

**moneyadvice**scotland  
Scotland's Money Charity

# RESPONSE

A strategic approach to debt advice  
commissioning 2018-2023

30 August 2017

## **About Money Advice Scotland**

Money Advice Scotland is Scotland's Money Charity.

Our mission is to be the driving force towards financial wellbeing for the people of Scotland.

## **Background**

Money Advice Scotland welcomes the opportunity to respond to the Money Advice Service's consultation on the future of debt advice commissioning.

We note that this latest consultation follows a number of previous consultations undertaken by HM Treasury on the future of the public financial guidance body.

Our responses to the previous consultation phases can be accessed at:

<http://www.moneyadvicescotland.org.uk/content/consultations>.

## **1. Identify and target priority groups within the over-indebted population**

### **1.1 Do you think that it is right for MAS to focus on identifying and targeting priority groups? Please explain your response.**

In our view, if debt advice is to be devolved then the responsibility for identifying and targeting priority groups should also rest with the Scottish Government and the local authorities and advice agencies who will be delivering these services. Local agencies are often best placed to identify the needs of the local area and target services accordingly. The commissioning strategy needs to be able to flex and react to meet the needs of clients.

The identification of priority groups may act as a useful guide for advice providers, but should not represent a rigid guideline. Advice providers should not be precluded from funding in circumstances where they are targeting individuals out with the stated priority groups. Equally, clients should not be turned away from services if they fail to fit into one of these four groups. The ambition of identifying groups who are particularly at risk and not currently seeking advice is laudable but must be matched with sufficient funding. There is a risk of driving people towards advice agencies who are already working to capacity and are not equipped or ready to deal with these new cases.

We have previously noted concerns that the top-down approach to identifying priority groups is something of a blunt instrument. Research from CACI showed Scotland to be the least over-indebted part of the UK and it appeared that the debt advice funding allocation for Scotland was adjusted correspondingly. However, this analysis may overlook factors such as the additional cost of delivering debt advice services, particularly in remote and rural Scotland. Again, we restate our call from the previous consultation phase for a per capita funding allocation for the delivery of frontline services across the devolved nations. In 2016/17, the Money Advice Service Business Plan showed that the budget allocated to Scotland for the delivery of frontline services from a total of £39,120,000 is 7.1 per cent – less than its UK population share of around 8.2 per cent. For 2017/18, this ratio slips still further and for the second consecutive year, the budget allocated for frontline delivery services is not representative of Scotland's population share.

### **1.2 The four priority groups are based on evidence gathered from internal and external research. Do you think a significant group has been missed? If so, which one (s) and what is the rationale (and evidence base to support this thinking?)**

Private renters appear to be a notable omission from the four priority groups listed. Typical private rents are higher than social housing rents. In Greater Glasgow, private rents increased by 23.5 per cent between 2010 and 2016 – far outpacing inflation.<sup>1</sup>

The growing prevalence of people in insecure employment and on low incomes also merits closer attention. According to the ONS Labour Force Study, 905,000 workers in the UK are employed on zero hour contracts.<sup>2</sup> Self-employment is also on the increase since the financial crisis – up from 3.8 million in 2008 to 4.6 million in 2015.<sup>3</sup> The way that people live

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<sup>1</sup> Scottish Government, *Private Sector Rent Statistics, Scotland, 2010 to 2016*, November 2016

<sup>2</sup> Office for National Statistics, *Labour Force Survey: Zero-hours contracts data tables*, May 2017

<sup>3</sup> Office for National Statistics, *Trends in self-employment in the UK: 2001 to 2015*, July 2016

and work is changing and it follows that the approach to offering debt advice must also adapt. For example, is a conventional financial statement format a suitable way to calculate a contribution for a client on a zero hour contract where the level of income will fluctuate from month-to-month?

As noted previously, however, local agencies are often best placed to measure the needs of their clients and potential clients. Above all else, agencies should have discretion to adapt services to emerging trends and needs.

**1.3 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention? Please explain your response.**

In the absence of further information on the Scottish Government's position on debt advice within a devolved context, it is difficult to comment on any specific role that the SFGB will undertake in the commissioning of debt advice. Instinctively, however, it appears incongruous that debt advice funding will be devolved but the priority groups will be preordained by the SFGB.

