

MONEY
ADVICE TRUST

BUSINESS
DEBTLINE

NATIONAL
DEBTLINE

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ADVISER

Consultation response: AIB Future of the Common Financial Tool

Response by the Money Advice Trust

Date: October 2017

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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 2016, our National Debtline and Business Debtline advisers provided help to 158,980 people by phone and 37,790 through our webchat services. In addition, we received 1,236,760 visits to our websites.

Wiseradviser provided 8,600 training places to 860 free-to-client organisations across the UK. We delivered training and consultancy to more than 2,300 staff in 53 organisations in 2016.

Our Innovation Grants funded four advice projects to support hard-to-reach people and improve the quality and range of money and debt advice across the UK.

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.

Public disclosure

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

Introductory comment

We are pleased to support the adoption of the Standard Financial Statement (SFS) by the AIB as the new Common Financial Tool.

Adoption of the SFS in Scotland will support the intention behind the development of the SFS as the one consistent and sustainable budget tool to be universally used across the debt advice and creditor sectors.

The SFS builds upon the success of the Common Financial Statement (CFS) and adds in significant new features such as the savings element and simplification of the trigger figure categories.

We would, however, urge the AIB to work with the Money Advice Service and their economic experts to establish whether the underlying logic of the SFS is working as expected or whether this could be improved.

It would be extremely challenging for any national service providers if the AIB decides against adopting the SFS in Scotland as two separate systems would be required. In addition, it will undermine the policy intention of moving to a single set of budget guidelines used nationally and across all agencies.

Responses to individual questions

Question 1: Do you agree that the Standard Financial Statement (SFS) should be adopted in Scotland as the new Common Financial Tool?

Yes No Don't know

We agree that the Standard Financial Statement (SFS) should be adopted in Scotland as the new Common Financial Tool. We agree with the AIB opinion that the case for adopting the SFS is a strong one. Adoption in Scotland will support the intention behind the development of the SFS as the one consistent and sustainable budget tool to be universally used across the debt advice and creditor sectors. The SFS builds upon the success of the Common Financial Statement (CFS) and adds in significant new features such as the savings element and simplification of the trigger figure categories.

We support the adoption of the SFS as the Common Financial Tool in Scotland. We are, however, aware that there have been concerns raised by money advisers in Scotland in relation to the impact of the SFS on budgets. In particular, we understand that there are concerns that particular groups of clients have worse outcomes under the SFS. We wonder if this could be to do with the changes in how the trigger figures are calculated as compared to the CFS.

We also understand that there have been concerns raised that some people may be more likely to be impacted by this issue than others due to their household composition. In addition to this, there have also been concerns raised about the changes in categories of expenditure as compared with the way in which expenditure was grouped under the CFS. We also wonder if the new clustering of items of expenditure led to the amount of available income for particular households increasing in some cases, when compared to available income under the CFS.

We would urge the AIB to work with the Money Advice Service and their economic experts to establish whether the underlying logic of the SFS is working as expected or whether this could be improved. Clearly, it is not desirable to cause unintended client detriment by making it harder to qualify for specific remedies such as MAP bankruptcy or for certain groups of clients to pay more if they cannot actually afford to do so. We feel that a review at this stage of the underlying mechanism would be beneficial for all parties but does not generally prevent the adoption of the SFS in Scotland.

If Scotland does not adopt the SFS, this will undermine the point of revising and developing CFS. Such a decision from our perspective would particularly affect the National Debtline and Business Debtline services, along with any other services that operate nationally across England and Wales and Scotland. We would have to look at the feasibility of running two parallel budgeting systems for clients to use depending upon where they live. This would have implications both on the outcomes for clients, the quality of the service we can offer and the seamlessness of referrals we could provide. In addition, the development and maintenance of two separate systems would have a severe financial impact on our services.

In addition, assuming Scotland agree to adopt the SFS, the Money Advice Trust would be likely to cease to operate the CFS within a reasonable agreed timescale. However, if Scotland decides against implementation of the SFS as the Common Financial Tool, we would need to work with the AIB to explore options for the future maintenance of the CFS.

Question 2: If introduced, should the SFS be used in the review of existing contributions which were not originally determined using the SFS?

Yes No

We can see that this approach would be sensible. It would make sense for similar transitional arrangements to be put in place to ensure that future reviews of income and expenditure can be carried out using the SFS even if the original budget was completed using the CFS. A review is always vital to identify increases in expenditure and changes to income that affect peoples' ability to maintain their payments or to increase or decrease their contributions at the review stage.

However, given the findings of the AIB statistical analysis comparison between the outcomes for CFS and SFS budgets, it will be important to adopt a flexible and fair approach to ensure that clients are not disadvantaged by the outcome of the review using the SFS budget. As the paper points out:

“Justifiable spending above trigger figures will be allowed whichever tool is used.”

If you answered ‘No’ to Q2, what would be the appropriate method for reviewing the contribution amount?

Not applicable.

Please now go to Q5

Question 3: For what reason(s) do you believe the SFS is not the appropriate tool for all Scottish statutory debt management and debt relief solutions?

We support the SFS as the appropriate tool for assessing all Scottish statutory debt management and debt relief solutions.

Question 4: What do you consider an appropriate method for determining a debtor’s contribution for a Scottish statutory debt management and debt relief solution?

We consider the SFS to be the appropriate method for determining contributions.

Question 5: If the SFS is to be introduced from 1 April 2018, will you be able to make any required changes to your IT and other operating systems, in time to use the SFS from this date?

Yes No

The Money Advice Trust is already changing our systems to incorporate the SFS. The budget suites on our National Debtline and Business Debtline websites have already been updated to incorporate the SFS and are now live. Our new online advice portal will be going live shortly as will changes to our CRM operating system. We are also working on updating our paper budgeting guidance to incorporate the SFS.

These changes to our systems should be in place well before April 2018.

In addition all our advisers are trained in how to use the SFS. We would point out that a Wiseradviser online training module has been developed and would be available to meet the training needs of advisers in Scotland who need to familiarise themselves with the SFS. This is accessible through the Money Advice Service SFS website.

If you answered 'No' to Q5, how long after 1 April 2018 do you believe you will be ready to use the SFS?

Up to 3 months 3 to 6 months a longer period (Please specify)

Not applicable.

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