moneyadvicescotland
Scotland's Money Charity

# RESPONSE

## Money Advice Service Business Plan 2018/19

**February 2018**

## 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

We welcome the opportunity to respond to the Money Advice Service Business Plan for 2018/19.

To help form the basis of this response, we held a consultation event with our members at our offices in Glasgow on 29 January 2018. We are especially grateful to Allison Barnes, Scotland Manager at the Money Advice Service, and Ben Murphy, Commissioning Manager at the Money Advice Service, who both presented on the Business Plan and were in attendance throughout to offer insight and expertise.

**Start, stop, continue: strategic choices for the Money Advice Service in 2018/19**

**1. Do you agree with our judgements about what may be valuable to continue or complete from our Corporate Strategy, as we move towards the single financial guidance body (given what was in the draft bill to establish it on 23 November 2017)?**

The Business Plan notes that the funding of advice in Scotland will be devolved, however, the SFGB will have a UK-wide remit for a national strategy to improve the ability of members of the public to manage debt. Attendees at our event were keen to learn more about how this oversight might work in practice. It was considered essential that there is input from the perspective of the devolved nations towards shaping the strategy. A number of members were also concerned that a UK-wide strategy is difficult to accomplish when Scotland has distinct debt and insolvency legislation.

Attendees at our consultation event noted concerns about the transition to the new SFGB and the uncertainty that this has caused for advice providers and staff. The prevalence of short-term temporary contracts is a perennial concern within the advice sector. Several attendees had first-hand experience of skilled, highly trained adviser colleagues who had left the sector altogether due to the volatility of project funding. It was hoped that a commitment to longer-term funding in future would help mitigate this drain on skills and expertise.

In terms of activity that will continue through the transition to the new SFGB, members described the constant testing and assessment of projects as a distraction to the fundamental priority of providing advice to those who need it. While this was considered understandable around financial capability where evidence of what works is still unclear, our members were of the view that the benefits of debt advice are well-established. Looking ahead to the new SFGB, it was recognised that a settled approach centred around longer-term funding would support efforts to ensure that debt advice reaches those who need it most.

**Aims 1–5: our programme of work for 2018/19**

**2. Given our Corporate Strategy, what are your comments on the activities and priorities for April 2018–March 2019 we have set out in the individual chapters covering each aim?**

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| Delivering through others<br><br>Aim 1: to lead co-ordination of the many organisations that can contribute to improving financial capability through collective impact – creating a common understanding of problems and of ways to address them |

The Evidence Hub is a valuable resource in terms of pulling together research on the impact of financial capability interventions. We support the requirement that projects funded by the What Works stream share a high-quality report on their findings on the Evidence Hub.

The focus on behavioural insights is also welcome. Research already suggests that people are influenced more by inherent bias than education. It is perhaps worth noting that educators, too, have their own biases.

Earlier and wider access to debt advice

Aim 2: to support significantly more over-indebted people to access free, high-quality advice, as early as possible, to resolve their crises and build their long-term financial capability

We are supportive of the increase to the levy and would like to see this go further in future.

The recent report on the economic impact of debt advice underlines the benefits of debt advice, not least to creditors. The advice sector has been faced with swingeing cuts in recent years and additional funding of services is essential if debt advice is to reach those who need it most.

As we elaborate later under question 5, the activities proposed as part of the Business Plan need to be cognisant of the distinct features of the advice and legislative landscape in Scotland. During our consultation event, the proposed requirements for individual audit raised particular concerns about how this will work in practice and the potential additional pressure on resources.

In terms of advancing earlier access advice, there needs to be a clear and tangible incentive for clients to do so. Members noted that an extended period of breathing space may allow a period of stabilisation that will assist client towards finding a solution. That said, by its very nature, the need for debt advice typically comes at the point of crisis. A number of advisers noted that people are not always ready to engage at an earlier stage.

