek flexibility based on their circumstances or to seek debt advice. This can be particularly problematic for people in vulnerable circumstances who may find communicating and engaging with government organisations more challenging. This means they can find their debt quickly escalating and being subject to harsher collection and enforcement action. It can also lead to a perverse situation whereby those who are unable to pay initially due to affordability issues see their debts grow further, making it even harder for them to resolve the situation.

This issue is particularly seen with council tax collection, where there are widespread concerns about affordability and the pace of escalation in collection and enforcement activity. In the first quarter of 2020, council tax arrears accounted for almost 3 in 10 (28%) callers to National Debtline,[19] up from 15% in 2009. More than 1 in 5 (22%) callers to Business Debtline have council tax arrears.[20] It is the most common priority debt we deal with, and the second most common debt overall on National Debtline, behind credit cards. Between February 2019 and February 2020, almost 54,000 people viewed the National Debtline factsheet on council tax recovery – the second most viewed factsheet behind only the factsheet on time limits for recovering debts.[21]

> *"Council debts cause more distress for clients than any other debt."*
>
> -Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

The current council tax regulations[22] mean that missing one payment of council tax can see relatively small arrears rapidly increase due to the liability placed on the individual

[19] National Debtline client records data, Q1 2020.
[20] Business Debtline client records data, Q1 2020
[21] Google analytics data: Between 28 February 2019 – 29 February 2020, the Council Tax Recovery Factsheet received 53,763 unique page views.
[22] The Council Tax (Administration and Enforcement) Regulations 1992

to pay the whole year's council tax and the additional court fees added at this stage.[23] In 2020, National Debtline clients with council tax arrears owed an average of £1,340.[24]

Given the circumstances of many financially vulnerable individuals it is highly unlikely that they will be able to afford to make this payment in one go. However, the nature of the regulations governing council tax collection mean the process is set and very little flexibility can be shown.

The pace of this escalation leaves people with little time to engage with their local authority or to seek debt advice, yet this can be key to achieving positive and fair outcomes in debt collection. As mentioned above, there can also be challenges in arranging affordable repayments – particularly where it would mean arrears are not repaid in the financial year in which they arose.

This can leave people in a distressing situation whereby they need to repay a whole year's council tax or face further escalation– usually to bailiffs. This means that many of the debts passed to bailiffs – rather than being non-compliant payers - are vulnerable people who could not afford their bill.[25]

Use of bailiffs to collect debt can be a particularly distressing experience. Local authorities in England and Wales are the largest user of bailiffs (officially known as enforcement agents). The Money Advice Trust's Stop the Knock research shows that in 2018/19, they passed more than 2.6 million debts to bailiffs, a 7% like-for-like increase over a two year period.[26]

Debt type	Total bailiff referrals (2018/19)	% of total
Council Tax	1,417,736	54%
Parking	1,079,119	41%
Housing Benefit overpayments	39,470	1%
Business rates	79,899	3%
Commercial rents	3,665	0%
Other/ sundry debts	26,521	1%
All debt types	**2,646,410**	

[23] Research by Citizens Advice found the average fee for a liability order was £84. See: Citizens Advice (2019) *The Costs of Collection: The high price of council tax debt collection*
[24] Based on 356 National Debtline clients who contacted the service in March-April 2020 and for whom we had full income and expenditure data.
[25] Taking Control response to Ministry of Justice Call for evidence: Review of the enforcement agent reforms, February 2019.
[26] Money Advice Trust Freedom of Information request of 367 local authorities in England and Wales, April 2019. Comparisons are based on the 291 lower-tier authorities who fully responded to our (identical) requests for information on bailiff use in both 2016/17 and 2018/19. For more information see Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales,* https://www.stoptheknock.org/

Bailiffs are frequently used to collect council tax debts – with 1.4 million council tax debts being passed to bailiffs in 2018/19.[27] We are concerned that many local authorities are too quick to send debts to bailiffs and do not always give enough consideration to other collection methods and routes of engagement for customers. As the House of Commons Treasury Committee found in 2018, debts to local authorities are *'often pursued overzealously, and with routine recourse to bailiffs'*[28]*.*

"Local authorities are too quick to get bailiffs involved and should look at alternative methods of recovery first."

"Quickness to send bailiffs is extremely stressful for clients."

-Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

The high use of bailiffs by local authorities is a particularly problematic element of current council tax collection practices. As we explore further below, the fee structures and incentives for bailiffs encourage them to push for full payment and to move quickly to the visits stage, rather than working with the individual to resolve their debts.

Systemic problems in the bailiff industry and a lack of independent regulation means bailiffs and bailiff firms are regularly breaking the rules and the revised National Standards introduced in 2014. Independent polling commissioned to inform the Taking Control campaign's response to the Ministry of Justice's Call for Evidence on the bailiff industry,[29] found that more than 1 in 3 people contacted by bailiffs in the last two years report an incident which would constitute rule breaking:

- 18% witnessed bailiffs treating someone with an illness or disability unsympathetically;
- 18% experienced bailiffs threatening to break into their home where they did not have the power to do so,
- 11% saw bailiffs take control of goods required for their livelihood; and
- 6% saw a bailiff actually break in where they did not have the power to do so

As well as causing significant financial and emotional distress, evidence shows that use of bailiffs to collect debts is not effective for councils.[30] This may be a further indicator

[27] Ibid
[28] House of Commons Treasury Committee (2018) *Household finances: income, saving and debt*
[29] Polling conducted by YouGov, commissioned by StepChange Debt Charity and Citizens Advice to inform the Taking Control campaign response to Ministry of Justice Call for evidence: Review of the enforcement agent reforms, February 2019. Polling conducted in September 2018. Base: 277. Filtered to remove instances where bailiffs were collecting debts which did give them the power to use reasonable force, such as Magistrates' Court Fines.
[30] A Freedom of Information request by Citizens Advice found that, over the last 5 years, on average bailiffs have collected just 30% of the debt they were sent. See: Citizens Advice (2019) *Council tax debt collection isn't efficient or effective*

that much of the debt passed to bailiffs is held by those unable to pay, rather than those wilfully evading payment.

The fast pace of escalation in government debt collection – particularly for council tax arrears – is in sharp contrast to current practice in the private sector. FCA regulated creditors are required to take a proportionate response to defaults, including pausing collection activity to give the customer time to seek independent advice ('breathing space').[31] They are explicitly forbidden from threatening to commence court action 'in order to pressurise a customer in default or arrears to pay more than they can reasonably afford'.[32] They are also bound by a pre-action protocol which prescribes the steps that creditors must take to help come to an affordable repayment arrangement before they can take an individual to court. There is currently no equivalent for debt owed to central and local government organisations.

The Ministry of Housing, Communities and Local Government has produced good practice guidance on council tax collection, which briefly references affordability stating: *'Local Authorities should be willing to negotiate payments at any point in the process and should work with bill payers to agree affordable and sustainable payment plans which ensure that the debt is paid off within a reasonable period'.*[33] However, as this is only guidance rather than statutory rules, it is often overridden by the impact of the current regulations and by funding considerations, which push councils towards using harsher enforcement methods, such as bailiffs.

When the *Council Tax (Administration and Enforcement) Regulations 1992* were first introduced, they were likely intended to encourage people to pay early. However, they fail to account for those on low incomes who simply cannot afford to pay quickly or in full. These outdated regulations have failed to keep up with a changing context, where the situation for people in debt now looks very different to even ten years ago, let alone 20 or 30 years ago.

For example, an increasing number of people in debt have deficit budgets, meaning they do not have enough money coming in to cover essential costs: In 2018, 48% of people contacting National Debtline had a deficit budget, a significant rise compared to 27% in 2009.[34] Household bills account for a greater proportion of people's overall expenditure, meaning people are increasingly struggling with these priority debts, which can often be harder to deal with.[35] In addition, changes made in 2013 to replace the national Council Tax Benefit with localised Council Tax Support schemes (accompanied by a 10% reduction in funding) has led to many councils in England setting a minimum payment. This means that those on the lowest incomes – who were previously eligible

[31] FCA Handbook, CONC 7.3 Treatment of customers in default or arrears (including repossessions): lenders, owners and debt collectors
[32] FCA Handbook, CONC 7.3.18
[33] Ministry of Housing, Communities and Local Government (2013) *Guidance to local councils on good practice in the collection of Council Tax arrears,* paragraph 2.6.
[34] Money Advice Trust (2018) *A decade in debt: How the UK's debt landscape has changed from 2008 to 2018, as seen at National Debtline*
[35] Ibid

for 100% support – have had to pay council tax for the first time, despite already stretched finances.[36]

The current regulations have failed to keep pace with these changes. This means that, instead of encouraging effective collection, they push councils to use inefficient collection methods that can send vulnerable households further into difficulty. As we set out in more detail in our response to question three, urgent changes to these regulations are needed to embed fairness and affordability principles into council tax collection.

Lack of flexibility to take account of individual circumstances

From our experience, many of the problems regarding affordability in government debt management – including the pace and rigidity of escalation – are driven by an underlying inflexibility in approach. Sometimes this is caused by regulations or legislation – such as the fixed rate of certain deductions. Other times, it is driven by a stipulation that people must repay in a certain timeframe (usually linked to metrics), or by incentives to secure full payment. The experience of our clients and of advisers also suggests there is an underlying culture in which people in debt are not always trusted and staff are not empowered to offer flexibility to help secure positive outcomes.

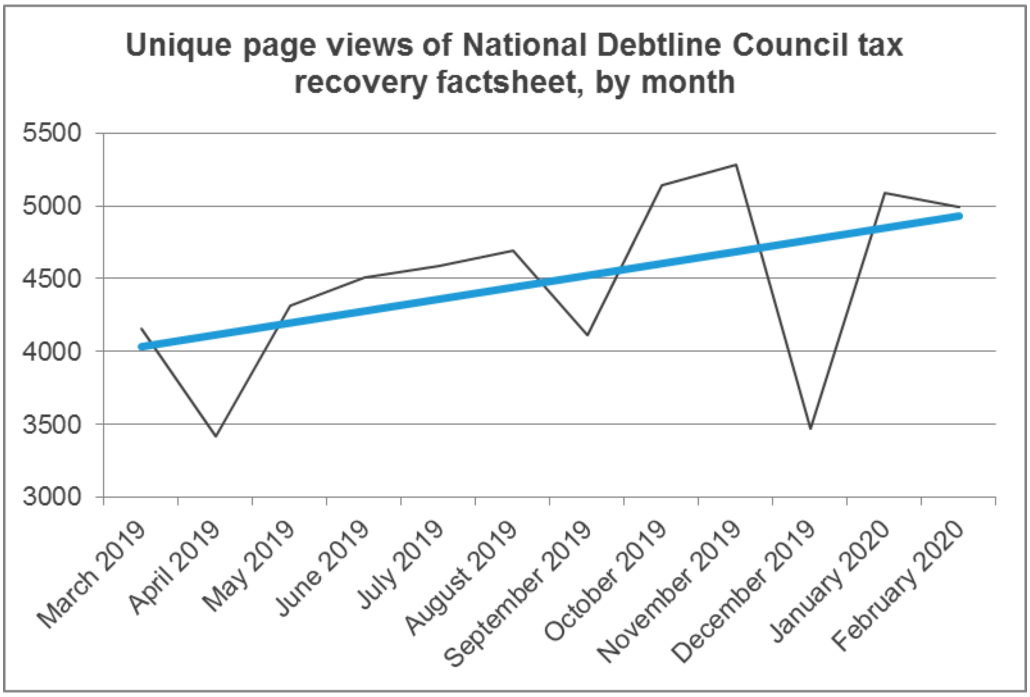
The collection of council tax arrears is a particular example of how this plays out in practice. There are currently no consistent rules applied to encourage councils to negotiate affordable repayments and many councils require arrears to be repaid in the same year as they arise, regardless of whether this is affordable for the individual.

> *"We have named people at the council who we can approach for council tax. The decision you get varies with the individual and also with the time of year (it is harder to get a low offer accepted when the council is trying to get the council tax in before the end of March)."*
>
> *"Council Tax departments often only want to accept an arrangement that would ensure the client is back up to date before the next tax year. Whilst this is ideal, it's not always realistic especially where a client has multiple priorities to deal with."*
>
> -Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

As we explore further in our answer to question 16, this practice is partly driven by a focus on in-year collection rates as a metric for effective collection, with accounting and spending pressures also likely to be contributing factors. All this can mean that affordable repayment offers made by people in debt, or by debt advice agencies on their behalf, are frequently rejected, particularly as the year progresses. As the graph below shows, we see an overall increase in the number of people viewing the National

[36] An analysis by the New Policy Institute has found that 2 million low income families were charged an average £191 more in council tax in 2017/18 than they would have if the previous national Council Tax Benefit scheme was still in place. See: New Policy Institute (2017) *Key changes to Council Tax Support in 2017/18.*

Debtline 'Council Tax recovery' factsheet as the financial year goes on (accounting for seasonal trends).[37]



It is worth noting here that, in a survey of National Debtline clients, local authorities were ranked the third worst in terms of offering help to resolve debts. 48% of those with debts to their local council disagreed that they were offered assistance to resolve their debts, behind only bailiffs (54%).[38]

The situation often gets worse when debts are passed to bailiffs. The current fee structure for bailiffs encourages escalation of collection to increase the fees paid by people in debt. 62% of debts enforced by bailiffs go beyond the compliance stage (the initial engagement stage, before a visit can be carried out – i.e. issuing an enforcement notice requesting payment).[39]

Bailiffs are often incentivised by the local authority to push for full payment of the debt, or recovery within the financial year, meaning they are often unwilling to show flexibility in accepting lower amounts or payments over a longer time period. 90% of debt advisers surveyed by the Money Advice Trust say bailiffs are poor or very poor at assessing affordability and being willing to accept affordable repayment plans.[40]

[37] Google analytics data. The drop in page views in December is attributed to usual seasonal dips in demand that are seen throughout the service around Christmas.
[38] National Debtline annual impact survey 2020. Percentages relate only to survey respondents who had at least one debt with that particular creditor. Base: local council – 194; bailiffs – 104. .
[39] Civil Enforcement Association (2019) Written evidence to the Justice Committee Bailiffs: Enforcement of debt inquiry (see Table one).
[40] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Base 412.

"Making a payment arrangement with the enforcement agency that is manageable seems to be the hardest situation, as is trying to get the local council to help them come to an arrangement once the debt has been passed to enforcement. Once passed most councils will not help under any circumstances, which is frustrating for the client and leaving their only option to come to an arrangement or ignore the enforcement agents. Leaving the client scared, knowing they will attend the property at any time."

-Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

The challenge of getting unaffordable repayments reduced

The lack of initial affordability assessments is exacerbated by the fact that it can be very hard for people in debt to get unaffordable payments or deductions reconsidered or reduced – even when this is allowed for in legislation and regulations. This is most frequently experienced by our clients in relation to deductions from benefits.

For some debts, such as benefit overpayments, the current rules allow for a deduction from Universal Credit to be set within a minimum and maximum percentage rate. For these debts, the Department for Work and Pensions (DWP) says customers can get in touch to ask for a reconsideration of the amount being deducted. This is welcome.

However, despite this commitment, in practice there can be challenges for customers who try to negotiate when debt recovery is causing significant hardship. Government figures show that, in 2019/20, just ten Universal Credit claimants had their debts waived due to medical and/ or financial hardship.[41] Separate figures show that the proportion of Universal Credit claimants with a benefit overpayment, who have successfully applied for a reduction in the rate at which they are repaying that overpayment, was less than 1 in 10 (9.2%).[42]

The ability to negotiate deduction levels is often not publicised, so people may not be aware they can ask for a reconsideration. It can also be very difficult for individuals in vulnerable circumstances to take assertive action where this might lead to a long wait on the phone for an uncertain outcome.

The official guidance on recovering benefit overpayments[43] details a high level of evidence requirements in order to secure reconsideration of the amount being recovered. Indeed, it states that evidence of hardship is not in itself enough for reconsideration: *"The recovery of an overpayment from any person in receipt of benefit is almost certain to cause some hardship and upset for them and their family. It is the level of hardship and upset which is taken into account when considering the*

[41] House of Commons Written PQ 5464, 23 January 2020
[42] House of Commons Written PQ 263679, 18 June 2019
[43] Department for Work and Pensions (2019) *Benefit overpayment recovery guide,* Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897689/benefit-overpayment-recovery-guide.pdf

application".[44] This is concerning - debt recovery that causes any level of financial hardship is unlikely to be sustainable and could lead to poor outcomes for both the individual and the creditor.

> *"It [having deductions taken from Universal Credit] has an adverse impact on their health. They are the powerless to do anything as it is so difficult to get through to debt management on the phone."*
>
> *"It seems to be difficult to get the deductions reduced as they just pass you from one DWP recovery team to the next."*
>
> *"Usually never hear back from DWP regarding deductions being lowered."*
>
> *"There are a huge range of amounts that can be deducted from Universal Credit for magistrates' court fines, but if the rate is set too high, it's almost impossible for clients to get it reduced, even to an amount which is perfectly possible according to guidelines. The court will insist that they have to speak to the DWP, and the DWP will pass them back to the court."*
>
> -Quotes taken from responses to Money Advice Trust survey of debt advice sector advisers

Why affordability matters – the financial situation of those with government debts

Ensuring affordability is properly assessed is especially important, given the particular financial situations of those who owe debts to government. As outlined in Box 1 below, our analysis found that National Debtline callers with at least one debt owed to government had – on average – lower incomes and a higher number of debts, than those who did not owe any debt to government organisations. They were also more likely to have a deficit budget, meaning they did not have enough income to cover essential costs, and the size of this shortfall was bigger too. This means that, when affordability isn't properly assessed, the potential risk of harm is particularly high.

