Debt Advice in Scotland

a report prepared for the Scottish Consumer Council by ADVICE, publishing and training

Preface

The Scottish Consumer Council welcomes this comprehensive report on money advice in Scotland. Both our Council and the Advice and Information Working Party have considered the report and recommendations and they have highlighted particular aspects which we will pursue in the near future.

We are agreed that the most important recommendation is 14.1 - "That discussions should be held to determine what constitutes 'best practice' in debt counselling". Therefore, the Scottish Consumer Council's highest priority will be to establish a small Money Advice Working Group, made up of debt counselling experts and they will be asked to prepare a report for us on 'best practice' in money advice.

The Scottish Consumer Council considers that it is also important that comprehensive training should be given for agencies providing money advice. At present, different organisations provide different levels and types of training for their employees and volunteers and we believe that co-operation among these groups could be increased.

This report highlights the need for a greater degree of agreement within and between concerned organisations on the precise steps to be taken to assist someone with a debt problem.
The Scottish Consumer Council would like to encourage the co-ordination of money advice activities by statutory and voluntary agencies. Regional Councils already have responsibilities for consumer protection and trading standards, social work and welfare rights and funding independent advice agencies, all of which may involve money advice. It therefore seems sensible that Regional Councils should take the lead in co-ordinating money advice activities in their area.

The Scottish Consumer Council is aware that the vast majority of creditors have sensible lending policies, but some creditors are less careful to ensure that debtors have the means with which to meet the commitment. We will continue to criticise the practices of irresponsible lenders.

We believe that the Office of Fair Trading should be given the responsibility to encourage more consistent casework classification and statistical recording methods in different advice agencies. We suggest that the requirement to provide information could be made a condition of issue of a debt counselling licence.

We further recommend that, when the DHSS Social Fund is introduced, the independence of the Special Case Officer should be preserved and the Officer should not be given direct responsibility for decisions about individual claims. The Special Case Officer should be allowed to work independently within the system in providing help suited to the needs of the individual claimant.

The Scottish Consumer Council would like to thank, firstly, ADVICE, publishing and training, (Apt) a consultancy and training partnership with experience in the professional support of public advice services and, secondly, the sample of people involved in debt advice in Scotland who filled in questionnaires and gave up their valuable time to be interviewed.

We hope that this report will stimulate debate amongst creditors and debt advisers and we would welcome any comment.

Barbara Kelly
Chairman

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1. The Survey

Background

Arising from an overall concern for the interests of consumers in Scotland, the Scottish Consumer Council has for a number of years taken a keen interest in advice services. During 1986, the SCC initiated research into money advice and this, together with a growing body of anecdotal evidence and apparently increasing public interest and concern at the level of personal debt problems being experienced, led to the SCC seeking further study into the provision of debt advice or what is commonly referred to as debt counselling.

The study was designed to follow up earlier work for the Scottish Consumer Council by Susan Crookston on "Money Advice in Scotland" and conducted in parallel with a study by Michael Adler and Roy Sainsbury on "Recent Trends in Personal Debt in Scotland".

The study was conducted for SCC by "ADVICE, publishing and training (Apt)", a small consultancy and training company whose partners have long experience in the professional support of public advice services.

"Apt" was asked to look at those involved in debt advice, at the practices which were being adopted in the giving of such advice and from the evidence gathered, to make recommendations about the state of provision and any strategic considerations relating thereto. In part, the SCC was concerned at the apparent lack of a strategic overview and co-operation in facing what appeared to be a growing and most serious social phenomenon.

Because time to complete the study was limited, it was only possible to interview a sample of all the organisations involved in debt advice in Scotland. In selecting the sample care was taken to ensure a geographical spread across Scotland and to reflect both urban and rural experience.

The study was undertaken during the month of September 1987 and involved a combination of questionnaire and personal interviews with a range of organisations; these are listed in Appendix 1.