More people budgeting and saving

Aim 3: to help people most at risk from income shocks to manage their money and credit well day to day, and to build resilience by saving more for the future and protecting themselves against the unexpected

We are unsure whether this is a measure or aim that the financial guidance body should be judged upon. The UK household saving ratio is at its lowest level since 2006. We would argue that this is not a failing (nor a specific challenge) for the financial guidance body. Rather, this is a reflection of the wider socio-economic context of rising prices, stagnating wages, and the falling real value of social security payments. Members at our consultation event were of the view that their clients are well aware of the benefits of having savings to fall back on: many of them just don't have the means to save.

We welcome the pilot around side-car savings whereby deductions are made automatically from payroll. For people in the segment who could be doing more to save but aren't currently, this behavioural approach could build on the existing success of auto-enrolment in pension contributions.

We disagree somewhat with the comment that early access to debt agencies should help people to avoid problem debt. Members considered this overly simplistic and were concerned that the comment overlooked the wider economic context and the unexpected income shocks that more often precipitate problem debt.

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| Improving access to guidance and advice<br><br>Aim 4: to help more people make use of good-quality, effective financial guidance or advice when they need it |

We are concerned that the events listed where help might be sought are too broad. For example, our members would not typically consider moving in with partner, starting a new job, getting married, or general money management issues as triggers to seek help. There is a risk that if people present for advice in these circumstances, services will be stretched to breaking point and that those who need help most fall through the gaps.

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| Widening and improving financial education<br><br>Aim 5: to improve the ability of children and young people to manage their money and take good financial decisions |

We elaborate on the particular issues in terms of financial education in Scotland under question 5. With reference to the section on quality-controlled financial education materials via the Young Money Quality Mark, it may be valuable to explore whether an equivalent can be developed for Scottish resources.

We welcome the comments around how a young person's background might influence their financial decision-making. For example, the Business Plan sets out the difference between the experience of a care leaver or young parent living independently with little family support before the age of 18, and a very well-off student who by contrast may not receive their first pay packet until their mid-twenties. Organisations who deliver financial education to young people would do well to recognise this distinction and we would welcome further emphasis in this area going forward to avoid a one-size-fits-all approach.

**3. Do you have any evidence, research or insight that can help make our programmes of work more effective?**

Attendees at our consultation event highlighted the Financial Capability Evaluation Toolkit as being particularly effective in terms of building up an evidence base to support interventions. We are signed up to the Evaluation Toolkit and use the theory of change template to determine the outcomes of our activity, underpinned by the IMPACT principles.

In our view, the Evidence Hub is a valuable resource and the new SFGB will remain best placed to compile and publish evaluations in terms of the effectiveness of interventions. The SFGB should continue to have a central role in sharing this type of good practice, particularly if this can be translated into tools and resources that practitioners can pick up and run with quickly to better serve clients.

**4. Do you have any comments on whether our programmes of work fit the differing circumstances and needs of people in the four countries of England, Northern Ireland, Scotland and Wales?**

As mentioned in our response to question one, members were particularly interested in how a national strategy for debt advice will fit within a devolved context. Members again point to the increased cost of delivering services in remote and rural Scotland and the need to incorporate this into funding allocations.

More generally, it was highlighted that there appears to be a constant cycle of consultation and calls for evidence in recent months: the Business Plan, the Wyman review, the debt advice commissioning strategy. In Scotland, we also await the outcome of the Scottish Government review of advice services, as well as two additional consultations on the new consumer body and the devolution of debt advice funding. It was noted that in this environment, it is difficult for people working within frontline services to keep up with the latest information and developments.

Devolution of debt advice funding where money guidance remains a reserved matter was another area of concern. The commissioning strategy considers it beneficial to deliver debt advice and money guidance in "a blended fashion." In the view of attendees, however, difficulties may arise within this scenario in the fact that the debt advice strand is commissioned by the Scottish Government, but the money guidance function remains the responsibility of the financial guidance body. The prospect of providing an integrated service in these circumstances seems laced with difficulty. Priorities of the two respective funders may not be analogous. This will also require services to report to two funding streams, leading to duplication of effort as well as the impact of lost time that would be better served dealing with clients.