Box 1: National Debtline client analysis

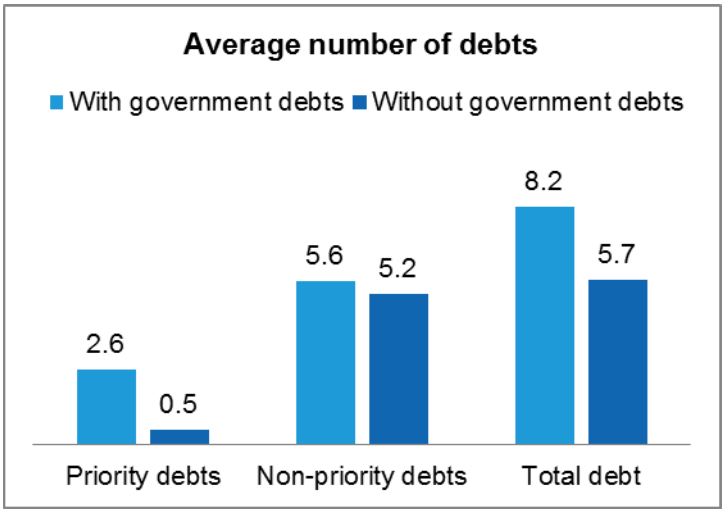
We analysed a sample of 356 National Debtline clients who contacted the service in March – April 2020 and for whom we had full income and expenditure data, to compare the situation of those who had at least one debt to a government organisation against those who had no debts to government organisations.

- Clients who owed debt to government had **lower monthly incomes**, receiving an average of £186 less than those who did not owe any government debt.
- Clients with government debts were **more likely to have a deficit budget** meaning they did not have enough money coming in to cover essential costs.

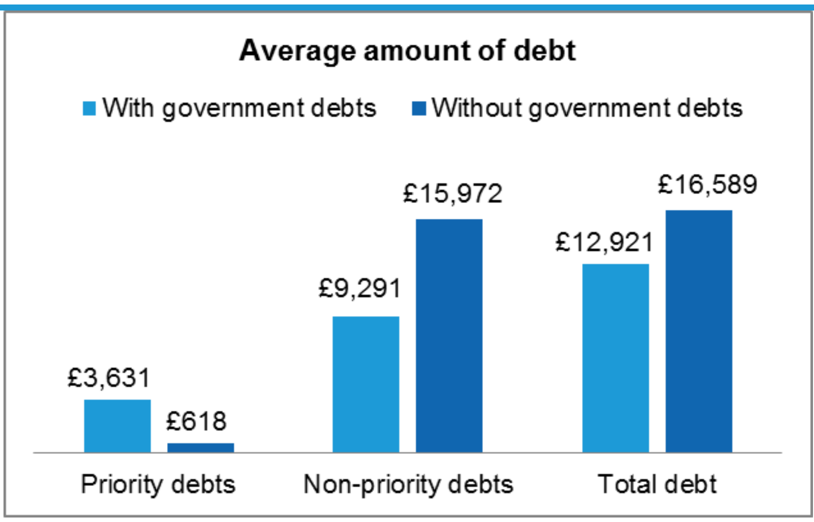
[44] Ibid, paragraph 5.71.

43% of clients who owed debt to government had a deficit budget, compared to 31% of those who did not have government debt.

- On average, clients with government debt who had a deficit budget **had a shortfall of £314.** This compares to a shortfall of £274 for those who had a deficit budget but did not owe any government debt.
- For those who had a surplus in their budget, those with government debts had an average surplus of £209 compared to £248 for those without government debts.
- People with government debts have, on average, **a higher number of debts**, particularly priority debts. Priority debts can be especially difficult to deal with if all priority creditors do not take a fair and affordable approach to recovery.



- People with government debts also owed, on average, **higher amounts of priority debt** – amounting to £3,013 more than those without government debts. This was often driven by large benefit overpayment debts.
- However, they had lower amounts of non-priority debts (typically consumer credit debts) which is to be expected given their lower incomes and would likely reflect that they would find it more difficult to access credit. These findings highlight again how important the approaches of priority creditors, including local and central government organisations, are to the resolution of people's debt problems.

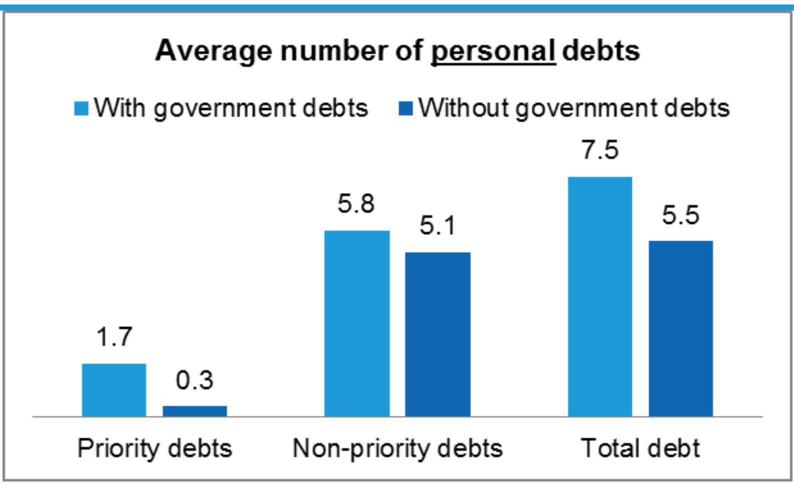


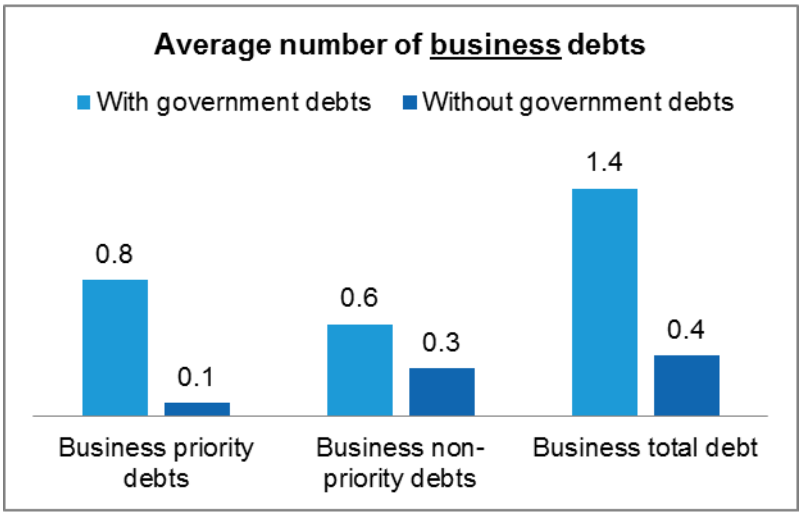
Analysis of the situation of Business Debtline clients reveals a similar picture. Business Debtline clients with debts to government are more likely to have deficit budgets (and to have bigger shortfalls when they do). They have a greater number of both priority and non-priority debts – and this is seen across both their personal and business debts. When it comes to business debts specifically, those with government debts owe more than double that of clients without debts to government – reflecting the particularly difficult financial situations that they can face.

Box 2: Business Debtline client analysis

We analysed a group of 504 Business Debtline clients who contacted the service in March-April 2020 and for whom we had full income and expenditure data, to compare the situation of those who had at least one debt to a government organisation against those who had no debts to government organisations.

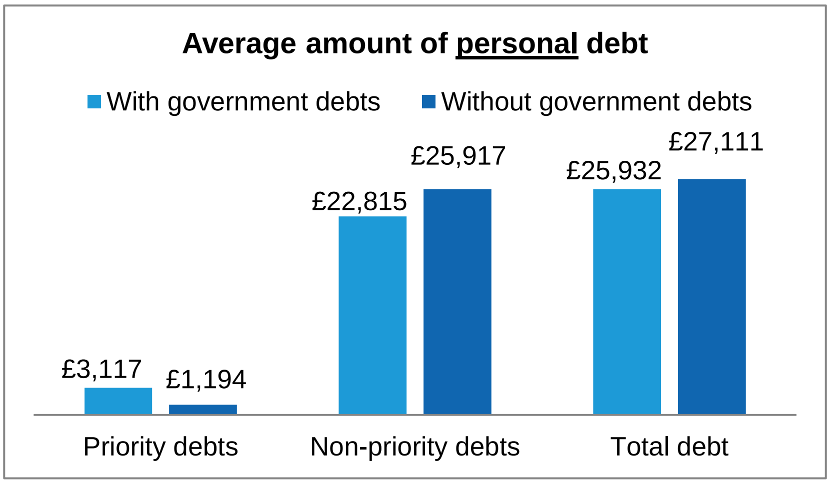
- Clients with debts to government are slightly **more likely to have a personal deficit budget**, by 3%.
- When they do have a deficit budget, the **shortfall is much bigger** than those without government debts: on average being £854 short, compared to £692 for those without government debts.
- Clients with government debts have, on average, **a higher number of both personal and business debts.** This is seen across both priority and non-priority debts.



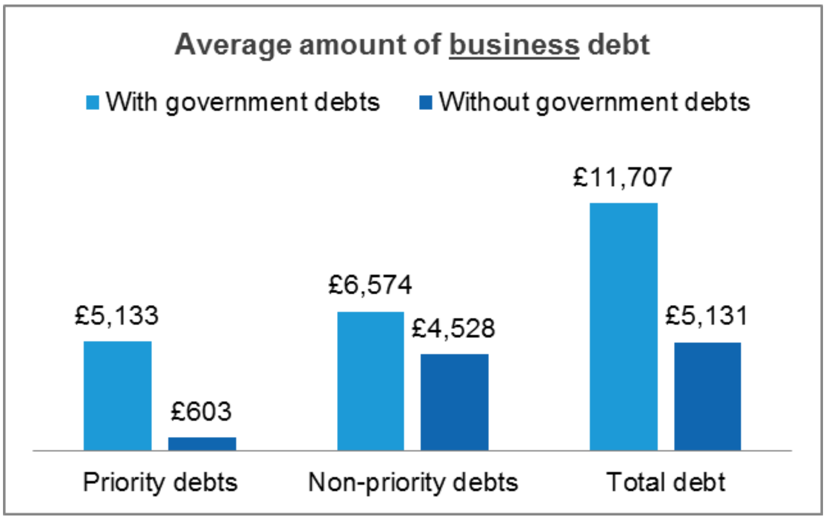


- Clients with government debts have **higher average amounts of personal priority debts.** However, as with National Debtline, they have lower average amounts of personal non-priority debts.

- The difference in average priority debt between those with government debt and those without is **£1,923**. For priority debts, the biggest debts are often income tax or benefit overpayment debts.



- People with debts to government have a **higher amount of business debt across both priority and non-priority debts**. In total, they owe on average **£6,576 more** in business debts than those who do not owe any debt to government.



Question 3: In your opinion, what is the best way to assess affordability of debt repayments? Please provide examples for any response you provide. This could include evidence on the role of technology.

We strongly welcome the fact that, through this call for evidence, the government is actively considering how to better assess affordability of debt repayments and improve the overall approach to affordability by government organisations. This is a key element of embedding fairness within government debt management and – as the experiences of the financial services sector has shown - has the potential to bring several benefits not just to people in debt but to government organisations, as creditors, too.

To address the issues set out in our answer to question two, government organisations need to consider not only improving their assessment of affordability – ideally through adoption of the Standard Financial Statement – but also how they can embed affordability throughout their entire debt management and collection strategy. In our answer to this question, we set out how this could be achieved, with reference to a range of different government debts and collection methods.

Overarching improvements across government

The extent of current affordability issues in government debt management means significant changes are needed to embed fairness in collection activity. As part of a Money Advice Trust survey of debt advisers from across the free advice sector, we asked them to list the top three things central and local government could do to improve debt collection practices for people in debt. Improving the approach to affordability was mentioned most commonly by respondents. This included better use of affordability assessments to set repayment rates and/or adoption of the Standard Financial Statement (SFS) (27% of respondents), government organisations being prepared to accept affordable offers of repayments (17%), giving people longer to repay (8%) and improving the routes through which people can get a reconsideration if repayments are unaffordable (16%).[45]

Selected responses from Money Advice Trust survey of debt advisers from across the free advice sector. Respondents were asked what central and local government could do to improve debt collection practices for people in debt:

"Allow more time for repayment - it is unrealistic to expect a client to repay a debt within the financial year without pushing them into an insolvency option."

"Make the client's affordability the priority and not the amount the department wants them to pay, this acts in both parties interest as they can come to a sustainable agreement- they should stop policies of debts having to be collected by a certain date, this is one of the reasons departments push for higher payments."

"Base affordability on the SFS"

"Accept payment plans people can afford to pay"

"Accept the standard financial statement in line with other creditors"

"Tailor repayments based on individual circumstances"

"Set more realistic amounts to repay according to affordability"

"Make it easier for people to ask for a reduction"

"More use of discretion and not blanket policies like debts need to be recovered in 2 years"

"Allow repayment of debts over a longer period where appropriate"

"Reduce pressure to settle in the financial year"

"Willingness to understand a person's situation and set up an affordable payment"

[45] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Based on verbatim comments coded by theme and calculated as a percentage of 390 respondents who left a comment to the following question: *"What are the top three things you think central and local government could do to improve debt collection practices for people in debt?"*

“Flexible and reasonable payment arrangements”

“Recognise some people simply can't afford what is being demanded”

“Exercise more flexibility in accepting repayment offers”

“Be more willing to consider financial statements and reduced offers of payment”

Improving affordability assessments: adoption of the Standard Financial Statement

“If an agency is willing to listen, and come to an affordable agreement, it can make a huge difference”

-Quote taken from response to Money Advice Trust sector-wide debt adviser survey

In terms of an overarching approach to assessing affordability across all government debts, we would like to **see all central and local government organisations adopting the Standard Financial Statement (SFS) as the means for assessing affordability of debt repayments.**

All government organisations should also be prepared to accept payment offers based on SFS budgets supplied by the person in debt or a debt advice agency. We recognise that some government organisations do this already. However, as set out in our answer to question two, this is far from consistent.

In our view, use of the Standard Financial Statement is the best way for government to ensure they are following best practice in assessing affordability. The SFS is widely used by debt advice agencies and FCA-regulated creditors, who accept it as an objective assessment of an individual’s ability to repay and will alter collection processes, implement forbearance and accept repayment plans based on this. The government has also recognised the importance of the SFS by making this the tool that will be used for assessing the level of repayments under the proposed Statutory Debt Repayment Plans, which include debts owed to government organisations. Similarly, the creation of the Debt Market Integrator has seen a significant change in how some debts to government are collected, with those debts passed through now being managed by FCA-regulated debt collection agencies, where the Standard Financial Statement is used to assess affordability of repayments.

Use of the SFS has a number of benefits both for the person in debt and for creditors. By having one financial statement, with a single set of common fixed and flexible expenditure categories and a single set of spending guidelines, the SFS creates consistency in how creditors assess affordability. It also enables creditors to see the full extent of an individual’s debt problems and take a holistic view of their circumstances.

Individuals can complete one, common budget which can then be shared with all their creditors. This saves time and helps to get payment arrangements in place quickly. Creditors can be assured that they are getting a fair share of the money an individual has available for repayment – and priority creditors, such as government organisations, can be prioritised for payment.

> *"It would be massively time-consuming for me to deal with each creditor individually, so being able to supply one income and expenditure sheet and have it immediately accepted by all creditors is a major time saving. It also relieves the stress."*
>
> -Business Debtline client[46]

Furthermore, the SFS helps ensure that any repayment arrangements that are set up are genuinely affordable and sustainable, helping to prevent debt problems recurring in the future. Social Return on Investment research by Baker Tilly and StepChange Debt Charity in 2014[47] found that support through debt advice, including securing affordable repayments, saved creditors £82 million in one year from around 110,000 over-indebted clients (in the form of higher collection rates and reduced costs). This is equivalent to an average saving of £750 per person.

There are also numerous examples of where creditors have adopted a stronger focus on affordability and seen benefits as a result. The Credit Services Association (CSA) – the trade body for debt collection agencies – reported that a greater focus on assessing affordability as a result of FCA regulation led to amounts collected by its members increasing by 10% from £2 billion in 2016 to £2.2 billion in 2017, despite being from a smaller overall pot of debt.[48] UK Asset Resolution Limited (UKAR) found that adopting the then Common Financial Statement (now the SFS) led to a significant increase in the number of payment arrangements being maintained, from 50% to 80%.[49]

Making it easier for people to make affordable arrangements

In our answer to question two, we set out evidence of the challenges people face in getting government organisations to accept affordable offers of payment. Adoption of the SFS would assist with tackling this, as we would expect people to be able to make repayment offers based on an SFS budget and for this to be accepted by government organisations. However, for this to work effectively, there also needs to be clear and easily accessible routes for people to make these offers, particularly where they are in vulnerable circumstances and facing hardship. One example of this within government already is HMRC's *Time to Pay* service. HMRC figures suggest that this approach of

[46] Business Debtline client survey on HMRC debt collection- Verbatim comment from survey respondent. Fieldwork conducted between 21 Aug – 5 Sept 2019.
[47] Baker Tilly (2014) *Transforming Lives: A review of the social impact of debt advice for UK individuals and families, evaluated using SROI.*
[48] Example taken from National Audit Office (2018) *Tackling Problem Debt*
[49] Money Advice Service (2017) *Working collaboratively with debt advice agencies: A strategic toolkit for creditors*

negotiating affordable repayments based on an individual's circumstances is effective: according to HMRC data 9 in 10 Time to Pay arrangements complete successfully.[50]

This good practice should be shared across government and, as well as adopting the SFS, we would encourage all government organisations to **consider how they can make it easier for people to make affordable arrangements to repay.** This should include considering setting up schemes like *Time to Pay* and offering a greater range of channels through which people in debt can make contact and set up plans – such as allowing them to do so online.