## **2. Deliver debt advice and money guidance services in a blended fashion, in line with need**

### **2.1 Do you think it is right for MAS to try to integrate financial capability into debt advice to better meet client needs? Please explain your response and share any examples of good practice you are aware of.**

We are concerned that this proposal blurs an important distinction between financial capability and debt advice. Throughout the consultation, we welcome the recognition that persistent low income is the primary cause of over-indebtedness. By integrating financial capability into debt advice, this assertion could be undermined – the message to clients now could be perceived as “you are in debt because you haven’t managed money well enough.” At the point of crisis, the focus should be on the debt advice aspect to ensure that the adviser does not lose engagement with the client. Research into the long-term impact of debt advice suggests that this is not always the appropriate point of intervention:

Participants perceived financial education as being almost irrelevant – people did not need to be taught how to manage money because they had no money to manage.<sup>4</sup>

In the context of squeezed funding arrangements for debt advice agencies, this proposal risks adding the financial capability remit to an already strained workload. An adviser may be an expert on debt advice but ill-equipped to offer guidance around financial capability, and vice versa. This is not a failing. A central part of the advice process is the recognition that another person, agency or organisation may be better placed to help a client and to ensure that robust referral mechanisms are in place.

### **2.2 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention? Please explain your response.**

If the Money Advice Service considers it beneficial to deliver debt advice and money guidance in “a blended fashion”, then it follows that funding for money guidance projects and interventions should also be devolved. The prospect of providing an integrated service when the debt advice strand is commissioned by the Scottish Government but the money guidance function remains reserved seems laced with difficulty. The requirement to report to two funding streams may also lead to duplication of effort and impact on time that could be better served dealing with clients.

The SFGB can perhaps be most effective in the provision of tools and resources that it is difficult (and expensive) for individual agencies to develop independently. An example of this would be the initial assessment tool referred to within the consultation. During the stakeholder engagement event in Edinburgh, views were sought on whether advice agencies currently use the Financial Capability Evidence Hub to help inform the design of projects and interventions. In our view, this is a valuable resource and the SFGB will remain best placed to compile and publish evaluations of what works in terms of financial capability interventions. The SFGB should continue to have a central role in sharing this type of good

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<sup>4</sup> Atfield, G., Lindley, R. and Orton, M. (2016) *Living with debt after advice. A longitudinal study of people on low incomes*, York: Friends Provident Foundation

practice, particularly if this can be translated into tools and resources that financial capability practitioners can pick up and run with quickly to better serve clients.

### **3. Develop a clear view of the client from access through to outcome**

#### **3.1 Do you think that MAS is right to have a focus on an effective end-to-end client journey evidenced through clearly defined outcomes? Please explain your response?**

The comment that there is “limited visibility” of the connection between what a client was advised to do and the impact of that advice in the short, medium and longer term is slightly surprising. Research published in 2016 from the University of Warwick provides a longitudinal study on the impact of debt advice and follows the experiences of people on low incomes over a period of eight years. The authors emphasise that the outcome of debt advice is often about more than being debt-free and this should be acknowledged in the design of client outcomes:

A clear message from participants across all groups was that debt advice must focus not only on ways to become debt-free, but also on ways to live with debt – the manageability of debt was as important to their assessment as being debt-free. Fundamentally, this meant that participants sought advice on how to manage the process of being in debt and stop debt becoming all-consuming.<sup>5</sup>

Importantly, the manageability of debt is not always related to financial capability. As one participant noted, “[the adviser is] dead helpful, yeah, but she can’t cut your bills down for you, she can’t make the electric cheaper or the shopping cheaper.”

The level of engagement with the advice sector is welcome but the voice of the client is conspicuous by its absence from the consultation process. To determine clearly defined outcomes, we need to first consider what clients expect from advice. In some cases, these expectations may be unrealistic or unreasonable, nonetheless, few people can impart more valuable knowledge and insight than those who have experienced the debt advice process at the sharp end.

A relevant precedent may be the Scottish Government’s Experience Panels which have been established ahead of the devolution of new social security powers to capture the views of people who have recent experience of the benefits system. For outcomes to be truly client-centred, we need to ask clients about their own experience of the debt advice process.

#### **3.2 Do you agree with the principle of payment on the basis of outcomes? Please explain your response.**

No. Payment based on outcomes may drive the wrong types of behaviours. This approach may pre-empt and unduly influence the advice provided to a client. For example, will an advice provider be considered as performing well based on the number of people in specific debt solutions, even where other options may have been more suitable.

That said, where an intervention is evidently not working, funding should not be renewed. As we noted in our comments on the What Works fund during the previous consultation phase, it is as important to acknowledge what isn’t working and ensure that these lessons inform future commissioning approaches.

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<sup>5</sup> Ibid.

**3.3 Would single points of entry for telephone and web based provision make it easier for potential clients to access advice? Please explain your response.**

As outlined in 3.1, arguably, this is a question best posed to clients and potential clients. The SFGB should examine the current routes into advice and determine whether this is sufficient in meeting the needs of people in debt.