Members were concerned about how the proposed new Performance Management Scheme will fit with the existing Scottish National Standards for Information and Advice Providers (SNSIAP). This process is frequently described as burdensome and often leads to a reduction in the time dedicated to delivering advice. Members were keen to avoid duplication and favoured a single set of standards in Scotland.

**5. Do you think our proposed long-term impact indicators address the most important outcomes in money management? Do you see any of them leading to unintended consequences?**

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| 1. A rise in the percentage of 'financially struggling' and 'financially squeezed' working-age adults who access guidance and advice |

The Business Plan notes that the 'financially struggling' segment covers 11.6m adults in the UK who are on low incomes, dependent on benefits, and likely to be trapped in debt for some time. Members raised concerns about the lack of options that debt advice may offer a person in these circumstances. For example, a client in the 'financially struggling' segment may be eligible for the MAP route into bankruptcy. However, this might address debts in the short-term, but it won't tackle the underlying cause of that person's debt: chronically low-income that cannot keep up with rising living costs. For clients in this position, the suggestion that they can budget or save their way out of financial difficulty can often be perceived as patronising. Research into the long-term impact of debt advice provides insight into the perspective of clients:

> 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.[1]

Our members considered it essential that the Money Advice Service sets out what it considers as the long-term outcomes it wants to achieve by increasing the percentage of 'financially struggling' and 'financially squeezed' working-age adults who access guidance and advice. If the aim is to drive more people towards guidance and advice, we need to ensure that there is an adequate offering in terms of solutions and long-term outcomes when they do so.

Members also emphasised that advice agencies would have to be adequately funded to meet any increase in the percentage of people within these segments who access guidance and advice.

### 2. A rise in the percentage of adults who need debt advice that receive it

Again, this long-term impact measure will need to be matched with a commitment to increased funding for debt advice. A local authority member noted that their own advice agency had witnessed a 22% year-on-year increase in the number of people seeking debt advice. It perhaps goes without saying that the agency had not received an equivalent uptick in funding and resources.

Members also sought clarification of what exactly constitutes advice in this context. In terms of unintended consequences, some attendees were concerned that if the main driver is to increase numbers, the quality and scope of the advice offered to clients may be diluted as a result. That said, an attendee suggested that it was important to recognise the varying capabilities of clients: for some people, the appropriate support will be to empower them to address the issues directly, while others will require far more intensive levels of support. These nuances are difficult to capture if the long-term impact is measured primarily on the numbers of people who are seeking advice.

### 3. A fall in the percentage of adults who receive debt advice and return within one year

Members were slightly concerned about the implications of this long-term impact. It was considered important to emphasise that for many clients, returning to debt advice is the right thing to do. If we want to effect behaviour change for people in financial difficulty and increase the number of people who need debt advice that receive it, a key part of this is that clients don't bury their heads in the sand and reach out for help when they need to.

We accept that a return to debt advice may mean (in some cases) that the initial advice was not appropriate. However, it was considered more likely that this would be explained by a material change in client circumstances. We also believe that the Money Advice Service should closely monitor the number of clients who are turning to free advice providers after dropping out a debt solution agreed with a private firm. Our concerns about the growing

[1] 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

prevalence of people in protected trust deeds when other solutions may be more suitable is well-established.

A member also noted the importance of distinguishing debt advice from other types of advice. For example, the outcomes in welfare advice are clear: client financial gain, successful appeals etc. Debt advice outcomes are less cut and dry and more difficult to measure, however, and the reasons for returning to the advice provider are not homogeneous.

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| 4. A fall in the proportion of the income of ‘financially struggling’ and ‘financially squeezed’ adults spent on servicing interest on their unsecured debts |

Policy and regulatory change is likely to have a greater influence on this long-term impact. For example, the FCA’s proposals on persistent credit card debt may yet require firms to determine an affordable repayment option and reduce or freeze interest for people.

Members at our consultation day also noted that the minimum repayment calculator on the Money Saving Expert website was a useful tool to demonstrate the risk and cost of interest servicing to clients.