The research was hampered by a lack of consistent statistical information on which to make definitive statements about exact trends. For the main part, it was necessary to depend upon the experience of practitioners who were subjected to a series of detailed questions. As soon as patterns of evidence became clear, or where we heard unusual evidence, subsequent interviewees were questioned to test out developing hypotheses and the validity of the ex-
experience previously related to us. In addition, we returned to some of our sample to test out ideas which had developed after the initial interview. We are satisfied, that through such an approach, an accurate picture of the types of debt problems which are being confronted, and of the variety of practices adopted to tackle debt problems, has emerged.

We are grateful to the many people who contributed their time and expertise to assist us in the course of this study and we trust that our recommendations will be seen in a positive and helpful light, even though some are moderately critical of current practices. We have also relied on the other research undertaken by SCC, mentioned above, and we acknowledge its value to us.

The most common types of debt.

It is appropriate at the outset to outline the differing types of debt problem which were described and to explain the pattern into which they seem to fall. This is important as these debts appear to present themselves in different ways to the different agencies which were interviewed. Understanding this at an early stage will assist understanding of the different approaches to debt advice which will be described later.

There seems, essentially, to be three main groups of debt problems. There will inevitably be overlap at the edges of these descriptions and no statistical evidence exists to accurately quantify the scale of each. However, there were clear strands of experienced opinion indicating which groups are growing relative to others, there being no evidence of problems diminishing in any group.

Before describing the three groups of debts, it is worth commenting that credit, which through its various manifestations gives rise to debt, is seen by all those we interviewed as an important and generally positive facility and the only way in which many people can change their life circumstances. The distinction between credit per se, and the way credit may be handled, marketed and vetted, is one always worth drawing. There is little evidence that the ready availability of credit in itself is the major cause of the apparent growth in personal debt. Even if it were, there is even less evidence that there are likely to be restrictions placed on credit for reasons of social policy. Unless and until it is seen as a major negative factor in the national economy the growth in credit would appear set to continue.

Debt caused by poverty
The most consistent, long standing and steadily rising group of debts are those associated with poverty, particularly fuel debts and rent arrears, occasionally associated with some form of hire purchase or credit arrangement on a major consumer item, such as a cooker or furniture. Purchases through "club books" are not uncommon here. This type of debt is associated with
people who are forced to live on supplementary benefit or invalidity benefit or on extremely low wages. As the DHSS pointed out, the profile of the typical person on Supplementary Benefit has changed dramatically over the last 8 years or so in Scotland because of the enormous rise in unemployment, and particularly long-term unemployment, over the same period. This form of debt has been with us for many years and, in that sense, while steadily growing in cash volume and rate of presentation as a problem, is not of itself a new feature of life.

Debt following reduction in income
The second most common type of debt relates to people who may now be unemployed and living on supplementary benefit but for them this is still a fairly new experience. People involved in this group may have been accustomed to relatively long and stable patterns of employment which have now come to an end; they may now be desperately striving to maintain a standard of living to which they have become accustomed over many years and which is still within their reach, provided they can quickly regain employment. As unemployment continues for this group their struggle to sustain their previous type of existence (and self-image) becomes increasingly difficult. Not uncommonly this group tries to sustain standards having depleted any savings, or to pay off the beginnings of a debt problem, by borrowing at very high rates of interest. They often continue previous credit patterns, do not "shop around" or there is no choice of low interest for people in their circumstances. Consequently, they find themselves under increasing pressure to meet commitments. A small minority within this group, perhaps having used easily available credit to meet their immediate needs, add to their problems by obtaining further credit for new consumer goods.

"Acquisition debt"
The third type of debt appears to affect people who may be in relatively secure employment, have relatively stable lives in every respect but have been seduced by the very high pressure consumer market and the apparently easy credit terms that are available. In, most commonly, committing themselves very fully, or, less frequently, in over committing themselves, the slightest change in circumstances can precipitate an immediate crisis of often quite spectacular proportions. Debts in this group can amount to sums anywhere between a few hundred pounds to many thousands of pounds. This type of debt also gives rise to the many anecdotal stories of the debt "epidemic" which can mask more routine, but none the less significant, debts associated with poverty. This phenomenon was described to us as "acquisition debt" and appears to be on the increase at an alarming rate if not yet the most common type of debt generally.