The development of a single point of access would likely require a concerted effort to raise awareness to potential clients. One lesson of the Money Advice Service is that substantial sums can be spent on marketing and yet brand recognition can remain low. If the single point of access is not the SFGB but an existing and established provider, this also raises questions of how a preferred single point is selected. It is worth noting that this type of triage model seems comparable to Scotland's Financial Health Service.

## **4. Establish a comprehensive workforce strategy for MAS funded advisers**

### **4.1 Do you think that MAS is right to have a focus on establishing a comprehensive workforce strategy for MAS funded advisers? Please explain your response**

Short-term funding cycles will undermine any attempt to establish a workforce strategy for advisers. In our experience, a number of skilled and experienced advisers are leaving the sector due to the job insecurity caused by short-term funding agreements. The advice sector in Scotland has lost a great deal of experience in recent years as a consequence of reductions in funding levels. If the SFGB is determined to improve retention rates within the sector, then longer term funding of advice services would be a good starting point.

We support the objective of ensuring that there is a sufficient pool of expert advisers, but it is unclear how it is appropriate that the SFGB should aim to make its own commissioned services the preferred employment choice for debt advisers. This is likely to undermine non-SFGB funded advice providers. This type of intervention in the sector may also create the perception that advice from non-SFGB funded agencies is somehow inferior. In our view, there are better methods to ensuring that there are sufficient numbers of expert advisers such as an improved offering around learning and development for more experienced advisers.

### **4.2 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention? Please explain your response.**

In our view, the SFGB should not have a role in setting standards. We are concerned that the proposals for quality frameworks under the fourth commissioning intention conflict with the position of HMT:

The government thinks that the new SFGB should continue the good work that MAS has done in meeting its statutory requirement to promote best practice, and placing requirements on providers through contracts to encourage providers to develop better guidance options for consumers. However, the government does not think that the new SFGB should have a formal role in setting standards for the sector; it remains the role of the regulator to set and monitor appropriate standards.<sup>6</sup>

It is crucial that the new SFGB demonstrates an understanding of the distinctive features of standards in a Scottish context. As one of our members commented during the previous consultation phase:

The SFGB should not have a role in setting standards because Scotland already has a set of relevant standards for advice giving prior to the Money Advice Service's standards framework, namely the Scottish National Standards for Information and Advice Providers. Having the additional Money Advice Service standards framework has increased the burden of administration on free debt advice providers and should not continue into the SFGB.

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<sup>6</sup> HM Treasury, *Public financial guidance review: consultation on a single body*, December 2016

We remain of the view that the SFGB should not have a formal role in setting standards for the sector in Scotland and hope that the original position will be readopted.

## **5. Embed crisis debt advice within a network of holistic support**

### **5.1 Do you think that MAS is right to have a focus on co-commissioning services? Please explain your response.**

Again, this question is slightly difficult to answer given that we are assuming that the Scottish Government will be responsible for the commissioning of services, whether co-commissioned or otherwise. That said, the benefits of partnership working such as co-location of services is well recognised. Analysis from the Improvement Service shows that the social return on investment in co-locating advice workers is considerable.<sup>7</sup> In our experience, coordination of services which are co-funded with a lead organisation is an effective delivery model.

### **5.2 Is there a specific role that you would like to see MAS undertake in delivering this commissioning intention? Please explain your response.**

As we outline throughout this response, if the responsibility for commissioning debt advice is to be devolved, then it seems difficult to set out a specific role for the SFGB at this stage.

### **5.3 How else might you see a response to more complex problem solving in debt advice?**

Longer-term, secure funding cycles will help retention rates within the sector and ensure that clients are able to access expert advisers who are in turn better equipped and experienced to respond to complex debt problems. The shift away from short-term funding agreements may also go some way to addressing the “limited visibility” around client outcomes that is referenced in 3.1.

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<sup>7</sup> Improvement Service, *Forecast Social Return on Investment Analysis on the Co-location of Advice Workers with Consensual Access to Individual Medical Records in Medical Practices*

## **6. Build services that make the best possible use of existing and emerging technologies**

### **6.1 Do you think that MAS is right to have a focus on making the best use of existing and emerging technologies? Please explain your response.**

A number of advisers at the MAS consultation event in Edinburgh called for the development of a single case management tool that could be used by agencies across Scotland and would also be linked to AiB systems. The onset of Open Banking may also bring new opportunities for capturing client expenditure data. If this data can be shared with the adviser (with client consent, of course) then this may help reduce the administrative burden on advice agencies.