The proposed introduction of Statutory Debt Repayment Plans would provide one route through which people can make affordable repayments to their debts and receive protection from collection and enforcement activity in return. The inclusion of most – although not all – debts to government in this, and in the new Statutory Breathing Space scheme going live in May 2021, is welcome. These schemes have the potential to transform outcomes for people in debt, and for government creditors too.

Given this, we would urge the Treasury, **in conjunction with other government departments, to progress plans for the introduction of Statutory Debt Repayment Plans as soon as possible.** In addition, **it is vital that the government meets its commitment to include Universal Credit Advances and third party deductions from Universal Credit in the statutory Breathing Space scheme and Statutory Debt Repayment plans as soon as possible.** The exclusion of any debt from the schemes risks destabilising an individual's efforts to resolve their debt situation.

Introducing a single customer view of debt

The introduction of affordability assessments would help government organisations to better understand the breath of an individual's financial situation and take a holistic look at their circumstances. This would help tackle the issue we identified in question two around government organisations competing with each other for repayment.

This is particularly important as we know many people owe multiple debts to different government departments. As set out in question two, National Debtline and Business Debtline clients with government debts were more likely to have multiple priority debts, compared to those who did not owe money to government.[51] Amongst Business Debtline clients with HMRC debt, 35% had multiple HMRC debt issues.[52]

However, conducting the affordability assessments is only one part of the solution. What a government organisation then does with this information and how they adapt their collection process or repayment rates as a result is critical. We also recognise that, without further innovation, there could still be an issue where government departments are conducting multiple affordability assessments for the same individual.

---

[50] HMRC Policy Paper: How HMRC supports customers who have a tax debt, August 2020
[51] Analysis of 356 National Debtline and 504 Business Debtline clients, who contacted the service in March-April 2020 and for whom we had full income and expenditure data. See Box 1 and 2 for more information.
[52] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.

We would therefore support the introduction of a single customer view of debt across government. Ideally, this would enable any government organisation to see all debts owed by an individual both to their and other government organisations. Ideally, introducing a single view of debt could also include new processes for dealing with the collection of these debts. For instance, there could be referral to a centralised debt management function which could work with the person in debt to complete a Standard Financial Statement, and create an affordable repayment plan across all government debts owed. Such a system could complement and integrate with the proposed Statutory Debt Repayment Plan scheme, which includes most but not all debts owed to government organisations. We would expect this to create significant efficiency savings for departments over the longer term.

Such a system could also bring other benefits, including: improving the consistency of support for vulnerable customers; enabling better data sharing in regards to vulnerable circumstances; and ensuring consistent treatment across departments.

Embedding affordability in different contexts

The above measures would help to improve the approach to affordability across government as a whole. However, we recognise that there are a range of different contexts, types of debt and collection methods used across the range of government organisations covered by this call for evidence. Here, we set out how principles of fairness and affordability could be embedded in the specific context of council tax, bailiff use and deductions from benefits. In these areas, we see particular harm being caused, usually as a result of specific rules, regulations and processes. This means that specific action and changes are likely to be required in order to enable the implementation of a more effective and affordable approach to debt management in these contexts.

Improving council tax collection

As we set out in our answer to question two, the collection of council tax arrears is one area where affordability concerns are particularly prevalent. The fast escalation of council tax debt and the use of harsh enforcement methods can be particularly damaging to a person's financial situation and can often destabilise their attempts to resolve their wider debt situation.

We have seen some positive changes in recent years, with a welcome trend towards increased engagement with the debt advice sector – partially as a response to continued criticism of councils' collection practices. As part of the Money Advice Trust's long-term *Stop the Knock* programme, we have engaged with local authorities in England and Wales to encourage them to sign up to our "Six Steps for Local Authorities" recommendations.[53] 39 local authorities (10% of the total in England and Wales) have committed to implementing at least one of these. These are positive moves and show that councils are willing to engage and take steps to tackle the issue. The pace of change, however, is too slow and, in the absence of changes to council tax

[53] Money Advice Trust, *Stop the Knock: Six steps for local authorities*, Available here.

regulations and reform of legislation on governing bailiffs, we continue to see significant issues with collection practices.

The commitment in April 2019 by the Ministry of Housing, Communities and Local Government[54] to work with charities, debt advice organisations and local authorities to improve council tax collection practices, and the announcement of a review into the guidance, was welcome. However, given – as we just mentioned – we have seen only small, incremental change in recent years, it seems clear that the impact of a voluntary approach based on guidance will always be limited.

The issue is that the guidance is always superseded by regulations and so has not been widely followed. As we set out in our answer to question two, this means we see widespread poor practice in council tax collection, including refusal of repayment offers, making unaffordable demands to repay within the tax year, even where this is clearly unaffordable, and a fast escalation of debts.

We would therefore urge the Cabinet Office to work with the Ministry of Housing, Communities and Local Government to bring forward their review and consultation as soon as possible. The review should focus not only on the guidance but also on changes to the 1992 Council Tax (Administration and Enforcement) Regulations with the aim of preventing the fast escalation of council tax and ensuring councils have more flexibility to collect debts in an affordable way. In particular, we would encourage the government to make changes to:

- Stop people becoming liable for their entire annual bill when they fall behind on instalments
- Introduce a statutory 'pre-action protocol' for councils to follow before beginning to enforce council tax debt – including a requirement to set up an affordable repayment plan. This would, in effect, place the Good Practice Guidance for Council Tax collection on a statutory footing.
- Replace the costly and ineffective liability order process with a more effective consumer safeguard so councils have more power to collect debt flexibly.

As we set out in answer to question 16, this should be accompanied by changes to current metrics around collection targets and the introduction of statutory reporting of debt collection methods and outcomes, to incentivise good practice.

[54] 'Government pledges to improve the way Council Tax debt is recovered', 10 April 2019, Available: https://www.gov.uk/government/news/government-pledges-to-improve-the-way-council-tax-debt-is-recovered

“It doesn't make sense that if a client misses [a] payment due to unaffordability that the whole tax year bill then becomes due. This is always something which has concerned me as I think it is obvious that if they can't afford the first payments then they won't be able to afford a whole year's bill. The [other] challenge is the councils themselves. As I have stated above, once it is in the hands of an enforcement agent, the councils seem to abandon the client all together which doesn't work towards getting the client debt-free.”

-Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

To support this, at a local level, we have been calling on all councils to make a clear public commitment to reduce the use of bailiffs over time by improving their debt collection practices. This commitment could take the form of a public statement, a formal decision or statement of administration policy, or a motion of Full Council. This commitment should include all debt types, not just council tax arrears.

“A local authority refer clients to local citizens advice for help to manage all debts and help with budgeting advice as soon as council tax account is 1 month in arrears and be more proactive rather than reactive. Stopped using bailiffs to enforce debts but instead look to refer and support those in debt to manage affordable long term payment plan that they will be able to regularly maintain.”

“Bristol City Council are trying to limit use of bailiffs particularly in collecting Council tax and trying to focus more on getting people to budget and pay the current years council tax rather than clearing arrears.”

-Examples of good practice in debt collection, provided by respondents to Money Advice Trust survey of debt advisers across the free advice sector

Bailiff reform

Improving affordability and fairness in council tax collection will also require action on bailiffs. If the recommendations on council tax above were implemented, then we would expect to see a reduction in the number of people who have their debts passed to bailiffs. However, for the instances where this will still happen, it is vital that there is better protection for vulnerable individuals and that there is proper oversight of the industry. **The government’s objective should be to both reduce and reform bailiff use.**

Concerns about affordability are just one of the reasons we and other debt advice charities have long called for the introduction of independent regulation of the bailiff industry. An independent regulator could introduce an agreed affordability framework, based on the Standard Financial Statement, to ensure that creditors and enforcement agents do not apply excessive pressure to individuals and to ensure people are offered the opportunity to repay in a genuinely affordable way.

The government itself has already recognised the need for action. In November 2018, the Ministry of Justice launched a call for evidence on bailiffs[55], which closed in February 2019. In July 2019, the government said in a Written Ministerial Statement[56] that they "believe that regulation of this sector could be strengthened" and would take steps to do so. The emergency legislation passed this year to temporarily ban bailiff visits at the height of the Covid-19 outbreak was also welcome, particularly the recognition that that incentives in the industry and "financial pressures [from firms and creditors]" can create the risk of poor practice.[57]

However, the Ministry of Justice is still yet to respond to the call for evidence – which closed more than 18 months ago. We would urge the government to seize this opportunity to respond, setting out the steps they will take to:

- **Establish independent regulation of the bailiff industry**, to ensure bailiff firms and individuals follow the rules which govern their behaviour.
- **Put in place a free and independent complaints mechanism** to ensure people can get redress when bailiffs break the rules.

The issues with bailiffs do not solely relate to council tax debt. There is a particular issue with the enforcement of parking penalty charge notices. As set out in our answer to question two, once a warrant of control has been issued in the magistrates' court to recover a court fine, the court has little power to postpone or delay bailiff action or to make an order to allow the charge to be paid in affordable instalments. This undermines principles of fairness and affordability and can severely and unnecessarily complicate an individual's debt problems.

We therefore recommend that the Cabinet Office work with local authorities and the Ministry of Justice to review the enforcement of parking penalty charge notices. The aim should be to bring this into line with the enforcement of County Court Judgments, including measures to **allow the court to suspend warrants and people to apply to pay through affordable instalments.**

Deductions from benefits

As we set out in our answer to question two, the use of deduction from benefits can create a high risk of financial hardship. This is particularly the case for Universal Credit, as higher percentages can be recovered from benefits than in legacy benefits. The total amount that can be deducted is also higher.

The announcement that the maximum deduction rate in Universal Credit will be reduced from 30% to 25% from October 2021 is welcome. However, this is still a significant amount to deduct from benefits, which are already set at the lowest rate that it is estimated it is possible to allow people to subsist. Any deductions taken from that amount will inevitably cause hardship as people fall below that subsistence level.

[55] Ministry of Justice (2018) *Review of enforcement agent (bailiff) reforms: call for evidence*
[56] Enforcement Update: Written statement - HCWS1776, 22 July 2019
[57] The Taking Control of Goods and Certification of Enforcement Agents (Amendment) (Coronavirus) Regulations 2020, Explanatory Memorandum

Deductions should be seen as a payment option for affordable repayment plans, set flexibly based on what the individual can afford rather than as a collection method which takes fixed rates regardless of individual circumstances.

To achieve this, the Department for Work and Pensions should ideally be conducting affordability assessments, based on the SFS, before any deduction is applied. This should be used to determine if a deduction is affordable and if so, how much should be taken. To reduce the administrative burden on the DWP, they should also be prepared to accept SFS budgets provided by the individual or a debt adviser acting on their behalf to determine deduction levels.

Where it is clear that a deduction is unaffordable, DWP should be prepared to temporarily pause recovery of government debts until the individual's income has increased (something we explore further in our answer to question four).

To safeguard against excessive deductions causing hardship, we recommend that **the DWP urgently reconsider the high rates of deductions that are currently allowed under Universal Credit for benefit and tax credit overpayments, rent arrears and magistrates' court fines**, which risk increasing financial difficulty for people in debt. These should be lowered to match the 5% rate of deduction applicable to other debts such as utility arrears. The maximum rate at which deductions can be made should also be reviewed and lowered further. It should be a requirement that deductions can only be taken at this maximum level where a SFS budget shows it to be affordable for the individual.

Finally, there should be clearer and more accessible routes through which people can ask for a lowering of their deductions. The DWP Debt Management and Universal Credit teams (including Work Coaches) should be empowered to show greater flexibility to amend or pause deductions where this is causing hardship.

Recovery of historical debts

A final area where there can be specific challenges in terms of fair and affordable recovery relates to historical debts – usually benefit and tax credit overpayments. Over 1 in 5 (21.6%) National Debtline clients and over 1 in 10 (12.3%) of Business Debtline clients have benefit overpayment debt.[58] Government data shows that, as of 30 April 2019, 570,000 people were repaying tax credit overpayments via Universal Credit.[59]

However, a large proportion of the total outstanding tax credit debt was incurred several years ago. According to HM Treasury figures,[60] less than a third (29%) of outstanding tax credit debt is from 2016-17 onwards, with over half (52%) related to awards between 2011-12 and 2015-16, with 16% from pre-2011, meaning it is over nine years' old.

Recovery of these historical debts can be particularly distressing for people, as they may often have no idea that the debt is owed, or even that an overpayment occurred.

58 National Debtline and Business Debtline client records data, Q1 2020
59 DWP, Volumes of Universal Credit claimants with tax credit overpayments, 31 May 2019
60 House of Commons Written PQ 249940, 8 May 2019

As we explained earlier, it can be difficult for people to successfully challenge these type of debts or even to get through to speak to someone and access accurate information about how and when the debt was incurred and what their liability to repay is.

> *"Recovery of historical overpayments causes significant difficulty as the rate of recovery is often more than can be afforded. There are also issues around fairness as people do not remember the debt and so feel victimised. There is little communication before deductions are applied."*
>
> -Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

The re-emergence of old debts at a later date is out of step with rules in other sectors. There is a 6 year statute of limitation on private sector debts, and Ofgem introduced rules last year that prevent 'backbilling' if the debtor has not been notified of this in 12 months after the bill was due. **We would therefore recommend that the government take steps to implement the same principles of fairness in its own debt collection by amending its own rules on historical overpayments.** This should include writing off tax credit overpayments older than three years – as was originally intended during the development of Universal Credit.[61] In future, new rules should be introduced that mean people must be told of any overpayment within 12 months of it occurring, and any overpayments revealed after this time should be waived – as happens in the energy sector.

The re-appearance of historical debts at a later date can also cause issues for people seeking to resolve their debt situation through an insolvency solution. For example, tax credit debts are not currently covered by a debt relief order (DRO) if they are discovered and recovery begun by HMRC or DWP at a later date. People who have had a DRO are – by definition- likely to have very limited income with which to repay but are unable to get another DRO for six years, meaning there are few options available to them to deal with historical tax credit or benefit debts that later reappear. This is unfair and can undermine the positive steps people have taken to deal with their debt. To address this, **we recommend that changes are made to the DRO rules to enable tax credit debts to be covered by DROs even when they are discovered at a later date.**

Better use of technology

We note the specific reference in the question to the use of technology in assessing affordability. Recent developments in fintech and open banking have led to greater consideration being given to how these can be used to assess affordability and set sustainable repayment arrangements. There are suggestions that this could have particular benefits for people with variable incomes, where a traditional, fixed monthly repayment plan may present challenges. We would encourage the Cabinet Office to consider how they might be able to make effective use of technology, particularly to help specific cohorts of people in debt who may not be best served by existing approaches.

61 Centre for Social Justice (2020) *Collecting Dust: A path forward for government debt collection*

However, we would also caution against an over-reliance on digital technology alone and highlight that other channels and methods of engagement are likely to continue to remain important – particularly for those with more complex or vulnerable circumstances. Adoption of digital technologies relating to finances, is still relatively low across the population. In a recent survey of Business Debtline clients, a quarter (26%) said they use mobile apps (including mobile banking) and a quarter (25%) use e-banking. A smaller proportion (10%) use online accounting, but over half (53%) do not use any of these.[62] Of those who did not use any digital technologies in relation to their finances, the majority (51%) said this was because they are not relevant to their business, while 1 in 5 (18%) said they lacked the skills to use them.[63]

Question 4: How might issues of sustainability of debt repayments be addressed outside of an affordability assessment? For example, through the ongoing relationship between those in debt and the organisation that holds that debt, or through debt write-off.

As this question rightly acknowledges, affordability is about more than just a one-off, point-in-time assessment, and it is welcome that the Cabinet Office is considering this as part of the call for evidence. As we set out in our answer to question three, it is important to ensure there are easily accessible routes for people to ask for a review of their repayments or deduction from benefits or earnings, if these become unaffordable for them. **Government organisations should show flexibility and be willing to amend rates to keep it affordable for the individual.** As is widely accepted within the private sector, adapting the level of payments on a plan to enable the individual to keep paying is always preferable to the individual stopping paying and falling off the plan altogether, which then leads to increased costs to the creditor of re-engaging and re-establishing collection activity. Similarly, while someone cannot ‘stop paying’ when amounts are being taken through a deduction from benefit or attachment of earnings, there is still a significant benefit to the creditor (in this case government organisations) in ensuring these are not unaffordable to the individual. When these are taken unaffordably, they can leave people without enough money to meet their essential bills, increasing the possibility of recurring debt problems and knock-on costs to government.

Government organisations could also look at **setting ‘review’ dates within payment arrangements (including deductions from benefits and attachments of earnings)**

[62] Quarterly surveys of Business Debtline phone clients (January – June 2019) Sent to clients consenting to take part in an online survey 6 weeks after calling Business Debtline. Base 202.
[63] Ibid. Base 97.

to check if an individual's circumstances have changed and whether they need a reconsideration of their repayments. This not only protects those who need their payments lowered if their income has dropped, but also ensures that if someone's available income rises, then increased payments can be made. Such reviews are common practice within existing debt solutions: for example, Debt Management Plans include regular reviews (usually annually, but these can also be requested by the individual at any point), as will the forthcoming Statutory Debt Repayment Plan scheme.

"Local and central government need to take into account that for a majority of people, there are peaks and troughs in financial situations, so if councils were more understanding during the troughs, they would find people more proactive when they are in a peak."

-Quote taken from response to Money Advice Trust sector-wide survey of debt advisers

The second aspect of this question raises the issue of write-off. More broadly, we interpret this as a question regarding how government organisations should respond when an affordability assessment shows that any level of repayment is unaffordable for the individual. Given the rise in the number of people with deficit budgets – who do not have enough money to cover essential expenditure and are therefore left with nothing to put towards their debts – it is unfortunately not uncommon that people may find themselves in this situation.