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| 5. A rise in the percentage of ‘financially struggling’ and ‘financially squeezed’ adults who build their savings every month |

Attendees at our consultation event were of the view that this was a difficult long-term impact for the financial guidance body to influence. This was considered as a difficult long-term impact to measure and monitor. In terms of the ‘financially struggling’ segment, it is unclear how people who are dependent on benefits and struggle to keep up with bills and payments can be encouraged to build up savings every month. Members noted that the majority of clients who are currently seeking advice are in deficit budgets and often lack available income to meet essential expenditure.

The Business Plan mentions that the introduction of the Standard Financial Statement promotes saving while paying down debts. However, in our experience of already operating an equivalent contingency allowance in Scotland as part of the common financial tool (CFT), this is little more than an income buffer, rather than an opportunity to build up any kind of rainy day fund.

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| 6. A rise in the percentage of children and young people who receive financial education that works |

Members were supportive of closer coordination with Education Scotland and the Scottish Government in terms of the delivery of financial education, particularly in relation to developing a common framework for determining what works. In 2016-17, our Chief Executive chaired the What Works consortium (funded by the Money Advice Service) which brought agencies from across the UK together to develop a new competency framework for financial capability.

Financial education has been a mandatory part of the curriculum in Scotland since 2008. In practice, however, provision can be patchy and inconsistent. Since 2015, our own financial capability project has delivered workshops in primary and secondary schools to over 2,000 pupils. We are aware that we are only one of a number of similar organisations (whether in the third sector or commercial sector) who deliver financial education. External organisations have an important role to play in financial education, but improved consistency and coordination in provision is required. The disjointed approach from a number of unrelated providers means it is difficult to obtain a common standard of what works in financial capability interventions and, still more importantly, what does not work.

**6. Do you agree that our 2018/19 commitments and measures of efficiency are robust and balanced? If not, we welcome alternative suggestions.**

We broadly agree with the commitments outlined for 2018/19.

As previously stated in response to question 5, a return to debt advice (commitment 7) may not be an indicator of a poor outcome or inefficiency – this may be exactly what the client should do. We do welcome further work in this area to better understand the reasons why people are returning to debt advice.

We view commitment 8 – that 90 per cent of people accessing advice do so via organisations using the Standard Financial Statement (SFS) – with a slight degree of apprehension. The introduction of the SFS has not been without its hitches with early concerns about trigger figures being lower than the Common Financial Statement, and reports of certain advice providers temporarily suspending use of the SFS after the new format generated comparatively higher levels of available income. The proposed uprating to the spending guidelines may yet go some way to alleviating concerns within the advice sector in Scotland. Nonetheless, the commitment to 90 per cent seems high at an early stage within the development of the new approach to capturing income and expenditure.

**Questions about the plan overall**

**7. Is the plan clear and easy to understand? If not, please indicate sections that you think should be made clearer.**

We are slightly concerned that there are some inconsistencies in messaging, even if the language is clear and easy to understand for the most part. For example, page 2 of the document concludes with the comment that "we believe that when you control your money rather than the other way round, life is easier." Again, with specific reference to the 'financial struggling' segment, it is difficult to see how living in these circumstances is a consequence of lack of control as opposed to lack of income.

This type of messaging also underemphasises the external factors that influence a person's financial wellbeing and invites the insinuation that people are in debt due to a lack of control. It also conflicts somewhat with previous comments. For example, the response to the consultation on the Business Plan for 2016/17 noted that:

> We recognise that for many people, the money choices they make have causal roots in macro-economic factors, or social and political decisions that are decided through elections. We must recognise these, and avoid a naive view that financial capability improvement will extinguish money problems.

In our view, it should be the common goal of the money advice sector to break down the stigma that still surrounds the subject of debt. The financial guidance body has a central role to play towards achieving this aim and it is imperative to avoid messaging that enables misconception.

**Co-funding**

**8. If you would be interested in discussing co-funding (see pages 27, 31 and 41), we also invite you to use this opportunity to make contact.**

While we are not interested in co-funding at this stage, we are content to work with other partners where co-funding arrangements have been identified.