Within the general category of "Acquisition debt", a distinct sub-type of debt was described which we have termed "Yuppie" debt. This is associated with the younger age group who are perhaps newly married, committed to a large mortgage, have heavy commitments toward household consumer goods and perhaps enjoy the odd holiday abroad, and new car. Again, a change in cir-
cumstances (perhaps as innocent as a first pregnancy leading to one partner leaving employment) can trigger off the most spectacular catalogue of debts.

In terms of their order of scale it is difficult to be precise. Among advice agencies the type of debt associated with poverty described above still remains the steadily rising, daily occurring type of debt. Debt associated with the longer-term effects of reduced income has become much more common in recent years as long-term unemployment has increased. The other groups of debt described are more noticeable because of their rapid rise over very recent years as a new phenomenon and are highly visible in the folklore of debt because some can be truly spectacular in their scale and enormously complicated and time consuming to solve. However, they still appear, numerically, to constitute a minority of the total of debt problems presented.

It is perhaps dangerous to try to categorise debt in the way just done, but so striking were the similarities in the descriptions given that we feel it is helpful to do so.

Other common characteristics
Two other characteristics of debt problems are worthy of note.

There is a distinct pattern whereby one partner to a marriage does not let it be known to the other that a debt problem may exist. This feature is more noticeable where traditional attitudes are still held by men towards women and their role in "looking after the money". This, we were told, can give rise to real marital pressures and, in a number of cases reported to us, to domestic violence. The complications introduced to the process of debt advice, as a result, are considerable and some advice services will only give advice on debt when both partners to a marriage are present and where there is a shared liability.

There also appears to be recent and developing forms of compulsive spending, though still representing a very small number of cases. It is sometimes associated with depressive illnesses or with forms of loneliness and has been fuelled by the ease of purchasing through the use of credit cards. In the same way that gambling can become compulsive, so to it appears can spending. Apparently this interesting feature is recognised in America, where forms of credit buying are much longer standing.

Organisations surveyed

In conducting the research, essentially two forms of organisation were examined.

Firstly agencies which are solely or predominantly advice giving agencies, or where advice giving is a key component of the service offered:
Independent Advice Centres, Citizens Advice Bureaux, Consumer Protection / Trading Standards Departments, Social Work Departments, the Law Society of Scotland, the Soldiers', Sailors', and Airmen's Families Association (SSAFA).

Independent Advice Centres have been grouped together for the purposes of this report and include neighbourhood advice centres, community information offices - essentially any local autonomous advice centre in the voluntary sector which is not a Citizens Advice Bureau.

The work of the DHSS Special Case Officers (who are providing advice as part of their service to the public) was also examined.

The second main group looked at were agencies which, in a variety of forms, were giving credit facilities and were dealing with arrears on that credit:

Banks, Building Societies, Local Authority Housing Departments, SSEB & Hydro Electric Board, British Gas, Finance Houses.

In the private sector there was, overall, more reluctance to be forthcoming and we were unable to secure information from some sources which were approached.

Other organisations listed in Appendix 1 were also approached.

Each of the organisations shall be described, together with the features of their practices which were thought significant in relation to the advice they offered on debt.

The questionnaires used during the survey are reproduced in Appendix 2.
2. The Advisers

Independent Advice Centres

Independent advice centres are enormously varied. Something like 150 different organisations exist in Scotland of varying size, origin, belief, and with differing levels of financial resources available to them. This figure includes unemployed workers centres and claimants unions. Clearly it was not possible to survey all these organisations within the time and financial constraints of the research, we did however sample a cross section of organisations from which clear patterns emerged. A total of 13 independent advice centres in a range of rural and urban settings were visited; representatives of the Scottish Federation of Independent Advice Centres (SFIAC) were also interviewed.

