

Financial Inclusion Taskforce Money Advice Research 2007

Executive Summary prepared for HMT by IFF Research Ltd

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Introduction

- 1.1 In 2004 the Government identified the availability of face-to-face debt advice as a key policy area where action is required to address financial exclusion and over-indebtedness. Since then the Financial Inclusion Fund (FIF) has been established, committing £47.5 million to expand the capacity of face-to-face money advice.
- 1.2 The Financial Inclusion Taskforce, which oversees the progress of the FIF, commissioned IFF Research to conduct research to help inform future direction of the funding. The research focussed on organisations in England and Wales which offer individuals free help with debt through individual assistance or casework. The specific objectives of the research were to provide information, for the financial year 2006/07, about:
 - the total number of specialist debt advisers in England and Wales (both volunteer and paid) and the proportion of agencies that have non-specialist advisers that undertake some debt advice work;
 - the types of advice provided and the methods of service delivery;
 - the numbers of clients, debts and clients provided with casework that each debt advice organisation has serviced;
 - the extent to which measures to manage demand for debt advice have been used;
 - the funding received for debt advice in 2006/07 from various sources;
 - how much funding has come from sources not allocated specifically for debt advice;
 - best practice / innovative approaches within the sector; and
 - how these factors differ by geography.
- 1.3 Approximately 46% of all organisations which provide free debt advice in England and Wales took part in the quantitative study, and this was supplemented with 30 in-depth interviews amongst a cross-section of providers.

Debt advice provision

Where is debt advice available?

- 1.4 Debt advice outlets are spread throughout England and Wales with the highest proportions found in the North West (14%) South East, Yorkshire and Humberside and West Midlands (all 13%). The main offices centre around the South East (19% of all main offices) and London (13%).
- 1.5 Two in five providers (39%) have only one location (their main office), one quarter (25%) have one or two other outlets, 30% have between three and nine outlets and 6% have more than nine.

What types of organisation are offering debt advice?

- 1.6 Citizens Advice Bureaux (CABx) account for approximately two-fifths of all providers of free debt advice. A further one quarter of providers are independent advice agencies, the majority of which belong to the AdviceUK network. Charities are the next most common provider of advice, accounting for 15% of providers. The majority of CABx (85%) and a significant minority of non-CAB providers (35%) have more than one location through which they provide advice (i.e. other offices or outreach services).
- 1.7 Virtually all organisations provide debt advice primarily face to face, though most of these also offer a telephone service as well. While all CABx offer advice online, only around one in five non-CAB providers offer a website or online advice in addition to face to face and telephone advice.
- 1.8 Almost all providers offer negotiation with creditors on behalf of clients and help with income maximisation, and nine in ten providers offer support in the form of setting up payment plans for clients¹, assisting clients to deal with creditors themselves and making referrals to specialist agencies. Representing clients in court is less common; around half offer this service. Self-help materials are distributed by almost all CABx, but only by 70% of non-CAB providers.
- 1.9 Only 5% of providers restrict the areas on which they will provide debt advice, and most of these specialise in cases involving consumer credit or mortgage / rent arrears.

¹ Note that payment plans as they have been understood in the context of this research are payment arrangements made with creditors and the client rather than necessarily more formal Debt Management Plans (although some organisations may also have included these as payment plans).

Who is delivering debt advice?

- 1.10 The number of full time equivalent (FTE) specialist debt advisers in England and Wales is roughly estimated at 3,900² of which 500 are volunteers. CABx advisers account for approximately one-third of all FTE specialist advisers.
- 1.11 The average number of paid advisers in an organisation is 3.4 and the average number of FTE paid advisers is 2.7, as some paid advisers are part time workers. Providers in London and the South East tend to have fewer paid advisers on average than other areas.
- 1.12 Around half of providers have no volunteer advisers. Although the average number of volunteer advisers in an organisation is 3.0, many of these work part time so the average number of FTE volunteer advisers is just 0.5. Volunteers make up the majority of the adviser staff in only one-fifth of organisations, most of whom are charities, although the charity sector as a whole has a relatively high proportion of paid FTE advisers.
- 1.13 Just over half of providers have non-specialist paid advisers who provide debt advice but are not specialists, although CABx are particularly likely to have non-specialist advisers (60% cf. 49%). This trend is more pronounced for volunteer non-specialist advisers; 84% of CABx have non-specialist volunteers compared to only 28% of non-CAB providers.
- 1.14 The number of new clients and debts dealt with *per FTE advisor* is higher amongst smaller providers (with fewer staff) and amongst CABx.