Emerging technologies bring new opportunities, but there are also limitations to platforms such as chatbots and this should not be a like-for-like substitute for face-to-face advice. During the previous HMT consultation on a single body, our members stressed the enduring importance of face-to-face advice:

Debt advice can be a very personal matter. It is important that an adviser and person receiving the advice and support is able to build a relationship of trust. This cannot always be achieved remotely. Explaining complex things like diligence can sometimes be better face to face so a client can fully understand what could happen and at the same time be reassured by the money advisor there are options.

A number of advisers also noted that it can take several meetings with a client to realise the full picture of a client's circumstances, particularly where there are underlying issues such as gambling debts, financial abuse and illegal money lending. These issues may prove harder to detect if the sector observes a shift towards predominately online support. It is also important to recognise that a number of clients are digitally excluded. Recent research by the Scottish Council for Voluntary Organisations (SCVO) found that one in five people in Scotland do not possess basic digital skills.<sup>8</sup>

Above all else – and as with all projects – it is important that the SFGB first outlines the outcomes it wants to achieve and then decides whether digital is the right platform.

### **6.2 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention? Please explain your response.**

The SFGB will be well placed to bring together all key stakeholders including advice providers, creditors, governments, regulators and the fintech sector to determine how emerging technologies can best be used to meet the needs of clients. The initial work around building these services and systems is likely to be beyond the budgets of smaller advice agencies so, where possible, the SFGB could develop tools and resources that are easily incorporated into existing processes.

As we note in our response to 3.3, the SFGB should also consult with clients directly to ascertain their preferred route into advice.

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<sup>8</sup> SCVO, *Tackling digital exclusion in Scotland*, August 2017

## **7. Future commissioning**

### **7.1 Do you think MAS is right to adopt a prioritised and phased implementation?**

**Please explain your response.**

We are keen to know which of the six commissioning intentions will be prioritised, keeping in mind that a number of advice providers are likely to respond that they are already adopting some of the approaches outlined within the consultation.

### **7.2 Are the outcomes we want to achieve through our commissioning intentions the right ones?**

We are generally supportive of the client outcomes listed under each commissioning intention. As noted already, however, we have some concerns about how these outcomes are reached. For example, in terms of client outcome four, we support the aim of ensuring advisers have the knowledge, skills and confidence to prevent and address over-indebtedness, but question whether making SFGB-commissioned services the preferred employment choice is the best way to achieve this objective.

### **7.3 Do you feel the size and geographical reach of our face to face agreements would benefit from being more evenly distributed – for example, by adopting an approach using the nine English regions? Please explain your response.**

As noted in 1.1, local authorities and advice providers are often best placed to determine how resources are prioritised and targeted.

### **7.4 Most of our current agreements are for three years. Do you think this is an appropriate duration and what do you consider to be an optimum funding period? Please explain your response.**

In our experience, funding agreements can be as short as three months, never mind three years. This can also be subject to monthly reporting requirements and while we agree that accountability is important, it must also be proportionate.

The process of resolving problem debt is often a long one. The current average duration of a debt payment programme under the Debt Arrangement Scheme is around 6.8 years. Funding arrangements going forward should reflect the journey of the client through the advice process.

The consultation makes reference to rising inflation, increased unsecured lending and the falling real value of benefits. In this context, the need for debt advice is not going anywhere and if anything is only likely to increase in the coming years. The approach of funding short-term projects can have the effect of temporarily raising expectations only for vulnerable and low-income consumers to later lose access to vital advice services. Funding arrangements should provide as much certainty as possible in otherwise uncertain times.

## **7.5 What approach should MAS take to measuring client outcomes, particularly for the increasing number of clients on insufficient incomes to cover their living costs?**

The SFGB should consult directly with people who have experience of the debt advice process, as we suggest in 3.1.

On the subject of the increasing number of clients with insufficient incomes to cover their living costs, it is welcome that the consultation repeatedly notes that this remains the primary cause of over-indebtedness. However, the interventions that will improve the outcomes for people on low incomes will often be out with the remit of the SFGB. Action in other areas of public policy – such as reversing the benefits freeze, increasing the National Living Wage, tackling the poverty premium and capping energy prices – is required to improve outcomes for this group. These are areas where the SFGB will be unlikely to exert influence.

We also note, however, that the methodology that underpins both the Common Financial Statement and the Standard Financial Statement which determines a client's contribution towards their debt is not presently modelled on what is considered as basic living costs. This means that clients who are repaying debts can be left with less than what is recognised as a socially acceptable living standard.<sup>9</sup>

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<sup>9</sup> On 26 July 2017, the Supreme Court set a precedent for using the Minimum Income Standard (MIS) as the official criterion for affordability and determining what entails a reasonable living standard – see R (on the application of UNISON) (Appellant) v Lord Chancellor (Respondent)