In certain cases, for example where an individual is in a particular vulnerable situation, then write-off may need to be considered. We believe there is greater scope to make use of existing rules and legislation that allow for write-off in certain circumstances, including for benefit overpayments and on council tax arrears. Section 13a of the Local Government Finance Act 1992 allows for local authorities to make discretionary reductions and write-offs of council tax bills. However, evidence from advisers suggests there is significant inconsistency in how this is used across the country. We would like to see clearer and more accessible mechanisms by which people can ask for consideration to be given to writing off debts owed to government organisations, and this should be supplemented by clear and transparent guidelines to reduce inconsistency.

"I am aware of some councils using their rights to write off some council debts under Section 13A Local Government Finance Act 1992. I would like to see this applied more often on a case by case basis. Often, clients really benefit from a fresh start. Some councils have a very good practice of using their discretion."

"Local government have the discretion of Section 13A - in my 7 years working as debt worker - I have had one accepted- they could use this to help vulnerable clients."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

Where write-off is not appropriate or the conditions for it are not met, then **government organisations could consider temporarily pausing collection while an individual's circumstances recover.** A good example of this might be someone who is currently unemployed and receiving Universal Credit. While they are unemployed, they may find that deductions from their benefit to repay debt are unaffordable. DWP could temporarily pause their deductions (or reduce to a token amount - for example £1 a month) while they are looking for work. When they gain employment and their income rises, then a further affordability assessment could be conducted and deductions could restart at an appropriate rate. This would be in line with other forms of government debt collection – such as student loan recovery – where repayments begin once individuals are earning a specified amount. Ideally any temporary pause until earnings reach an appropriate level for recovery should be done on an interest-free basis, otherwise individuals will still face unreasonable pressure to repay unaffordably to avoid interest accruing.

"A client had council tax debt and contacted the council informing them about their short term debt issues (3 months). The council adviser asked the client to pay whatever they can through the difficult time and then when the short term circumstances change, to start over paying where possible or set up an arrangement. In the meantime the council said they will not take any recovery action and this would include not getting a liability order."

"Where a debtor enters council tax debts into an insolvency solution my local authority will write-off the balance for jointly liable partners. It will also write-off the current year's balance even if not legally due. My local authority has a good relationship with its debt advice service and will accept our recommendations."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

Government organisations could also look to the utilities sector where payment matching schemes, combining partial write-offs with repayment, have been used to good effect to clear arrears, create payment habits and prevent recurring debt. Payment matching schemes are common in the water sector and are also used by some energy companies (see box 3 and 4 for examples). They work on the basis of agreements between individuals to keep up with either their ongoing bill payments or a certain level of repayments on their arrears, in return for which the company write-off equivalent amounts (and usually, after a set time, any remaining debt). While we appreciate these may not be appropriate for every type of government debt, **the Cabinet Office could consider working with a central government department or local authority to pilot a Help to Repay scheme for a specific debt type.**

Box 3: Wessex Water 'Restart' programme[64]

The Wessex Water 'Restart' scheme began in 2004 and is aimed at getting people into a payment habit and back on track with their regular payments, while helping them to clear existing arrears. The scheme works as follows:

- The customer makes their regular payments for the current year's bills.
- If they successfully do so, at the end of the year their debt is reduced by an equivalent amount.
- If the customer continues to make all their payments for their current charges in the second year, then the remaining debt is cleared.

To be eligible, individuals may have to first access free, independent debt advice – where they will complete a Standard Financial Statement showing details of their income, expenditure, debts and savings.

Wessex Water report that the scheme is very effective in getting customers back on track with more than 90% continuing to engage and pay their ongoing water charges.[65]

Box 4: nPower Energy Fund[66]

Customers can apply to the nPower Energy Fund for help with their energy debt. If successful, the customer is required to meet their regular payments for energy consumption for three months, at which point the award from the Fund is applied to the individual's account and the debt is cleared.

[64] Example sourced from Money Advice Service (2017) *Working collaboratively with debt advice agencies: A strategic toolkit for creditors*
[65] Wessex Water Business Plan 2020-2025, Available: https://www.wessexwater.co.uk/corporate/strategy-and-reports/business-plan-2020/appendices
[66] For more information see: https://www.npower.com/help-and-support/extra-support/npower-energy-fund/

Communication and preventing recurring debt

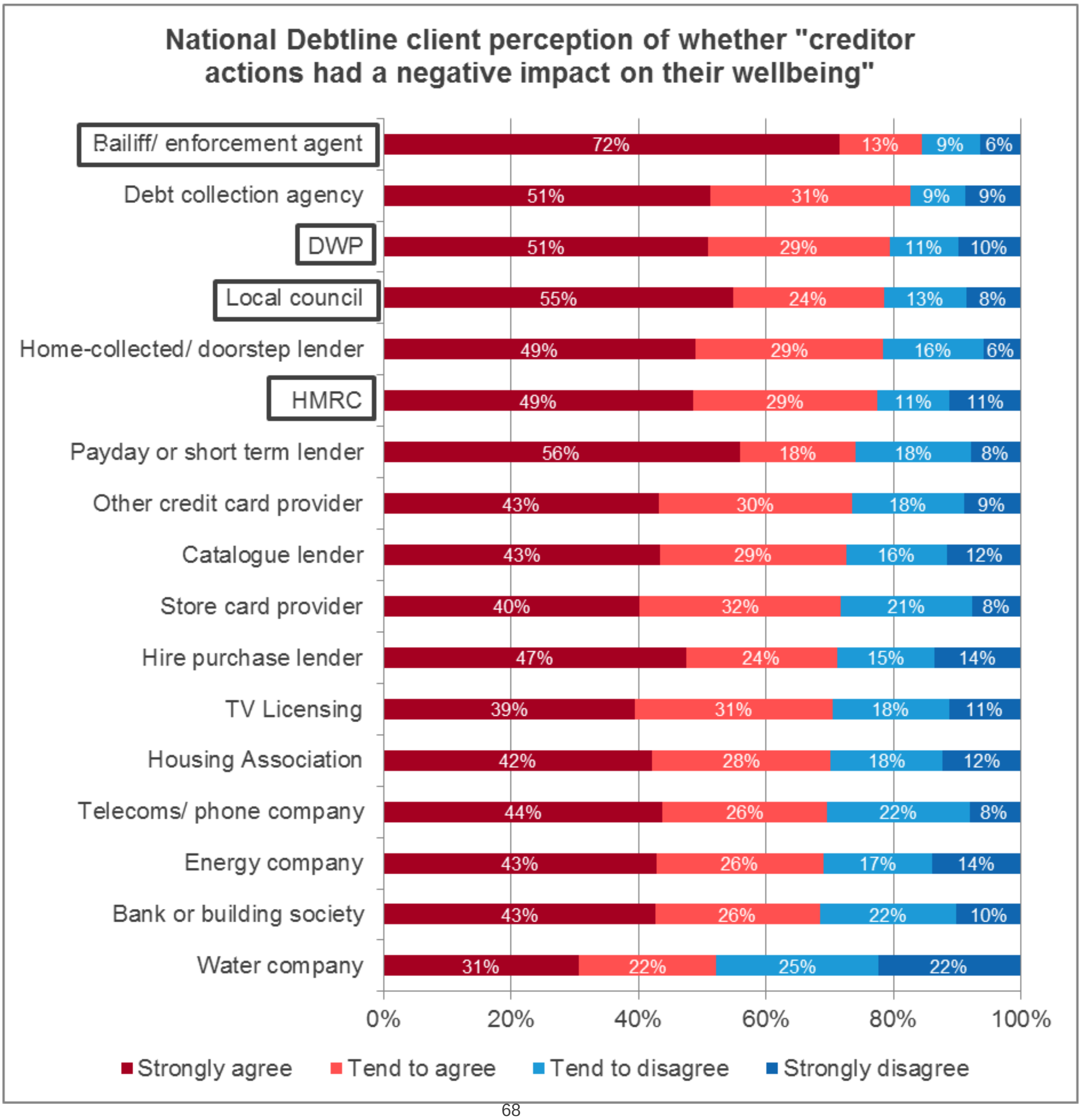
Question 5: Do you have any evidence of how issues with central and local government organisation communication can aggravate mental and physical impacts on people in problem debt?

From our experience, current approaches to debt collection and communications can, unfortunately, have a negative impact on people's mental and physical wellbeing. These negative impacts can disrupt individual's efforts to resolve their debt situation.

Large majorities of National Debtline clients surveyed who held debts to central and local government organisations report collection activities had a negative impact on their wellbeing: 80% of those who had debts to DWP, 79% to local authorities and 78% to HMRC. 85% reported a negative impact from the actions of bailiffs/enforcement agents, who are often collecting council tax debts.[67]

As the chart on the following page demonstrates, this impact is more pronounced compared to most other creditors, where a lower proportion of clients reported a negative impact.

[67] National Debtline annual impact survey 2020. Percentages relate only to survey respondents who had at least one debt with that particular creditor. Base for each creditor was as follows: HMRC - 107; DWP – 112; Local council – 177; Bailiffs - 109.



[68]

The negative impact on people in problem debt is further demonstrated in the qualitative feedback we receive from National Debtline and Business Debtline clients. It is common for National Debtline and Business Debtline callers to report being made to feel dishonest or untrustworthy in their dealings with government organisations. Others report that their vulnerability has not been taken seriously or treated sympathetically.

[68] National Debtline annual impact survey – respondents were asked "Please take a look at the list of creditors and other organisations below. For the ones that apply to you, please tell us to what extent you agree that their actions had a negative impact on your wellbeing". Total respondents for the question were 524, percentages are shown only as a proportion of those who had debts to that creditor, so individual bases vary. Any creditors where the base was lower than 50 have been removed from the graph.

"They were generally unhelpful and unsympathetic to my situation. I felt they believed I was being dishonest about not being able to pay the debt. I didn't feel they had any supportive measures in place, I wasn't offered any extra support even though I explained I have been diagnosed with anxiety and depression.''

''It was horrible. The first part of the 60-plus minute call was filled with the [contact centre agent] talking down to me. She was more concerned with giving me a hard time than resolving anything. At the end I just agreed to her plan due to exhaustion which after a month or two failed.''

"The system is too rigid and absolutely fails business owners. There is no empathy, letters by quantity and tone feels harassing. There is no consideration about personal income versus ability to pay.''

-Verbatim comments from Business Debtline clients[69]

Similar experiences are reported second-hand by debt advisers, who report that poor communications, inappropriate debt management activity and a lack of focus on affordability can have a significant impact on people in debt and often lead to negative outcomes. In particular, in a Money Advice Trust survey of advisers across the free advice sector, it was common for respondents to highlight the difficulty in being able to get through to speak to government organisations as a key challenge for people, particularly those in vulnerable circumstances. When asked what the biggest challenge was for people trying to deal with debts owed to government, a significant proportion of advisers said communication issues, with difficulties in getting through to speak to someone about their debt dominating these (mentioned by 31% of respondents).[70] Advisers reflected that difficulties getting through to speak to staff can contribute to a sense of hopelessness from people about their debt situation, can put people off trying to contact again and lead to them disengaging with government organisations.

"The people we try to help really struggle to understand the letters / award notices / bills [they are sent]. Often they have attempted to try and address the issues themselves but just give up because they can't get through on the phone or they are spoken to very unsympathetically"

Communications sent by local and central government are often unclear and use language that many clients struggle to understand.

"Clients are often sent from various department to various department when trying to negotiate."

[69] Verbatim comments taken from responses to Business Debtline client survey on HMRC debt collection. Fieldwork conducted between 21 Aug – 5 Sept 2019.
[70] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Based on verbatim comments coded by theme and calculated as a percentage of 392 respondents who left a comment to the following question: "*In your experience, what is the biggest challenge that people have when trying to deal with debts owed to central and local government?"*

"People can also be passed around from department to department and from adviser to adviser. It would be better if their case could be taken into ownership by one representative."

"Typically, central government debt collection departments take a very long time to respond to attempts to initiate communication or do not respond at all. This leaves clients feeling stressed and in limbo and not being able to move forward with their debt problem."

"Getting through to speak to someone, especially DWP and HMRC. Sometimes it is virtually impossible and vulnerable people will just give up."

"It is extremely difficult to contact the DWP Debt Management section to resolve matters for clients. This leads to a great deal of stress for clients and makes it more difficult to improve their situations."

"The emphasis in [government organisations'] communications and practices are usually traditional insofar as they treat the debtor as someone who has done something morally wrong and who must face punishment if they do not make amends. Our local council used to be like this too, but has improved dramatically over the last year or so towards working with clients to solve problems - reducing the impact on health."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

It is important to reflect that it is not just communications that can impact on people's mental and physical health, but also the issues outlined earlier in our answer to question two, regarding a lack of focus on affordability and the pace at which collection activity escalates.

As we also discuss in our answer to question 9, setting repayments at an unaffordable rate can create a high risk to people's health. For example, a repayment rate set too high might mean an individual cannot afford to buy what they need to manage their health condition – such as paying for prescriptions, buying food, covering the cost of extra heating if they need to stay warm at home, covering the cost of transport to and from hospital, or paying for taxis if a health condition or disability means they cannot take public transport.

"People who are on low incomes and often given no real option but to pay high levels of instalments means they cannot afford to live, impacting on their health."

"Most clients feel pressured in to making arrangements and this has considerable negative impact on physical and mental health as clients sometimes deliberately choose to go without in order to avoid pressure placed on them by bailiffs and debt collection companies."

"Increases distress and anxiety, including feelings of helplessness and being lost in a 'system' that is neither helpful nor understanding of debt issues. This can then manifest as mental health issues which also impact on a person's ability to monitor or manage their physical health. Insisting on high debt repayments mean families have to eat cheap and potentially unhealthy food, have a poor environment at home due to a lack of heating / hot water / warm clothes."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

Existing evidence has also shown that poor debt management activity or communication can exacerbate the mental and physical impacts on people in problem debt. The National Audit Office analysed data from StepChange Debt Charity, which found that 'intimidating letters, phone calls or doorstep visits lead to a 15% increase in the probability of debt problems becoming harder to manage, and a 22% increase in the probability of anxiety or depression levels rising'.[71] In addition, they found that added fees (such as bailiff fees applied to council tax debts) *'increase the probability of debt problems becoming harder to manage by 29%, and the probability of anxiety or depression levels rising by 15%'*.[72]

"I find that I am more and more having to refer my client base to Wellbeing and Mental Health services because of the poor handling of their cases by Central and Local Government."

"[Current government debt collection practices] exacerbate clients physical and mental health problems as they feel that their situations are not being taking into account. Central and local government refer people for debt advice but then don't take into account what a debt adviser has suggested. Even when a client has sent a budget to a council showing a small offer of payment, councils will still instruct bailiffs which add further costs onto the bill (which get repaid first before the actual council tax, which is supposed to be the priority) and adds further pressure."

"It can cause people to feel quite stressed and anxious. Many have advised their health gets worse due to the stress, pressure and the constant letters and calls they receive."

"The inflexible approach clients describe leaves them feeling helpless and has a detrimental effect on mental health, There are clients who may have been able to cope but are not helped but the way demands are made some times multiple

[71] National Audit Office (2018) *Tackling Problem Debt*
[72] Ibid

demand with varying figures, this is particularly a problem with council tax."

"The debts I encounter with the most severe consequences are debts owed to central and local government. Simply advising a client that there is realistic possibility of bailiffs acting on a council tax debt will increase their anxiety which is already heightened due to their debt situation. The way the debts can be enforced (and are being enforced) is exasperating our clients mental health and I see this on a daily basis."

"[Government debt collection practices] leads to anxiety, depression, weight loss due to stress and strain in relationships."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

The National Audit Office's findings highlight the particular negative impact that bailiff action can have on people's physical and mental health. As highlighted above, 85% of National Debtline callers surveyed who had experienced bailiff action reported a negative impact on their wellbeing.[73] When bailiffs break the rules and treat people unfairly, this detrimental impact can take particularly distressing forms. 7 in 10 people said that, as a result of bailiff action, they experienced increased stress or anxiety, felt unsafe or became afraid to answer the door.[74] The impact on people's sense of independence is particularly damaging. A third of people said a negative interaction with a bailiff made them feel unsafe in their own home and 1 in 4 said it made them scared to leave their home.[75] This impact can be further exacerbated when existing health conditions are not properly taking into account.[76]

"Quickness to send bailiffs is extremely stressful for clients."

"In my experience the use of enforcement agents in the collection of debt has an extremely negative impact on people's mental health."

"As soon as a client heard the name "Bailiff" or Enforcement Officer" they start to panic, don't sleep & their mental & physical states starts to suffer."

"The use of bailiffs to collect council tax arrears has a massive impact on the whole family's mental health not just that of the debtor."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

[73] National Debtline annual impact survey 2020, base: 109 callers who had experienced bailiff action
[74] Citizens Advice and StepChange Debt Charity commissioned YouGov polling of adults in England and Wales who had a negative experience with bailiffs, weighted to be nationally representative. Base: 192. For more information, see Taking Control response to Ministry of Justice Call for evidence: Review of the enforcement agent reforms, February 2019.
[75] Ibid
[76] Research by the Money and Mental Health Policy Institute found that 7 in 10 people in debt with mental health problems said that their vulnerable status was not dealt with appropriately by bailiffs. For more information, see Taking Control response to Ministry of Justice Call for evidence: Review of the enforcement agent reforms, February 2019.

Question 6: How can central and local government organisations most effectively communicate with people who owe them money, including people who may be vulnerable? Please include any thoughts on the role of technology in communications or how best to reach people without access to technology.

