

Future of the Common Financial Tool Consultation Response 2017

Charity Response

Background

StepChange Debt Charity Scotland is an independent charity dedicated to overcoming problem debt. We are Scotland's largest provider of specialist telephone and online debt advice, with solutions that are effective, tailored and importantly free. Across the UK, the charity now help over 600,000 people a year, with more than two million helped since our creation 25 years ago. In 2016 we managed over £4.1 billion worth of debt and helped clients repay almost £350 million to creditors, local authorities and government. We have also quadrupled our team of debt advisors in Glasgow, who are dedicated to helping more Scots improve their lives. During 2016 we provided telephone debt advice to 6,993 Scottish clients, almost 27% more than the previous year. In addition, we have dedicated teams of advisors supporting our clients with their applications under the Debt Arrangement Scheme and bankruptcy.

Income and Expenditure Calculation

The charity supports the general principal that a recognised tool be used to determine sustainable contributions. StepChange Debt Charity has a nationally recognised budgeting tool which is well respected and received by creditors. Our tool is also used by numerous other organisations to determine their clients' contributions. Since the introduction of the Common Financial Tool (CFT) in Scotland in 2015, our advisors have been using the Common Financial Statement (CFS) for determining Scottish clients' income and expenditure. For these clients we also record against our own tool.

Analysis

We have been pleased to support the development of the Standard Financial Statement (SFS) to date and our on-going participation on the SFS Governance Board.

Like many other organisations, as part of the impact and assessment of the SFS, the charity completed testing of our client cases by transferring them into SFS cases. We undertook a high-level mapping of 1,000 cases using our own budget guideline figures against the new SFS figures. Of these, approximately 10% of cases within certain household compositions breached SFS guidelines. However, this is consistent with the thresholds that the charity would typically apply when setting our own budget guidelines.

In addition, we compared over 50 Scottish client budgets; comparing the CFS and the SFS guideline figures. Again we noted around 10% of these cases 'breached' the SFS guidelines. We also noted that there was 'expenditure shift' between categories which resulted in the guidelines being breached. Clients would be asked to provide additional information or evidence to demonstrate this expenditure.

We believe the issue is not whether budget tools differ; it is whether creditors trust the approaches of the organisations using them. As has been shown over the previous 25 years both creditors and insolvency practitioners (IPs) have faith in our counselling and budgeting tool. Our own budgeting tool, CFS and the SFS all use different 'trigger' figures, these figures are not allowances but are used by money advisors as prompts as part of their discussions with our clients to clarify their expenditure and to ensure that they have a sustainable budget. The money advisors add notes and explanations to the client's budget where they breach the guidelines. Creditors normally accept reasonable additional expenditure over these guidelines when there is an explanation. In fact, in our experience, creditors are more accepting of the explanation than some officials in the AiB. This may be because, unlike the AiB, they must comply with the Financial Conduct Authority rules and treating the customer fairly.

CONSULTATION QUESTIONS

QUESTIONS

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

If you answered 'No' to Q1 - please go to Q3

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

Yes No

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

Answer: _____

Please now go to Q5

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?

Please provide information and any evidence that supports your reason(s).

Answer: _____

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

Please provide information and any evidence that supports this and detail who you consider should manage and fund this process.

Answer: _____

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

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) _____

RESPONDENT INFORMATION FORM

Please note that this form must be returned with your response to ensure that we handle your response appropriately.

1. Name/Organisation

Organisation Name

StepChange Debt Charity Scotland

Title Mr Ms Mrs X Miss Dr *Please tick as appropriate*

Surname

Bell

Forename

Sharon

2. Postal Address

33 Bothwell Street

Glasgow

Postcode G2 6NL	Phone 0141 270 1444	Email Sharon.bell@stepchange.org
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3. Sector

Please tick as appropriate

Advice Sector

Creditor

Local Authority

Solicitors/Advocates

Insolvency Practitioners

Debtor

Sheriff Officer & Messenger at Arms

Judiciary

Other If other please specify _____

4. Permissions - I am responding as...

Individual / **Group/Organisation**

Please tick as appropriate

(a) Do you agree to your response being made available to the public (in Scottish Government library

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library
Are you content for your **response** to be made available?

Please tick as appropriate

Yes No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes

Please return your response to OPC@aib.gsi.gov.uk or to: Graeme Perry, AiB, 1 Pennyburn Road, Kilwinning, Ayrshire, KA13 6SA by 27 October 2017.