These organisations are typically funded by either MSC or Urban Aid. Some are funded by the Unemployed Voluntary Action Fund and some by local authorities. The level of funding varies considerably.

Substantial resources are frequently available to many of these organisations, particularly in terms of paid staffing. However, pronounced organisational difficulties were faced by many of these agencies, particularly by the rotation of staff required by MSC regulations in particular. Very often, just when these staff are becoming most experienced, and the agency of most value to its local community, it loses, in effect, the experience and expertise it has developed and has to start again. There are issues here of organisational practice and of government funding policy which we feel ought to be addressed, but perhaps not fully in this report.

A number of groups were simultaneously "re-inventing the wheel", particularly in relation to reference information, training and organisational practices, such as case recording and statistical retrieval. There is very substantial duplication of effort on such matters. There is an organisational potential yet to be realised which is hampered by the underdevelopment of basic organisational practices - the inevitable consequence of short-term funding and constant staff rotation.

Getting an accurate picture of debt problems within this sector is not very easy in statistical terms because of the wide variety of case recording and statistical methods used. Only a few agencies keep specific records on debt cases as a separate category.

When asked, most felt their organisations were involved in the giving of advice about debt although, significantly and by comparison with CABx, they did not
see it generally as a burning issue of major growth or concern. It was recognised by most as a steadily rising feature of their work but not one which was causing any major or even significant additional pressures on their workload. There was some variation from this pattern in individual cases, where the phenomenon was seen as being of slightly greater significance. For the most part the type of debt being dealt with by this sector was that concerning poverty which we described earlier, particularly basic, routine rent and fuel debt problems. Occasionally these were compounded by the features of borrowing we described earlier but there was little evidence to suggest that the pattern of spectacular debts associated with high use of new forms of credit was a major feature of this sector's work. Such cases were seen as generally rare. For the most part the amount of routine debt involved was in the up to £500 level. The sums involved were recognised as on a rising trend and the number of cases was also rising.

Most commonly the debts presented by clients were seen as single or in the range of one to three; this may have something to do with the interviewing routines which were used.

Most of the agencies in this group associated the problems of debt fairly closely with poverty generally; "just another manifestation of poverty", was typical among responses we received. There was no evidence of reckless or feckless behaviour being seen as a main cause of debt. There was some evidence that even with the legal requirements for APR information in credit arrangements, many people lack a real appreciation and understanding of the actual cost of credit. Within the poverty trap there is, of course, often very little option to taking credit at very high interest, whether its full implications are understood or not.

Many agencies commented on the problems of "poverty debt" being exacerbated by the tightening of single payment regulations. Many commented adversely on the likely consequences of the further changes proposed by Government in Social Security, due to take effect from April 1988. The prospect of loans within the Social Fund, where grants for essential items were previously available, was specifically commented upon as a likely future cause of more debt.

Almost all the advice agencies in the sample commented on the distinct toughening up of policy toward debtors of both the Electricity Boards operating in Scotland which they had experienced over the preceding three or four months. Within the constraints described there were very few who did not find their respective Electricity Boards reasonable with which to negotiate on behalf of customers but there was a general feeling that insufficient appreciation by the Boards of a customer's total situation led to unrealistic requests for repayment which, without such negotiation, could precipitate a wider crisis for a family. A minority of agencies clearly had difficulties with their Board, even where we had reports from other advice services dealing with the same office that there were no problems. It appears to us that there could be as much reason to examine the approach of certain advice agencies towards the Boards as vice versa. There were pronounced fears of future policy towards
debitors in the context of a privatised industry where customers, because of their housing type, had no choice of fuel system.

Unemployment and low income living were seen as the main contributory causes of debt.

Pressure selling and inadequate vetting of credit, of which more was said by the CABs, were commented on frequently.