Clear, easily-understandable communications

Good communications can be key in helping people resolve their debt issues. **We would encourage central and local government organisations to consider how they can ensure that their communications with people in debt are always clear and easily understandable.** Government research has found that one in seven adults in the UK have literacy skills in line with that expected of a child aged 11 or below.[77] Just under half of UK adults have a numeracy attainment age of 11 or below.[78] Those in vulnerable circumstances may face particular challenges when it comes to communications. Certain health conditions or medications can affect people's concentration, decision- making capabilities or their ability to use certain communication channels. The impact of difficult and stressful life events – such as bereavement - can also mean some people might face temporary difficulties with communications. Government organisations should ensure all their communications, to all customers, are simple and easy to understand. Regularly testing communications with customers can help to ensure this is the case.

From our experience, many people can find communications or paperwork about debt from government organisations complex or confusing. We have also seen issues where customers have been given confusing or incomplete information about their debts. One example of this is in relation to deductions from benefits. We appreciate that the DWP took some steps in 2019 to improve the information provided about deductions on claimants' Universal Credit journals, however there can still be issues with deductions appearing for debts an individual did not know about – particularly where these relate to benefit or tax credit overpayments - and a lack of information, such as how long the deductions will go on for. Under Universal Credit, claimants often get less notice that a deduction will be taken than under the legacy benefits system. This makes budgeting difficult for people. It also increases the risk of financial hardship if claimants receive less benefit income than they were expecting and do not have time to ask for the rate that deductions are being taken to be reconsidered.

[77] Department for Business, Innovation and Skills (2012) *The 2011 Skills for Life Survey: A Survey of Literacy, Numeracy and ICT Levels in England*
[78] Ibid

Furthermore, it be challenging for people to establish the total amount they owe, and therefore how long deductions will be applied for. Even when people contact the DWP debt management service to find this out, the information isn't always available because of the way the Universal Credit and debt management systems currently communicate with each other. **Government organisations should work to improve the information provided to people in debt, and develop more accessible routes through which people can seek clarity on the amount owed. The Department for Work and Pensions should aim for a 'no wrong door' policy to ensure that, whichever aspect of the service an individual contacts, staff are able to provide information about debts owed or quickly transfer them through to the relevant team to receive the information.**

"Little or no advance notice is given regarding deductions. This makes planning and budgeting very difficult. Losing 40%, now 30% of your income is not manageable and is often the start of debt issues."

"The statements which are sent tend to confuse the client (especially council tax letters). This leads to clients not knowing what they need to pay and when."

"The lack of clarity regarding why debt is owed and what the options are has very a serious impact on people's wellbeing."

"For benefits overpayments: it can be confusing to work out what is owed, and why, clients often get letters asking for different amounts."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

The issue of poor or complex communication from government organisations can be complicated by the fact that many people, particularly those in vulnerable circumstances, may lack the confidence to seek clarification or be worried it will reflect negatively on them. To counter this, it is important to ensure not only that communications are as clear and simple as possible but also that **staff regularly check that customers have understood the information given to them and give opportunity for people to ask questions.**

Supportive communications

As well as improving the clarity of communications, we would encourage government organisations to consider how they can use communications to more effectively engage and support people in debt who are struggling to pay. In many instances, we still see government organisations adopting an approach to communications which can include harsh of threatening language. This has often been based on an out-dated view that this type of communication is needed in order to secure engagement from people in debt.

However, in practice evidence suggests the opposite happens. Advisers frequently reported to us that communications with threatening or scary language or with prominent warnings about court action can leave people feeling anxious, hopeless and unable to see a solution to their situation. Research shows they can have a significant impact on people's mental health and also be a factor in people in debt becoming suicidal.[79]

Instead, we would **encourage government organisations to consider how they can take a more supportive tone in their communications**, highlighting the positive benefits of people in debt getting in touch and the options available to them to resolve their debts. While we recognise there may be nervousness about the impact of such changes, we would encourage government organisations to work with, and learn from, private sector firms who have taken a more supportive approach to communications and collection activity and have seen no lowering of collection rates. This approach should become more commonplace within government, starting with pilots if necessary, to demonstrate the success a changed approach to communications can have. There is also good practice within the government debt collection area that could be shared and implemented in other contexts – including the practices of the Debt Market Integrator.

"I think that most debtors would engage more with these creditors if they were more approachable. Threats for non-payment often put debtors off engaging so this then impacts on their mental and physical health as they are constantly worried about the situation."

"Start with the assumption that most people do want to try and repay if at all possible."

"When debtors do engage, either independently or with help from an advice agency, and the local or central government department does not treat the debtor as a human, but simply looks at the amount of debt they owe and how they can recover it in the quickest way possible, this is a disincentive to the debtor. They feel powerless and frightened, reluctant to engage further as they see no point in doing so."

"Huge impact on my clients mental health, leading to physical impacts. this creates a viscous circle for debtors. They are unable to pay the debt at that moment, but due to the way they are treated by creditors they are too anxious or scared to speak on the phone about their debts, leading to escalated practices, which just create more debt and stress."

"Debt collection practices have a significant impact on mental health, meaning that the client is less likely to engage which exacerbates the situation. HMRC / DWP in particular make it very difficult to speak to the right person to discuss how to deal with overpayments / debts - often phone lines are very busy or staff unsympathetic."

-Quotes taken from responses to Money Advice Trust sector-wide survey of debt advisers

[79] Money and Mental Health Policy Institute (2018) *A silent killer: Breaking the link between financial difficulty and suicide*

Accessible communication channels

Finally, we would also encourage government organisations to ensure they have a range of accessible communication channels for people in debt. Research by the Money and Mental Health Policy Institute, for example, found that more than half (54%) of customers who have experienced mental health problems, and one third (32%) of those who haven't, have serious difficulties using the telephone. For these people, the option to engage in writing such as over email, webchat, messaging apps or post may be more accessible. For others, writing may be difficult and speaking in person or over the phone is preferable. A positive outcome is more likely to be secured when a customer is able to communicate in a way that is accessible and that they are comfortable with, so we would **encourage government organisations to have multiple channels available wherever possible and to proactively offer customers the option of how to communicate with them.**

> *"I would like to use email but HMRC, despite all the talk about 'Making tax digital', does not allow for this for the vast majority of communications"*
>
> -Business Debtline Client[80]

Question 7: Do you have any evidence on existing effective relationships between organisations collecting debt and debt advice providers? This could include comments about referrals and treatment of repayment offers.

Effective relationships between creditors and debt advice providers can significantly improve outcomes for people in debt. In 2017, the Money Advice Service (now Money and Pensions Service) developed a creditor toolkit[81] on working collaboratively with debt advice agencies. This contains a number of good practice examples of effective relationships between debt advice providers and creditors across financial services, energy, water and local authorities. The toolkit also provides advice on developing and managing partnerships between debt advice providers and creditor organisations, as well as providing examples of the benefits this can bring.

---

[80] Business Debtline client survey on HMRC debt collection- Verbatim comment from survey respondent. Fieldwork conducted between 21 Aug – 5 Sept 2019.

[81] Money Advice Service (2017) *Working collaboratively with debt advice agencies: A strategic toolkit for creditors*

Similarly, the Citizens Advice Council Tax Protocol,[82] developed with the Local Government Association (LGA), sets out how local authorities in England can work more effectively in partnership with debt advice agencies. This includes developing better referral pathways, regular meetings to discuss practical and policy issues and greater sharing of good practice. The Money Advice Trust's *Stop the Knock* FOI in 2019 found that 64 local authorities in England (20%) had adopted the Council Tax Protocol.[83]

The same FOI also found that the vast majority of local authorities (99%) signpost residents in financial difficulty to free debt advice – with only three councils reporting that they do not take this basic step, down from 10 authorities two years ago. The vast majority (88%) signpost to Citizens Advice while approaching half signpost to national telephone and online advice providers StepChange Debt Charity (48%) and National Debtline (46%). There has been a small increase in signposting to telephone/online advice compared to two years ago.

As highlighted elsewhere in this response, offering people multiple channels through which to contact both their creditors and support services such as debt advice providers, is critical. We recommend that all councils regularly review their signposting and referrals processes to ensure that all opportunities to help people access free debt advice are maximised. For councils who currently signpost only to face-to-face agencies, we recommend providing residents with a choice of channel by additionally signposting to telephone/online advice agencies.

At National Debtline and Business Debtline, we are pleased to work closely with a range of private sector creditors. We also have a relationship with HMRC, who provide grant funding to support the provision of debt advice to HMRC customers through our Business Debtline service. As part of the partnership, we provide regular insight and demographic information to HMRC, to help inform their customer engagement and policy development and also engage with HMRC on developing issues and trends through their Individual Stakeholder Forum. The existing relationship has also enabled us to pilot new approaches to engaging individuals with debt advice. In September 2019, we conducted an outbound letter pilot in which HMRC branded letters were issued to Self Assessment customers who had not responded to two previous letters. The letters asked customers to contact Business Debtline for free advice, with a dedicated, bespoke Business Debtline telephone number given as the letter's call to action

Our own evidence demonstrates the positive effect that partnerships with debt advice agencies can have for government organisations. In August- September 2019, we conducted a bespoke survey of Business Debtline clients who owed debt to HMRC. As part of the survey we asked about the impact of receiving advice from Business Debtline specifically on HMRC debts, and more generally across their entire debt

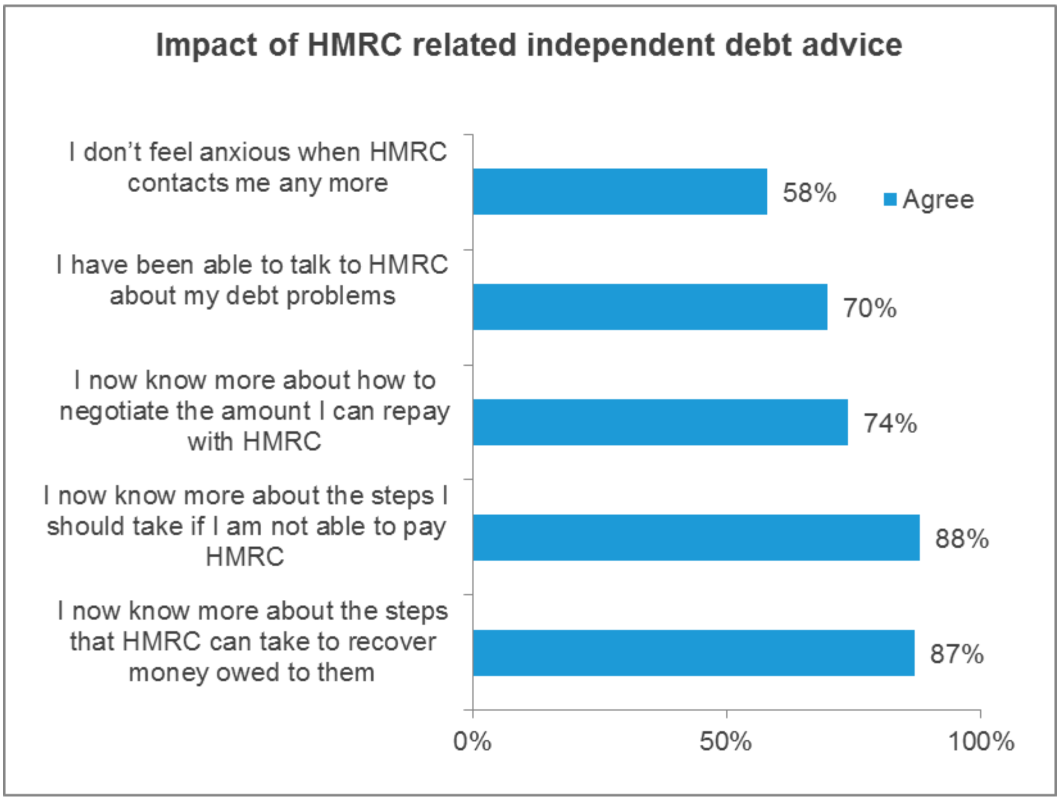
[82] Available: https://www.citizensadvice.org.uk/about-us/our-campaigns/all-our-current-campaigns/council-tax-protocol/
[83] Money Advice Trust (2019) Stop the Knock: An update on local authority debt collection practices in England and Wales, https://www.stoptheknock.org/

situation. The results – shown in box 5 – highlight the positive impact that referring an individual to independent debt advice can have.

Box 5: Impact of independent debt advice – HMRC example

Impact of advice from Business Debtline about HMRC debts[84]

- Following advice, there was a significant improvement in most people's HMRC debt situation: **61% said their debt to HMRC was reducing** with a further 24% finding their HMRC debts stabilising.
- **88%** said they now know more about the **steps to take if they are not able to pay HMRC.**
- Almost three quarter (74%) said they now **know more about how to negotiate the amount they can repay** with HMRC.
- **70% said they had spoken to HMRC** about their debt problems.
- **87%** said they **knew more about the steps that HMRC can take** to recover money owed to them.

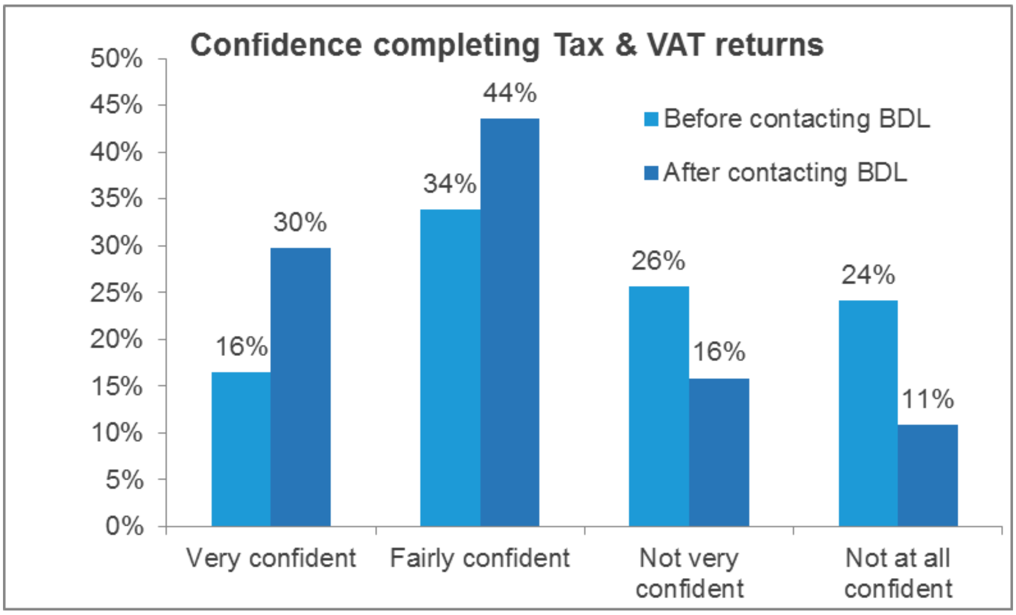


[84] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.

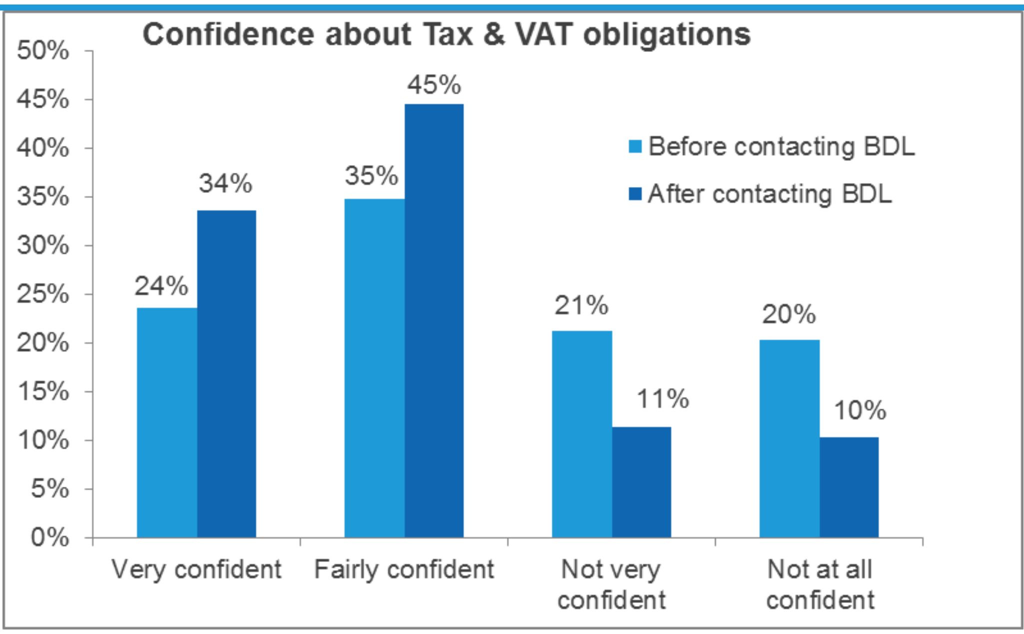
The increase in knowledge and understanding amongst the majority of Business Debtline clients doesn't just help resolve their current debt situation but also means they are better equipped to deal with any future debt issues, including contacting HMRC at an earlier stage to resolve their situation.

In addition, our survey found that advice about HMRC debts significantly increased confidence around completing Tax and VAT returns, and understanding Tax and VAT obligations – both of which can be crucial in preventing future debt:

- Clients feeling very confident completing tax returns following contact with Business Debtline almost doubled (16%-30%) whilst those feeling not at all confident fell from 24%-11%.
- Confidence about understanding of tax obligations also improved significantly with 34% saying they felt very confident compared to 24% before getting advice.[85]



[85] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.



Overall impact of debt advice

As well as asking about the impact of independent debt advice on their HMRC debt situation, the survey also considered the effect on people's wider debt situation. This once again highlighted a significant positive impact, particularly in relation to recurring debt.