How is debt advice delivered?

- 1.15 CABx provide a universal service as a rule, with no restriction on who debt advice is offered to or what type of debts. However one third of non-CAB providers restrict their service to particular groups of people, such as students, black and minority ethnic groups or refugee/asylum groups. This is particularly common in London, where almost half of agencies restrict their advice to one or more particular groups, mostly BME or refugee/asylum groups, and older people.
- 1.16 *Organisations which restrict the types of people they provide advice to are generally less likely to set up payment plans for clients or represent clients in court compared to those who provide services to anyone. They tend to have shorter average waiting times for clients to see a specialist adviser.*

² See Chapter 4 and the Technical Appendix for more details of how this was calculated. These figures should be used as an indication of staff numbers only, rather than as a robust assessment.

- 1.17 Most providers dealt with fewer than 600 new clients in the 2006/07 financial year, but one-tenth of providers dealt with more than 2,000. CABx report much higher volumes of new clients than non-CAB providers – two-fifths of CABx saw more than 1,000 last year. FIF funded approximately 3%³ of all new clients.
- 1.18 Around half of new clients seen were provided with casework (i.e. individual tailored support on an ongoing basis as opposed to more general ‘one-off’ advice) in 2006/07. Most organisations provided fewer than 400 people with casework last year, and again CABx report higher volumes of casework provision; each CABx on average provided 500 people with casework, compared to an average of 300 amongst non-CAB providers.

Funding for debt advice

- 1.19 The main sources of funding for many providers are specific grants for debt advice; CABx tend to rely on grants from the Legal Services Commission or Local Authorities / housing bodies, while non-CAB providers are more commonly funded through charitable trusts. Legal Services Commission grants for debt advice tend to be highest, averaging £70,000 per grant, followed by National Lottery grants (average £45,000).

Obstacles to high-quality delivery

- 1.20 *Many agencies believe that the targets set in funding contracts are not sufficiently flexible to deal with the varied nature of clients and cases they see, or that they can be unrealistic or too subject to change, and this can undermine their ability to provide good quality debt advice. Many agencies are funded through multiple sources, and the targets set by various funding bodies can be in competition with each other, making priority setting difficult.*
- 1.21 *Funding can often be short-term, preventing longer term planning from taking place to improve service delivery. The amount of time spent on funding applications could be shortened if there were fewer differences in the application requirements across different sources.*
- 1.22 Lengthy waiting times were often described as being very demoralising and/or stressful for staff, particularly volunteers, as well as having a negative effect on clients. The waiting time between when a client first contacts the organisation and the client’s first full contact with a specialist caseworker tends to be longer in CABx than non-CAB providers. Only one third of non-CAB providers reported an average waiting time of longer than a week, compared to two-thirds of CABx. Indeed, 29% of non-CAB can offer a specialist appointment within one or two days, compared to only 4% of CABx.

Future demand

- 1.23 The consensus amongst providers of all type is that over the next two years demand for debt advice will either increase (84%) or stay roughly the same (16%); very few think a decrease in demand will occur. A variety of factors will contribute towards an increase in demand, but the key

³ It is worth noting the CAB believe that this estimate may be slightly high. CABx reported 540,000 new clients in 2006/07, of which 14,500 were FIF funded.

driver will simply be an increase in indebtedness across society as a whole. Housing and mortgage issues such as interest rate rises and pension issues, along with the ongoing phenomenon of easy access to credit and the culture engendered by credit, are the main factors. Furthermore, many providers, particularly CABx, believe that the nature of debt problems will change to focus more on these issues, i.e. providers are expecting to deal with more credit card and secured loan debts, and bankruptcy queries.

- 1.24 During 2006/07 demand for debt advice was most commonly managed by providing or emphasising self-help materials and referring clients to other providers, and CABx use these strategies more commonly than do non-CAB providers. In order to cope with the expected increase in demand in the future, providers are hoping to receive more funding so that their service does not suffer from the strain. They also believe they will look to shorter appointments, longer waiting lists and increased education to manage demand. However there is a call for regulation of the credit industry to deter creditors from offering credit 'irresponsibly'.