As a group, the independent advice centres saw themselves as providing a service that was fairly well self sustaining. Where clients with debt problems were referred to other agencies the pattern varied by area. Very few agencies referred cases to their local Consumer Protection Department. Some others commented favourably on the role of the DHSS Special Case Officers and on the authority which the DHSS appeared to command in being able to secure realistic repayment arrangements with creditor organisations. Significantly, the majority of this group of agencies mentioned neither of these organisations as appropriate referral points.

In relation to the specific practices adopted by this group of agencies there was remarkably little that was consistent within or across these organisations in terms of thought out procedures toward debtors. Evidence was received that, within any one agency, the advice a client would receive could well depend on which member of staff conducted the interview.

There appears to have been remarkably little debate on the practices and procedures that should be used in handling debt cases. Such debate within organisations is often reflected in information, staff guidance or training materials and we discovered only two sets of any such material within the sample and little awareness if it existed anywhere else.

There is little evidence of formal training in debt advice. Of all the practices we saw or heard of there was room for improvement in every case toward what might be described as best practice. Obviously there was more scope for improvement in some cases than in others. In many ways, given the large amount of public money that is being spent on advice services, there is remarkably little monitoring of the output which the public receives by way of guaranteed standards.

The practices seen varied greatly and the level to which the various agencies were operating also varied. Most sought to offer advice in what they considered to be a comprehensive fashion. Few referred on to any other agency as soon as they identified that there was a debt problem.

Within the practices seen or described, there were many positive features as well as some glaring omissions. Few appreciated that there was provision under the terms of the Consumer Credit Act whereby an agreement under which credit is offered may not be legal and therefore be unenforceable. There is an issue here for the agencies concerned and for Consumer Protection/Trading Standards to ensure that this check becomes part of routine procedure in debt advice.
More fundamentally, there was substantial evidence that, as an aspect of interviewing practice, it was not always a matter of routine that once a single debt had been identified efforts were made to identify whether other debts existed. It is hard to see how a comprehensive, appropriate package of advice can be offered in such circumstances. It is possible that in some cases where the incidence of multiple debt is low that this may have something to do with the basic interview procedures being adopted. One reason given for not adopting the practice of enquiring after other debts that may exist, had to do with notions of a client’s freedoms and right not to have their personal privacy invaded. This did not seem to be balanced against the need to give advice appropriate to an individual’s actual situation and the consequences for a client’s civil liberties if inappropriate advice was given without the full knowledge of the client’s actual circumstances. It was, of course, reported that clients will very often not divulge all their known debts, even when skilled and sophisticated procedures are deployed; this, unlike the situation where the procedures are unsophisticated, cannot be remedied easily.

There is a variety of practice relating to budget exercises with clients. Some agencies did offer help with budget exercises as a matter of routine, others rejected the principle of budgeting as it was seen as a procedure for making judgements about clients’ circumstances and involved offering opinion on how a client should spend their money. The majority, however, viewed budgeting as an essential prerequisite to giving good debt advice and is seen by the majority as an enabling exercise for a client to see clearly, often for the first time, his or her actual financial circumstances and to enable clients to ask questions of themselves about their expenditure and income needs as well as their priorities. In essence, therefore, budgeting is an enabling process, not a judgmental one. It is difficult to understand how it is possible for some agencies to help clients with repayment schedules and to negotiate with creditors in the absence of budget information, yet this is claimed as existing practice by some.

Most of the agencies in this group were involved in helping individuals to identify extra sources of income through the benefit system and it was obvious that there was, for the most part, a very high degree of technical expertise in this particular field.

Most, but not all, were involved in helping clients draft repayment schedules and in limited negotiations with creditors.