The vast majority (85%) said they felt less likely to find themselves in a similar debt situation again. 92% said they were managing their money more wisely, and 91% felt more knowledgeable about financial matters.

Outcome of debt advice from Business Debtline	Respondents agreeing
I feel confident that I am managing my money more wisely now	92%
I am more knowledgeable about financial matters	91%
I am now less stressed about my business debts	88%
I am now less stressed about my personal debts	86%
I feel less likely to find myself in a similar situation again	85%
I have fewer arguments about money	83%
Business Debtline has supported me to carry out tasks independently	82%
I think it is more likely I will repay my debt	81%
I no longer have companies chasing me for money	79%
I now feel more in control of my financial situation	78%

As part of the Money Advice Trust's survey of debt advisers from across the free advice sector, we asked if they had come across any examples of good practice in debt collection by a government department or local council, that could be more widely used across government to improve the experience for people in debt. 42% of respondents said they had[86], and the quotes below provide examples of the sorts of good practice advisers had encountered in relation to relationships between government organisations and debt advice providers. They highlight the potential for improved practice across government organisations, showing that concerted efforts to develop fairer practices and strengthen relationships with debt advice providers can have a significant positive impact on people in debt and for creditors and debt advisers.

"We have a protocol with the council tax, housing and benefit department of our local council. Upon calling, they will hold the account for 30 days to allow time for a financial statement (they work to the trigger figures on the SFS) and set up manageable payment plans for clients. They're very fair and balanced and will consider reasonable requests to withdraw warrants due to vulnerability. They have told us that by working together, they collect more from customers overall as the plans we set up are manageable."

"Great vulnerability officer at local authority who is empowered to agree repayment plans on the phone and who refers people with council tax debt for proper help before agreeing plans. This role gives us a one stop shop on dealing with debt in that area."

"Only a few months ago we were provided with a designated contact number for debt management at DWP which has been much more successful in negotiating affordable levels of repayments or obtaining a temporary hold."

"We have a good working relationship with the Council Tax Recovery team at our local council. This followed a face to face meeting with the key staff so that both sides can understand the main issues (eg how to deal with vulnerable clients). Since this meeting it has been much easier working with them and we find it easier to agree affordable repayments as well as recall debts from the bailiffs (where appropriate)."

"One council have developed an online form that allows approved third party agencies to get in touch with them regarding council tax and housing benefit issues. A form of authority and evidence can be uploaded and there is a further option of ticking "urgent". These queries are responded to by a more senior advisor, which means that you skip some of the nonsense that you sometimes hear when calling general enquiries ("no we can't put it on hold/withdraw from bailiffs etc). A non-urgent information request is responded to within 5 days and an urgent request within 24 hours. This is an example of excellence and it allows clients to see very quickly that involving an agency is improving their financial situation."

-Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

[86] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Base 398.

Question 8: How can central and local government organisations most effectively prevent recurring debt? Please include any thoughts on the role of partnership working in this challenge.

Affordability assessments

As set out in our answer to question three, **conducting effective affordability assessments and creating sustainable payment plans, that ensure people have enough money to pay their on-going liabilities, is one of the best ways to prevent recurring debt.** The Standard Financial Statement is designed to ensure an individual has a realistic budget that allows them to covers their essential costs. Approaches which fail to prioritise the importance of leaving enough money to cover these on-going commitments are much more likely to lead to people falling back into debt. According to research by StepChange Debt Charity, 40% of people surveyed who had money deducted from benefits to repay debt said it led to them falling behind on essential household bills; and 20% had to use credit to pay essential household bills – a risk factor for problem debt. [87] **Reviewing current rates of deductions from benefits and attachments of earnings could also help prevent people experiencing recurring debt problems.**

Partnerships with debt advice agencies

As set out in our answer to question seven, there is strong evidence about the role of debt advice in preventing recurring debt (see box 5). Not only does debt advice help an individual to resolve their current debt problems, through the use of the SFS, it aims to ensure that any debt repayments do not compromise their ability to cover the costs of ongoing liabilities and prevent further arrears. The experience of successfully using debt advice can also give people the confidence and knowledge to contact their creditor early if they do face difficulty again, making it easier to resolve their debt situation without it escalating. For example 88% of respondents to a Business Debtline client survey said they knew more about the steps to take if they are not able to pay HMRC in future following advice from Business Debtline.[88] The vast majority (85%) of respondents said they felt less likely to find themselves in a similar debt situation again. Over 9 in 10 (92%) said they were managing their money more wisely, and 91% felt more knowledgeable about financial matters. Similarly, we also found that debt advice improved confidence and knowledge of Tax and VAT obligations and returns – making it less likely that issues with these will lead to debt in the future.

[87] StepChange Debt Charity (2018) *Briefing on Third Party Deductions*

[88] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.

We therefore recommend that **all government organisations regularly review their signposting and referrals processes to ensure that all opportunities to help people access free debt advice are maximised** – including ensuring a full choice of channels by additionally signposting to telephone/online advice agencies, as well as face to face services. For example, a Money Advice Trust Freedom of Information request as part of our *Stop the Knock* programme found that the vast majority (88%) of local authorities in England and Wales signpost to Citizens Advice, while approaching half signpost to national telephone and online advice providers StepChange Debt Charity (48%) and National Debtline (46%).[89] Central and local government organisations should be encouraged to form a range of partnerships, including with phone and online advice providers to ensure people have a range of channel options for seeking debt advice.

Help to Repay / Payment matching schemes

As we set out in our answer to question four, in the utilities sector 'payment matching' / help to repay schemes have been used to good effect to prevent recurring debt. Companies that use these schemes recognise, and prioritise, the importance of an individual making their ongoing payments for current usage. If a customer makes these payments for a specified amount of time, they are eligible to have part or all of their repayments 'matched' and their debt is reduced by an equivalent amount. The schemes help develop payment habits, and get the customer back on track with paying, making them less likely to fall behind again in future. Wessex Water reported that more than 90% of customers who go through their payment matching scheme continue to engage and pay their ongoing water charges.[90]

[89] Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales,* https://www.stoptheknock.org/
[90] Wessex Water Business Plan 2020-2025, Available: https://www.wessexwater.co.uk/corporate/strategy-and-reports/business-plan-2020/appendices

Vulnerability and financial hardship

Question 9: In your opinion, what impact could poor debt management activity have on potential vulnerability?

If vulnerability is not correctly identified at all, or only identified at a very late stage of the collection and enforcement process, vulnerable people can end up being subjected to inappropriate collection or enforcement processes. This can exacerbate existing vulnerabilities, such as physical or mental health conditions, and make it harder for people to engage with their creditors or resolve their debt problems.

It may also mean that important elements that would go into understanding the reason for the debt – which can help inform the best way to resolve the situation - can be missed. In a survey of Business Debtline clients who owed debt to HMRC, 1 in 5 (19%) said the main reason they fell into debt was due to ill health or disability, with a further 12% citing mental health problems.[91]

Identifying vulnerability is also linked to appropriately assessing affordability. For example, the additional costs of a health condition may mean someone cannot afford the same repayment rate as someone else with a similar level of income. Failure to identify this issue could lead to unaffordable and unsustainable repayment requests. It can also mean that opportunities to offer wider support that could prevent recurring debt (such as by identifying eligibility to health-related benefits or to council tax support) could be missed.

"They [HMRC] were generally unhelpful and unsympathetic to my situation. I felt they believed I was being dishonest about not being able to pay the debt. I didn't feel they had any supportive measures in place, I wasn't offered any extra support even though I explained I have been diagnosed with anxiety and depression'.

-Business Debtline client[92]

[91] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019.
[92] Business Debtline client survey on HMRC debt collection- Verbatim comment from survey respondent. Fieldwork conducted between 21 Aug – 5 Sept 2019.

"Central and local government seem more focused on enforcing debt recovery than seeing the bigger picture including the client's health issue. There appears to be little flexibility in the approaches taken, particularly where clients' health issues are affected by deductions from benefits that cause further hardship."

"Current debt collection practices exacerbate existing illnesses and we have seen people with no pre-existing issues spiral into depression and anxiety as council tax collection escalates from reminders to committal hearings in the space of a few months."

-Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

We recognise that central government organisations have worked to improve their support for vulnerable customers, including through the Fairness Group Vulnerability Sub-Group. There are positive examples of specialist support being put in place for customers where vulnerability is identified, such as through the HMRC Extra Support Unit.

However, the experiences of our clients and advisers suggests that poor debt management activity by central and local government organisations can cause significant harm. As mentioned in our response to question five, a large majority of National Debtline clients surveyed who held debts with public sector creditors report that these creditors' actions had a negative impact on their wellbeing: 80% of clients who had debts to DWP, 79% to local authorities and 78% to HMRC – with 85% reporting a negative impact from the actions of bailiffs/enforcement agents, who are often collecting council tax debts or magistrates' court fines.[93]

"The use of enforcement methods before finding out about a client's physical or mental health capacity can be devastating to clients. It causes further anxiety and depression and they are more likely to offer unaffordable arrangements just to attempt to appease the pursuing party and then cause themselves more hardship."

-Quote taken from response to Money Advice Trust sector-wide debt adviser survey

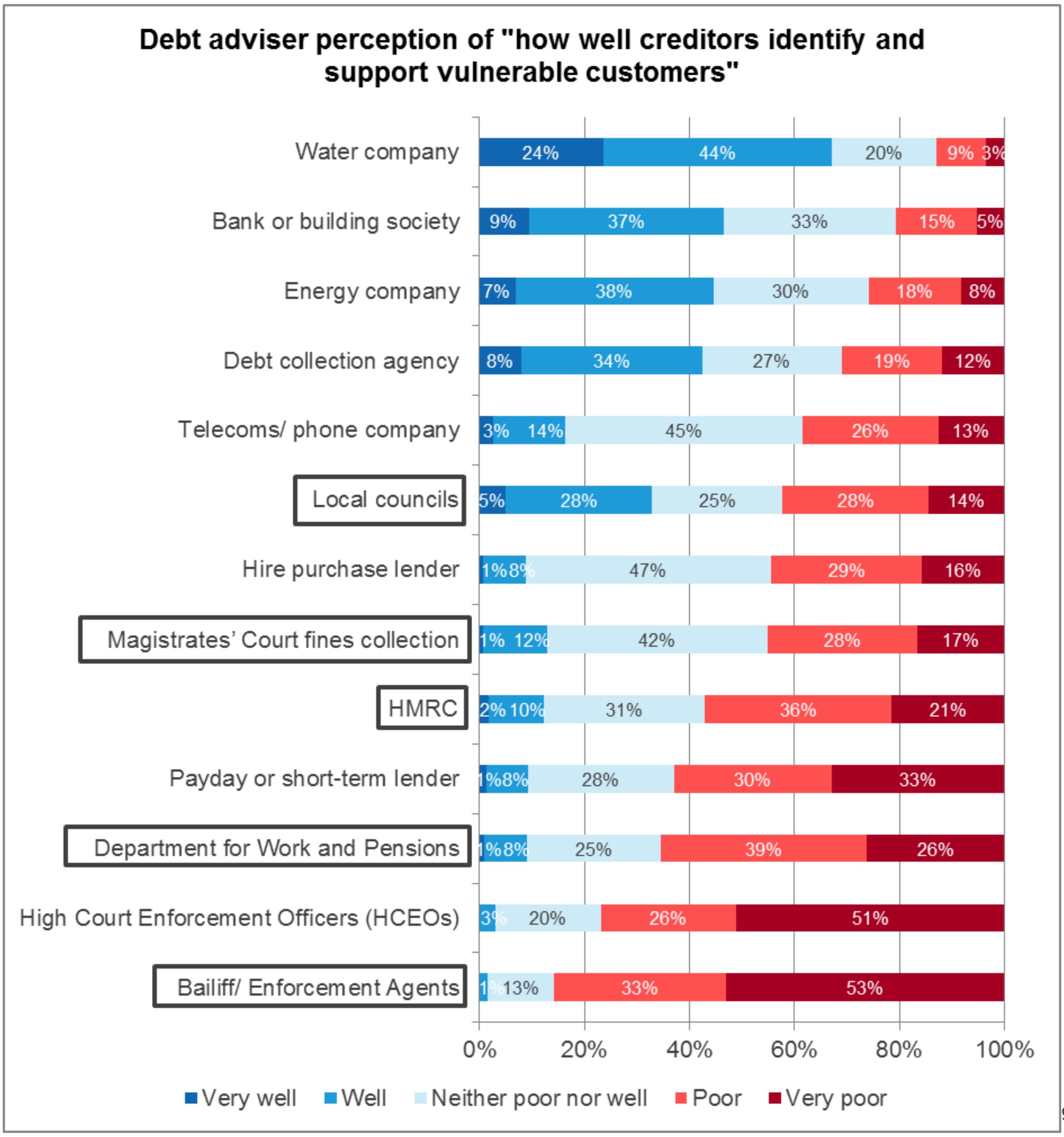
The situation is similar for Business Debtline clients: 58% of clients who had debts to HMRC and 70% of clients who had debts to their local council reported that the actions of these creditors had a negative impact on their wellbeing.[94]

Evidence from advisers also shows that, in terms of identifying and supporting customers in vulnerable circumstances, government organisations continue to perform worse than private sector creditors. Among debt advice sector advisers surveyed by the Money Advice Trust for this call for evidence, just 9% said they thought DWP identified

[93] Question asked as part of our 2020 impact survey, conducted between 11 December 2019 – 11 February 2020. Percentages relate only to survey respondents who had at least one debt with that particular creditor. Base for each creditor was as follows: HMRC - 107; DWP – 112; Local council – 177.
[94] Ibid – bases as follows: HMRC – 66; Local council – 80. Figures for DWP and enforcement agents not included for Business Debtline clients due to low base.

and supported vulnerable customers ‘well’ or ‘very well’.[95] For HMRC, the figure was 12%. Local councils performed better but still only a third (33%) of advisers survey said councils identified and supported vulnerable customers ‘well’ or ‘very well’. Bailiffs were rated the worst at identifying and supporting vulnerable customers, with just 1% of advisers respectively saying they did so ‘well’ or ‘very well’.

These figures stand in sharp contrast to other sectors. 46% of debt advisers from the free sector surveyed by the Money Advice Trust said bank and building societies identified and supported vulnerable customers ‘well’ or ‘very well’, with 45% saying the same for energy companies. The highest rated for support for vulnerable customers were water companies, with 68% of debt advisers surveyed saying they did this ‘well’ or ‘very well’.



[96]

[95] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service, Base 406.
[96] Money Advice Trust survey of debt advisers across the free advice sector, via our Wiseradviser training service. Base 406.

Question 10: How can central and local government organisations recovering debt best identify potentially vulnerable people? Please provide evidence of existing effective approaches. This could include evidence on the role of technology.

Identifying vulnerability is a critical area where the government could learn from best practice in other sectors, including the private sector. Within financial services in particular, we have seen significant improvements in terms of identifying and supporting vulnerable consumers, driven by a clear and sustained focus on this from the FCA. We welcome the recognition from government that support for vulnerable customers should be a key focus in improving government debt management. We are pleased to have worked in collaboration with central and local government organisations through the Fairness Group Vulnerability Sub-Group to develop a Vulnerability Toolkit for use across government, which draws on some of the common tools currently in widespread use in financial services and other sectors. **We hope to see the Vulnerability Toolkit rolled out within debt management and collection teams across central and local government as part of future steps to improve practice.**

In our answer to this question and to question 11, we also draw on our expertise in having trained over 22,260 staff in 269 creditor organisations through our vulnerability training and consultancy work.

Creating disclosure environments

Firstly, we would highlight the importance of **creating a positive disclosure environment, where customers feel encouraged and supported to disclose any vulnerable circumstances they may be facing to their creditor.** Central and local government organisations should give people plenty of opportunities to self-disclose, through whichever channel they choose to use (including digital channels). This could include agents asking polite but direct questions over the phone, or building in questions about vulnerability to digital channels.

Many people are put off telling government organisations, and other creditors, about any vulnerabilities they may have as they do not know what support the organisation can offer them and, in some cases, are worried it may even be used against them. To counter this, **government organisations need to clearly promote the support available to customers in vulnerable circumstances**. Frontline staff should regularly tell all customers that a disclosure of vulnerability could result in further help or flexibility being able to be shown. This messaging should be included in all written communications, promoted on websites and covered in conversations between staff and individuals.

“[The biggest challenge for people dealing with debts to central and local government] is trust - most clients don't think/ know that they will get any support or help."

“There is no clear guidance to clients about the vulnerable teams that exist in central and local government. The above information should be available to people with central and local government debts. It should be included in the demand letters.”

-Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

Staff skills and training

Any approach to identifying vulnerability should be underpinned by **a clear vulnerability policy and comprehensive staff training**. Staff should understand potential signs of vulnerability, including being able to recognise and probe passing comments about difficulties a customer may be facing. Staff should collect relevant and accurate information and government organisations should have systems in place to ensure this information is stored securely and is available to other staff in future interactions. This is critical in ensuing that an individual’s communication and support needs are met, as well as making sure they do not have to repeatedly disclose each time they speak to the organisation, which can be hugely distressing.

There are a variety of existing tools that can support frontline staff to identify vulnerability, respond to disclosures and gather relevant information about a customer’s circumstances. *Vulnerability: a guide for debt collection – 21 questions, 21 steps*[97] – for example – sets out a range of tools that can be used to help identify and support customers in vulnerable circumstances. There is substantial scope for these to be more widely embedded in the practices of government debt management teams, and we hope the Fairness Group Toolkit will assist with this.

It is important for staff to establish not just the particular vulnerability, or vulnerabilities, a customer may have but what this means in terms of the support they need from the organisation – such as receiving communications in a certain form, needing staff to take more time in explaining and checking understanding, or showing flexibility in collection processes. We cover more about meeting support needs and preventing harm in our response to question 11.

In many cases, staff training will need to go beyond generic ‘awareness’ training on specific vulnerable circumstances. Instead, government organisations should look to implement training that is practical, operationally-focused, and reflective of the challenges and demands that staff face when attempting to identify, engage, understand, and support vulnerable consumers.

We would also note the importance of ensuring that frontline staff are supported and encouraged to identify and act on vulnerability. Monitoring call quality, tracking

[97] Fitch, C., Evans, J., and Trend, C. (2017) *Vulnerability: a guide for debt collection – 21 questions, 21 steps*

successful identification of vulnerable customers and rewarding staff when they show the correct flexibility to secure positive outcomes for these individuals are all important in creating the right culture within debt management teams.

Embedding fair treatment of vulnerable customers in the culture of organisations

While frontline staff play a key role in the outcomes of customers in vulnerable circumstances, the responsibility for fair treatment of vulnerable customers does not, and cannot, lie solely with them. In our experience of working with creditors, significant changes – for customers, staff and the organisation itself – are realised when support for vulnerable customers is embedded throughout the organisation and becomes a key part of their culture. This means senior staff have a critical role to play and is something we have seen within the private sector, where the FCA have set clear expectations that *"the fair treatment of vulnerable consumers [must] be taken seriously by firms, and embedded into their culture, policies and processes throughout the whole consumer journey…. Senior leaders in firms should create and maintain a healthy culture in which all staff take responsibility for reducing the potential for harm to vulnerable consumer."* [98]

We believe that senior staff in government organisations have a similarly important role to play in improving the identification and support of vulnerable customers. While the need to embed cultural change can sometimes feel particularly challenging or abstract, there are practical steps senior staff can take to achieve this. In response to the increasing focus on vulnerability within financial and other essential services, the Money Advice Trust and UK Finance developed the Vulnerability Academy.

The Vulnerability Academy, which runs across five one day workshops, supplemented by webinars, podcasts, reading lists and downloadable resources, is a learning environment where senior managers have the opportunity to meet, question, and work with leading thinkers across sectors. It has a particular focus on embedding fair treatment of vulnerable customers within the specific circumstances and context of each organisation and helps firms to achieve five key aims:

- Meet their legal and regulatory responsibilities
- Support all customer engagements including everyday transactions, lending, customer service, sales, fraud, collections and digital
- Improve their reputation as a responsible organisation that treats customers fairly
- Improve their debt recovery rates and broken repayment arrangements, and minimise the likelihood of additional costs
- Improve colleague confidence, knowledge and understanding on consumer vulnerability

[98] Financial Conduct Authority (2020) *GC20/3 Guidance Consultation and feedback statement: Guidance for firms on the fair treatment of vulnerable customers*

The success of the Money Advice Trust and UK Finance Vulnerability Academy suggests there is significant value in specific training and support for policy- and decision-makers, which give opportunity for networking and sharing of best practice amongst their peers. **We therefore recommend that consideration is given to the establishment of a cross-government Vulnerability Academy**, to support senior managers and policy makers in departments (and local authorities) in a similar way to develop the capability of their debt collection functions and embed fair treatment of customers within their areas of responsibility.

Using data and technology

In recent years, new technology has been developed to support the identification of vulnerability. This includes text and speech analytics software which can identify signs of vulnerability. Government organisations may wish to consider how this sort of technology could be used. However, we would highlight that this should always be used in combination with, rather than in place of, staff identification and efforts to create disclosure environments.

We would argue that the more important factor in terms of government debt management is the use of existing, internal data sources. **Central and local government organisations should consider how they can use existing information they hold about a customer to identify vulnerability and to join this up with other departments**. For example information about other debts owed (either within or between organisations), information about benefits being received, particularly when these relate to disability, illness or caring responsibilities, and details of people's income can all give an indication of an individual's wider circumstances.

We appreciate there can be considerable challenges in accessing and sharing data and ensuring appropriate consent and protection for customers is crucial. However, **we would recommend government continue to explore how data sharing could be used to improve outcomes for vulnerable customers**. This could include sharing (with consent) information about a customer's circumstances across departments and organisations – particularly where someone has multiple debts. We note, for example, the positive progress government made in developing and implementing the *Tell Us Once* system for reporting a death and would encourage the government to consider what learning from this could be applied to the identification, recording and sharing of information about vulnerabilities. A similar Tell Us Once system for vulnerability is something that should be actively explored. The implementation of a single view of debt (as discussed in our answer to question three) could also help with identifying and sharing details of a customer's vulnerable circumstances.

Question 11: How can central and local government organisations recovering debt best support potentially vulnerable people? Please provide evidence of existing effective approaches. This could include evidence on the role of technology.

In recent years, the financial services sector in particular, has made significant progress in improving the support available to vulnerable customers. We also recognise that there have been efforts to improve the response of government organisations and we are seeing some good practice emerge in this area. The creation of the Debt Market Integrator has seen a significant change in how some debts to government are collected, with these now being managed by FCA-regulated debt collection agencies. This has seen a greater focus being place on securing positive outcomes for vulnerable customers, something the FCA have put increased focus on in recent years.

In particular, Indesser employ a 'Vulnerability Standard' to embed effective identification and fair treatment of vulnerable customers throughout their debt management approach. This is welcome and the Cabinet Office should consider how this type of good practice can be more widely shared throughout government. In particular, we need to see more action by government organisations earlier in the process to ensure people in vulnerable circumstances are identified at the earliest possible opportunity, and that the collection approach is then tailored accordingly, to avoid them being passed through to external collection or enforcement agencies when this is not appropriate.

HMRC's Extra Support Team is one example of how a government organisation can provide dedicated, flexible support for people in vulnerable circumstances or hardship.

> *"HMRC NES (Needs Extra Support) initiative was a good idea. A lot of clients weren't aware of this service but it's the kind of scheme that could be rolled out."*
>
> *"A HMRC adviser realised, without prompting from the client, that they had mental health issues and referred them to their Needs Extra Support Team for specialist help. They assured the client they would be taken out of the usual collections process which meant the client wasn't so scared about dealing with the late filing of their returns and the subsequent tax arrears. They just needed someone to work with them, not against them."*
>
> *"HMRC's approach to vulnerable customers with tax debts seems to be very pro-active in my experience. They seem willing to work with representatives and to provide constructive practical assistance to resolve problems on an individual basis."*
>
> -Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

While it is not possible to draw direct causality with the existence of the Extra Help Unit, in a recent survey of Business Debtline clients who owed debt to HMRC, the verbatim comments revealed reports of a positive approach being taken for some people: 1 in 5 (19%) said HMRC were helpful / that they experienced good service, with a further 5% saying they were understanding, supportive and willing to listen.[99]

> *"When speaking on the phone with members of HMRC, to clarify my understanding of letters/statements of payment due, I have been reassured, advised and spoken to politely with understanding and guidance of my clear next steps."*
>
> *''They have been considerate and listened to me and worked with me.''*
>
> *''Very easy to speak to HMRC and they are very helpful.''*
>
> -Verbatim comments from Business Debtline clients[100]

Unfortunately, the same survey also identified numerous cases where customers with vulnerabilities had not been treated appropriately. Based on analysis of verbatim comments, 1 in 10 (11%) said their experience of discussing their debt with HMRC was stressful, difficult and/ or lengthy. A further 10% reported agents having an aggressive or threatening attitude, and 8% said they felt HMRC were unsympathetic and did not give them the right support.[101] This perhaps summarises the current experience across central and local government debt collection, whereby there are pockets of very good practice but overall the approach to supporting vulnerable customers remains inconsistent.

To improve outcomes for vulnerable people in debt, there needs to be a consistent approach across government with clear monitoring to ensure that good practice in relation to vulnerability is embedded in all departments. Where government organisations fail to do so, there should be clear consequences and dedicated focus on improvements.

To address this, we would like to see learning from best practice within government organisations and from across other sectors being implemented more consistently. This could include:

- Empowering frontline staff to show flexibility in policies and processes for vulnerable customers, where this is needed.

[99] Online survey of 256 Business Debtline clients who contacted Business Debtline in 2018 and had at least one debt to HMRC. Fieldwork conducted between 21 Aug – 5 Sept 2019. Based on verbatim comments coded by theme and calculated as a percentage of 155 respondents who left a comment to the following question: *"How would you describe your interactions about your tax debt with HMRC?"*

[100] Business Debtline client survey on HMRC debt collection- Verbatim comment from survey respondent. Fieldwork conducted between 21 Aug – 5 Sept 2019.

[101] HMRC of 256 Business Debtline Clients (see box 5): Based on verbatim comments coded by theme and calculated as a percentage of 155 respondents who left a comment to the following question: *"How would you describe your interactions about your tax debt with HMRC?"*

- Monitoring call quality and rewarding staff when they show the correct flexibility to secure positive outcomes for people in vulnerable circumstances.
- Designating a senior manager with specific responsibility for overseeing the treatment of vulnerable customers.
- Investing in specialist teams to support vulnerable customers.
- Offering forbearance to customers, including giving breathing space to customers voluntarily and pausing collection activity.
- Ensuring there are different communications channels available for vulnerable customers to get in touch through the channel of their choice.
- Pausing collection and enforcement activity when needed, to allow individuals to seek debt advice or wider support, or while an application for benefits is made. This should become a routine part of the process for customers who need it.

"Some local councils have very good practices in dealing with mental health. Some are able to adapt their service to provide longer periods of hold. This would be good to see on a more widespread basis."

-Quote taken from response to Money Advice Trust sector-wide debt adviser survey

Showing flexibility and being willing to deviate from a standard process where vulnerability is identified is critical to securing positive outcomes for people. This should include having **different collection routes for vulnerable customers and exempting them from enforcement action** where this would not be appropriate for their circumstances.

A good example of this is in relation bailiff action. Some cases will be sent back to the local authority by a bailiff if vulnerability is identified by them. However, by this stage significant harm can already have occurred. In addition, the bailiff industry uses a very narrow definition of vulnerability in the form of a "tick-list" in the National Standards,[102] despite requests from the debt advice sector for the Ministry of Justice to finish updating the National Standards to reflect the current thinking regarding a more sophisticated understanding of vulnerability. This can lead to a very rigid approach to identifying and assisting people in vulnerable circumstances.

This harm could be avoided if there were clearer segmentation and flexibility around enforcement methods for customers in vulnerable circumstances. **We would like to see all local authorities in England exempting recipients of Council Tax Support, who have already been identified as requiring additional support through locally-determined criteria, from bailiff action altogether.** The Money Advice Trust's *Stop the Knock* FOI in 2019 found that 30 local authorities in England (9%) had a policy of

[102] See point 77 in Taking Control of Goods: National Standards, April 2014

exempting recipients of Council Tax Support from bailiff action.[103] In a Money Advice Trust survey of debt advisers across the free advice sector, exempting Council Tax Support recipients from bailiff action was referenced several times as an example of good practice that has a significant positive impact on people with vulnerabilities.

"Liverpool City council do not use bailiffs if clients receive Council Tax Support and work with Citizens Advice on affordable payment arrangements."

"Somerset West and Taunton Council have a vulnerable person policy that allows identified clients to avoid the anxiety of bailiffs and work in partnership with their local Citizens Advice to achieve affordable payment plans."

"Salford City Council has signed to the Citizens Advice Protocol on Council Tax collection. [They] no longer use bailiff action for people on Council Tax Support. [They have a] designated Struggling to Pay section of their website."

-Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

[103] Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales*, https://www.stoptheknock.org/

Disputes

Question 12: In your opinion, what are the benefits of an effective disputes process in debt management?

Ensuring access to a simple, free, independent and accessible complaints process is a vital part of an effective and fair debt management approach. In our experience, currently it is very difficult for people in debt to navigate the complaints landscape. There are different complaint routes for different types of debt, some of which have many stages to go through. The different informal complaints schemes set up by government organisations will have different roles and powers of redress for consumers. They will have differing informal procedures in place.

In many cases it is not clear how someone might complain about debt collection by a government organisation as distinct from a statutory right to appeal. It is possible to appeal a DWP or HMRC decision to claim back an overpayment of tax credits or benefits. It is less clear how to complain about the way in which this debt is recovered, the discretion used by a department or the mechanism used. Without this in place, it can be very hard for people in debt to raise issues, meaning they are at a greater risk of experiencing poor outcomes and potential financial hardship. A lack of an effective disputes process can also contribute to a breakdown in trust between people in debt and the government organisation involved. Similarly, a lack of an accessible complaints process means government organisations may lack the ability to easily and quickly identify issues affecting a number of customers, meaning problems may grow or escalate.

In contrast, an effective disputes mechanism helps ensure fair, positive outcomes are achieved and builds confidence amongst people in debt and the organisations supporting them that they will be treated fairly. It also enables government organisations to have an 'early warning' system for any problems and to identify where they might need to focus resources for improvements,

As well as a lack of effective processes within government organisations, there can also be challenges in relation to formal ombudsman schemes. Currently, these have varying and inconsistent powers and remedies and there are gaps in the system. For example, the Local Government and Social Care Ombudsman (LGSCO) cannot investigate complaints about debts collected by high court or county court bailiffs or bailiffs collecting magistrates' court fines. It is not clear where a complaint about a private bailiff collecting magistrates' court fines should be directed for an independent decision apart from to the enforcement firm and its trade body. This makes it very difficult for a consumer to navigate the different routes to complain and to know that they will receive redress. In addition, LGSCO recommendations for redress to councils and social care providers are not legally binding, although they will publicise non-compliance.

Question 13: In your opinion, what is the most effective way to ensure a fair outcome to a disputes process in debt management? Please provide evidence of creditor sectors or organisations with effective disputes policies.

In order to deliver a fair outcome in disputes processes, there should be a clear, simple unified process in place which does not require people to go through multiple complaints processes and also to ensure there is appropriate signposting, including to the Ombudsman if a person remains dissatisfied with the outcome of their complaint.

- There needs to be an overarching principle of fairness in government debt collection that binds the relevant government departments and local authorities.
- Binding good practice guidance should be in place to ensure departments behave in a consistent way when collecting debt. This guidance should have the same status as regulatory rules.
- Ideally, we would like to see a single government complaints body for government debt, but at the very least an easily accessible portal through which consumers can access individual complaints bodies.
- There should be a "no wrong door" approach to dealing with and passing on complaints to the appropriate body, so that wherever someone presents with or sends a complaint, it is automatically passed to the correct department.
- There should be a limit on the number of stages that people in debt have to go through in order to progress their complaint and the process should be streamlined to minimize the number of stages.
- Most complaints processes should have two stages, first to the government organisation and then to an independent complaints body.
- Ombudsman rules and decisions should be binding and enforceable in court when there is non-compliance.
- Ombudsman should have powers to order redress and compensation, as well as put things right for individuals.
- Ombudsman should have powers to investigate systematic problems or patterns of misbehavior and non-compliance *of its own volition,* in order to ensure compliance with rules and deter non-compliance.

Independent disputes resolution through ombudsman

Where disputes cannot be resolved to the satisfaction of both parties by a government organisation itself, then referral to an independent body, free for consumers, should be available.

The complaints body should be easy to access and offer a fair alternative to expensive and potentially intimidating court action. We believe that the Financial Ombudsman Service (FOS) is an example of a good working model of an independent and free complaints system that we currently have in place. We have many years of experience of referring our clients to FOS to resolve complaints with FCA authorised financial services firms. The FCA has placed particular emphasis on firms' improving their complaints handling to avoid the need for a formal complaint to the ombudsman. It is facilitated by memoranda of understanding with FOS to ensure cooperation and consistency.[104] It is our view, that the ombudsman service delivers relatively fair outcomes for consumers, although there have been concerns raised concerning resourcing and the backlog of cases that it has to deal with due to PPI complaints.

We would urge the government to reform the confusing landscape for consumer complaints against government bodies in England. A Public Service Ombudsman for England draft Bill[105] was published in the 2016-17 Parliament by the Cabinet Office but has not progressed through parliament since.

We would encourage the government to revisit this Bill as part of efforts to improve debt management processes. Its provisions would provide access to a modern, simple complaints mechanism for people to use when they have a complaint against a government department. It would help to remove unnecessary barriers to making a complaint, and remove the requirement to complain to the Parliamentary Ombudsman via an MP. As the foreword to the bill says:

> *"The core role of the Ombudsman will continue to be the investigation of complaints where a public body has not acted properly or fairly or has provided a poor service. We will also give the Ombudsman a wider and more explicit role in championing improvements in complaints handling and promoting good practice. To enable the Ombudsman to carry out their work effectively and efficiently they will be supported by a modern governance structure, including a statutory Board with strengthened accountability to Parliament".*

Since the draft Bill was published, there have been developments in other UK nations which provide good practice examples of how an effective Public Service Ombudsman should work. For example, in Wales, legislation[106] was passed to remove the requirement for a complaint to the Public Services Ombudsman for Wales to be in writing, and to allow the Ombudsman to start their own investigations without receiving

[104] See: https://www.fca.org.uk/publication/mou/mou-fos.pdf
[105] Draft Bill available here.
[106] Public Services Ombudsman (Wales) Act 2019

a formal complaint where there is evidence to suggest there could be a wider public interest issue.

The government could also consider how they can strengthen the wider complaints and disputes process across the range of debts an individual may owe, including improving the powers and performance of other ombudsmen.[107]

Bailiff complaints process

As set out in our response to question three, we believe there needs to be a simple, comprehensive and truly independent complaints process which covers all types of bailiff action, and the draft Public Service Ombudsman Bill could form the basis of a new structure for this. It would need to incorporate all cases of bailiff malpractice into its scope. This needs to have the powers to look for systemic maladministration, recommend reforms to an independent regulator and have the ability to take action on "its own initiative".

Question 14: Can you provide any evidence of where disputes policies interact, positively or negatively, with central and or local government organisations' debt management procedures?

We have concentrated our response on our knowledge of specific areas of dispute and how these interact with debt management procedures.

Bailiff complaints

At present there is no simple, easy to access, free mechanism for complaints about bailiff fees and bailiff firm behaviour. As set out in question 13, redress through a universally applicable free, independent and simple to access complaints mechanism to a single ombudsman service would remedy this. This would replace the complex web of complaints and redress which can encompass complaints to trade bodies, the courts (with the high risk of incurring court costs), and various different forms of ombudsman depending upon the type of debt - as explained further below.

> *"Many clients report that their circumstances (including mental & physical health) are not taken into account, as soon as debts are passed to bailiffs, the collecting body (i.e. the council) will refuse to deal with clients. Clients are often frustrated by the lack of response or delays in response to complaints and this can make them feel ignored and helpless."*
>
> -Quote taken from response to Money Advice Trust sector-wide debt adviser survey

[107] See: Lewis, M., Barnes, W., and Good, K. (2017) *Sharper Teeth: The need for ombudsman reform – A MoneySavingExpert report for the All-Party Parliamentary Group on Consumer Protection and* Barnes, W. and Sitharanjan, T. (2019) *Justice delayed: The case for shortening the ombudsman 8-week rule*

Local authority complaints relating to council tax and parking penalties

The Local Government and Social Care Ombudsman (LGSCO) case decisions serve to demonstrate the limitations on LGSCO powers in relation to council tax and parking penalty complaints as many complaints are "out of scope" for the ombudsman and referred elsewhere - such as the Valuation Appeal Tribunal, Traffic Penalty Tribunal, and so on. This is because the LGSCO cannot usually look at a complaint where there is an alternative statutory right to appeal. The cases also illustrate that the LGCSO can usually only direct their sanctions towards local authorities and not the firms and enforcement agents themselves. It is notable that in such cases enforcement firms escape sanction despite being the cause of the original complaint, whilst the local authority must take responsibility.

Indeed, CIVEA – the trade body for enforcement agents – will no longer investigate complaints about bailiffs collecting local authority debts.[108] These must be passed to the LGSCO instead. While this introduces independence into this element of the complaints process, as explained about the LGSCO does not have direct jurisdiction over bailiff conduct, and can only make recommendations to councils themselves. The LGSCO is therefore not a suitable substitute for an independent bailiff regulator and complaints mechanism.

The LGSCO can investigate *"alleged or apparent maladministration in connection with the exercise of the authority's administrative functions".*[109] However, this means it is restricted to investigating maladministration rather than the "fairness" of the decision in the round.

In comparison, the Financial Ombudsman Service (FOS) has a wider remit to look at the circumstances of the cases they review in the round and consider the fairness of the outcome. It can even agree that the complainant seeks a stay of proceedings in an existing court case in order for them to deal with the complaint. The FOS approach can be summed up in their guidance on how they handle complaints from borrowers experiencing financial difficulties:

'As a reminder, our answer to a complaint will reflect what's fair and reasonable in the circumstances. And in considering what's fair and reasonable, we'll consider relevant law and regulation, regulators' rules, guidance and standards, codes of practice, and what we consider to be good industry practice at the time.'[110]

Magistrates' court complaints

There is no clear and simple complaints mechanism to use to dispute a payment collection decision in the magistrates' court. Complaints may be made to the clerk of the court at the magistrates' court. If still not satisfied, the consumer can complain to the

[108] See: https://www.civea.co.uk/complaints
[109] Section 26 (1) (a) Local Government Act 1974
[110] See: https://www.financial-ombudsman.org.uk/businesses/complaints-deal/consumer-credit/financial-difficulties

Home Office and/or the Parliamentary and Health Service Ombudsman (through their MP).[111] If the bailiff is certificated, complaints can be made to the court which issued the certificate, or to the bailiff trade body CIVEA.

It is unlikely that anyone would be aware of the process to make a complaint about a private bailiff firm appointed by the magistrates' court for fines collection. An individual affected could complain to the bailiff firm's own trade body, if they are a member, but that is not the same as being able to complain directly to a free, independent ombudsman-style body.

Parking penalties

Most local authorities have the power to enforce parking penalties under the Traffic Management Act 2004. These parking penalties are not treated as criminal offences. There is a right of appeal to an independent adjudicator through the Traffic Penalty Tribunal. The adjudicator can only cancel the penalty if one of the set grounds is met. However, they can recommend to the council that the penalty charge is cancelled if there are other compelling reasons. There are also other types of traffic penalty such as the London congestion charge, penalties for vehicle emissions and penalties for bus lane offences. If the penalty charge was issued by a council in London the appeal goes to the Parking and Traffic Appeals Service (PATAS).

The Traffic Management Act 2004 provides for local authorities to enforce the charge via private bailiff firms (rather than the county court civil enforcement service). It is unclear how someone affected by the collections activity carried out by a private bailiff firm to collect a parking penalty in the county court can put in an effective and meaningful complaint. The LGSCO has provided guidance[112] to say it is unlikely to deal with complaints about parking penalties as these should go to the Traffic Penalty Tribunal. However, there are very limited grounds for this body to accept complaints and it does not deal with bailiff complaints.[113]

DWP complaints

The DWP Debt Management customer service standards limit complaints to customer service matters only and not matters of law that can be appealed to a tribunal.[114] As far as we can see, this set of standards requires a claimant to raise this issue at two initial points with a DWP adviser followed by a team leader. Only after this point are the claimant's concerns raised treated as a complaint. The complaint then follows a two tier process. Only at the end of this internal process is a complaint referred to an independent complaints body, the Independent Case Examiner. However, as with initial complaints, this only deals with customer service matters. This complicated and complex process is likely to deter people from complaining, and from pursuing this through to a fair and acceptable outcome. It creates the risk that people could continue

[111] See: https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/complaints-procedure
[112] See: https://www.lgo.org.uk/make-a-complaint/fact-sheets/transport-and-highways/parking-enforcement
[113] See: https://www.trafficpenaltytribunal.gov.uk/bailiffsorder-for-recovery/
[114] DWP Debt Management customer service standards

to be subjected to inappropriate collection activity or unaffordable repayments while a complaint goes through the various stages. It is also not clear how the remit for 'customer service' covers (or does not cover) challenges around affordability and liability for debts – likely creating significant gaps in the disputes process.

HMRC complaints

HMRC has set out its debt management policy, describing how it will support customers with an HMRC debt such as for taxes.[115] However, this does not cover how a consumer can complain if unhappy with the way they have been treated under this policy. Generally, the HMRC complaints process involves a two stage internal process.[116] Where a complaint is unresolved, a further complaint may be made to the Adjudicator's Office[117] which is free and independent of HMRC. The client could then finally complain through her/his MP to the Parliamentary and Health Service Ombudsman. Again, this process involves many stages that may well deter consumers from taking their complaints forward and leave them at risk of inappropriate or unaffordable collection activity

[115] HMRC Policy Paper: How HMRC supports customers who have a tax debt, August 2020
[116] See: https://www.gov.uk/complain-about-hmrc
[117] See: https://www.gov.uk/guidance/how-to-complain-to-the-adjudicators-office-about-hmrc-or-the-voa

Reporting and Transparency

Question 15: In your opinion, what advantages and challenges are there in central and local government organisations collecting and reporting data on debt management activities?

We would support the greater collection and reporting of data on debt management activities, and believe there could be several advantages to this.

Firstly, it **enables the on-going monitoring of outcomes both for people in debt and for government organisations.** This is critical in understanding the extent to which the government's aims to improve fairness within debt management are being achieved, and where further action may be needed. We would note here the finding by the National Audit Office in their 2018 report *Tackling problem debt* that there was a lack of monitoring against key government initiatives to improve debt collection processes. For example, while the Ministry of Housing, Communities & Local Government published good practice guidance to local councils on collecting council tax, there was no clear mechanism to assess local authorities' performance against it, and therefore measure its effectiveness, and to make the results of this public.[118] This means it is impossible to understand whether the guidance is having a positive impact and whether a voluntary approach is working or whether a stronger approach is needed.

The lack of monitoring and reporting also means there is less incentive for authorities to improve performance against the guidance. As we explore further in our answer to question 16, this is compounded by the fact that there are other metrics – such as in-year collection rates – which are reported on, and therefore more heavily influence debt collection practices.

Considering best practice in other sectors, we would contrast this approach with that of the Financial Conduct Authority. The Financial Conduct Authority have recently published their updated *Guidance for firms on the fair treatment of vulnerable customers,* in which they have included an explicit commitment to evaluate, in 2023, what action firms have taken in response to the Guidance and whether improvements have been seen in the outcomes experienced by vulnerable consumers. **We would encourage the Cabinet Office to work with government organisations to ensure that any initiatives, policy change or new guidance on debt collection are accompanied by clear commitments to monitored and evaluate their impact.**

Collecting and reporting on debt management activities would also enable government organisations to **better assess their own performance, and to identify where best**

[118] National Audit Office (2018) *Tackling Problem Debt*

practice exists within different areas of government, to enable the sharing of good practice and lessons learnt. We would expect this to have the effect of enabling government organisations to more effectively target where improvements are needed, resulting in a more efficient use of resources.

Question 16: Are there any metrics on debt management activity that you believe could be a particularly effective measure of fair policies? Conversely, are there metrics / targets you believe drive poor debt management activity?

Metrics can be a key driver of performance and priorities. We have concerns that some of the current metrics used to assess performance in debt collection incentivise poor debt management activity. As we set out in the answer to this question, we would argue that there are other metrics which could be used to give a better measurement of the effectiveness of debt management activity.

We have significant concerns that some of the metrics and targets currently used within government debt collection incentivise poor practice, encourage the rapid escalation of collection activities and can lead staff to push for full payment of debts, when this is not affordable for the individual.

This is a particular issue for council tax collection. From our experience supporting people in debt via National Debtline and Business Debtline, we often see affordable payment offers being refused if it would mean repayment of the arrears going into the next financial year.

> *"We have named people at the council who we can approach for council tax. The decision you get varies with the individual and also with the time of year (it is harder to get a low offer accepted when the council is trying to get the council tax in before the end of March)."*
>
> *"Council Tax departments often only want to accept an arrangement that would ensure the client is back up to date before the next tax year. Whilst this is ideal, it's not always realistic especially where a client has multiple priorities to deal with."*
>
> -Quotes taken from responses to Money Advice Trust sector-wide debt adviser survey

In-year collection targets can also mean councils may favour using harsher enforcement methods – such as passing the debt to a bailiff – over other methods available to them, such as deductions from benefits or attachments of earnings, where the debt is recovered at a slower rate. A Freedom of Information request by Citizens Advice found that bailiff referrals for council tax debts in 2018/19 far exceeded the use of deductions from benefits and attachment of earnings by almost three times.[119] As we set out in our answer to question two, there are issues with deductions from benefits and attachments of earnings (including around affordability) so it is not to say these routes should always be used, but that the method of recovery should be determined by what is right for the situation not by decisions around attempting to meet certain collection targets.

More effective measures of debt management activity

To address these issues, we would support the recommendation made by the National Audit Office[120] that **the Treasury should work with the Cabinet Office and other government departments, including local authorities, to examine where government bodies have incentives to prioritise in-year debt collection over better collection overall, and consider how best to correct for any perverse incentives where appropriate.**

Indeed, we think there are a number of different metrics that would be a much more effective measure of good debt management and of fair policies and processes.

Firstly, we would like to see a move away from solely measuring (and setting targets for) collection rates (particularly in year) and instead focusing on the **sustainability of arrangements**. This could include measuring the number of affordable repayment plans set up; and how many people were able to continue with their plan through to completion and the resolution of their debts. These would be good measures of how affordable both the original agreement was and the willingness of the government organisation to flex the payment amounts or offer temporary payment breaks to ensure the plan doesn't fail. Government organisations should also consider what metrics they could use to determine their effectiveness in **preventing recurring debt**, such as **repeat arrears** or the **proportion of customers' whose debt grows further** after contact with the organisation.

As we set out in our answers to questions 10 and 11 on vulnerability, measuring and reporting **on call quality and outcomes** is also important in enabling frontline staff to show the right flexibility for customers in vulnerable circumstances. It also demonstrates the extent to which fairness, and a commitment to resolve an individual's debt situation – rather than just collect the money owed - is being embedded in an organisation's approach.

We would also like to see the introduction of **statutory reporting of debt collection methods and outcomes**, across all government organisations and debt types. This would help to incentivise the adoption of best practice, and quicken the pace of improvement. Over the longer-term, it would enable government and others to measure progress against efforts to improve fairness in collection. The Money Advice Trust's

119 Citizens Advice (2019) *Council tax debt collection isn't efficient or effective*
120 See recommendation 20 (d) of National Audit Office (2018) *Tackling Problem Debt*

Stop the Knock research[121] has focused on identifying and recording the debt collection practices of local authorities in England and Wales against six key factors:

- Use of bailiffs (enforcement agents)
- Adoption of the Standard Financial Statement (SFS) as a tool to assess affordability
- Whether or not they have a formal vulnerability policy in place
- Signposting to free debt advice
- Adoption of the Council Tax Protocol (England only)
- Whether Council Tax Support recipients are exempt from bailiff action (England only)

These six factors were chosen as they represent useful indicators of how much a council has adopted best practice in debt collection, and the extent to which principles around fairness and affordability are embedded. **We would like to see the government introducing statutory reporting of these six measures by local authorities. Similar statutory reporting of debt collection practices should be introduced for all debt types across each relevant government organisation, based on agreed measures around affordability, vulnerability and fairness.**

As a result of our monitoring and reporting on local authority practices, we have seen some councils making important improvements. 39 local authorities (10% of the total in England and Wales) have committed to implementing at least one of our 'Six steps for local authorities'. However, we have also received feedback from councils that the pressure to collect in-year, and the targets set on this, impact on their ability to make improvements to their debt collection practices – showing again why changes are needed to existing metrics.

Question 17: In your opinion, what is the value in central and local government organisations facilitating access to their debt management policies and processes?

There are likely to be a range of benefits to facilitating greater public and debt adviser access to the debt management policies and processes of central and local government organisations, and we would encourage the Cabinet Office to consider how this could be achieved as part of their response to the call for evidence.

---

[121] Money Advice Trust (2019) *Stop the Knock: An update on local authority debt collection practices in England and Wales,* https://www.stoptheknock.org/

Firstly, being transparent about what people can expect when they contact a government organisation about their debt can increase people's trust and confidence, encouraging them to make contact sooner. One of the reasons people often cite for delaying seeking advice or speaking to their creditors about their debt is that they are worried about how they will be treated and are unaware that help and support is available.[122] As we set out in our answer to question 10, **being open about processes, policies and the support available is critical in creating a disclosure environment where customers feel comfortable telling organisations about their debts, personal circumstances and any vulnerabilities.**

We note here that the extent of information provided about current debt management processes – particularly in a format that is accessible and easily understandable for people in debt – varies greatly. For instance, the gov.uk website provides information about the support available to those struggling to pay their tax bill, including what people should expect when they contact HMRC.[123] However, the pages on benefit overpayments include only one sentence on arranging payment plans and this is only in relation to those repaying who aren't on benefits.[124] There is no reference to what to do if deductions from benefits are unaffordable, for example, or if you are in vulnerable circumstances and need additional support.

Greater transparency over policies and processes can also improve the advice people receive from debt advisers, leading to better outcomes for both creditors and people in debt. At National Debtline and Business Debtline, we encourage clients to contact their creditors to discuss their situation and provide a variety of tools and templates to assist them to do so. However, to be able to do this effectively, we need to have a good understanding of the policies and processes in place, and to be able to reassure clients about what to expect when they do make contact.

Furthermore, **openness about policies and processes can help facilitate the sharing of best practice, while further building trust and understanding between government organisations, debt advice providers and other support services**. This can lead to more effective referral partnerships. The Cabinet Office's Fairness Group is a good example of this. Through the group, government organisations and debt advice providers have both shared more information about their individual policies and processes which has helped to better identify existing areas of good practice, where improvements can still be made and also led to better working relationships.

Furthermore, the publication and trial of the Government Functional Standard on debt is also a welcome move towards increasing transparency and accountability. By being open about what is expected of government organisations in their debt management activity, it should be easier to assess performance, target improvements and to hold

[122] National Debtline and Experian (2018) *Talking debt: A spotlight briefing*- A survey of 500 National Debtline clients found that 43% said shame, embarrassment or worries about being judged or criticised stopped them from seeking help earlier, and 40% cited a lack of awareness that advice, help and support was available.
[123] See: https://www.gov.uk/difficulties-paying-hmrc [Accessed: 13 August 2020]
[124] See: https://www.gov.uk/benefit-overpayments [Accessed: 13 August 2020] – The only reference found to difficulties repaying was the following sentence: *"If you cannot pay the debt in full, contact DWP Debt Management to arrange a payment plan"*.

organisations to account where they are not meeting the standards expected. The Cabinet Office should ensure that the results of any assessments of organisations' conduct against the standard are publicly and easily accessible, and we look forward to seeing further information about the outcomes of the trial of the standard.

In addition to clear explanations of policy, procedures and what people can expect from government organisations, as set out in the section on disputes, there should be transparency about how people can raise issues with government organisations and make formal complaints about how they have been treated.

For more information on our response, please contact:

Grace Brownfield, Public Affairs and Policy Manager
grace.brownfield@moneyadvicetrust.org
0207 6539 746

The Money Advice Trust

21 Garlick Hill

London EC4V 2AU

Tel: 020 7489 7796

Fax: 020 7489 7704

Email: info@moneyadvicetrust.org

www.moneyadvicetrust.org