There was also a very interesting variety of practices relating to whether or not to consider giving priority to certain debts within repayment plans. Some simply offered straight division or pro-rata repayments across the board. Most, however, considered some sort of priority rating, but across a range of infinitely variable patterns. Some described a need for what is termed “First Aid” which would involve seeking to stave off some imminent action, eg, a warrant sale, an eviction, a fuel disconnection. Some, in addition to “first aid”, would consider priorities which might include whether loans were secured or unsecured, the rate of interest repayable, the need to secure housing and heating above all else (basic needs), the policy of the creditor organisation in pursuing
their debt. Others, generally after "first aid", simply offered pro-rata repayments.

Most agencies we visited had paid staff only, but where volunteers were deployed, they were involved in the full range of advice offered, albeit under supervision of paid staff. One of the interesting observations we would make in passing is the generally low usage of volunteer advisers, particularly given the stability such may provide to a service in circumstances where there is regular change of paid staff. We were also surprised, given the frequent community development motivation for such projects, that volunteers were not used more. The apparent inability to deploy volunteers successfully seemed to result from the lack of readily available reference information and training techniques. This made the prospect of securing useable volunteers seem impossible, given the limited term of employment of the key staff who would be expected to have the responsibility of recruiting and training volunteers for the project. While volunteers cannot replace many of the roles performed by paid staff, we believe there is a role for volunteers and there is an issue here for further investigation.

Much of the training being offered to staff was seen as informal, "on the job" training. The "sitting next to Nelly" technique. There was evidence available to us that there was a need for a more analytical approach to determining training needs and to clarifying the tasks to be done. Such an approach would accelerate the development of the techniques of debt advice and would also help to strengthen the independent advice sector as a whole.

There was no evidence of joint training with other agencies, with the exception of three agencies which offered training, mainly on welfare rights, to other independent advice services. One agency, which was affiliated to CAB, attended occasional CAB courses. No specific joint training exercises on debt advice appeared to have taken place.

Generally speaking there were no reference materials available to agencies on the specific activity of giving debt advice in a Scottish context. There were some reference materials in relation to diligence in some of the agencies we visited. Both the CAB and OFT leaflet on debt were available, though not universally.

Only very few were prepared, or felt equipped to represent clients in Summary Cause proceedings.

There were no records kept of the value of debt in total which was being dealt with. As an indication, however, the busiest independent agency we saw thought that the total debt they handled was of the order of £100,000 per year - a not insubstantial sum. However, the comparison with one CAB of a similar size which dealt with that amount per month, perhaps puts this sum in clearer perspective.

Only very few had assisted with sequestration proceedings or had given advice on bankruptcy in general. Few agencies were aware of the role of insolvency practitioners or appreciative of the positive implications of bankruptcy in
the most serious debt problems. Most saw bankruptcy as a highly complex field outwith their range of expertise.

Not all those to whom we spoke had an OFT Debt Counselling Licence.

Most agencies thought that more common agreed practices between advice agencies towards assisting those in debt would be most helpful. Some added that consistency of practice between creditor organisations would also help. More access to training and information resources on debt advice was thought by almost all to be needed. Some thought the opportunity to refer the most complex cases to specialist workers would be of assistance.

Most agencies had the ready means by which to generate mail to creditors. None had useable computer facilities to assist in this process, however.

Overall the issue of debt within the independent sector was characterised to us as being predominantly to do with poverty and, to the extent that poverty was on the increase, so was debt. It did not appear as a big new problem that was causing major organisational difficulties. This contrasts markedly with the experience of the Citizens Advice Bureaux Service which we now go on to examine.

Citizens Advice Bureaux

There are some 59 Citizens Advice Bureaux (CABx) in Scotland, some with part time extension offices. Many, though not all CABx, are open full time to the public. Collectively the CABx in Scotland make up the Scottish Association of Citizens Advice Bureaux (SACAB). This Association employs staff who provide information, consultancy and training services to the local autonomous Bureaux. They are also responsible for monitoring standards of service of local Bureaux against a set of defined membership criteria.

Local CABx are funded by grant aid from their respective Regional and District Councils, or where appropriate, Islands Councils. The level of funding varies between local authority areas, giving rise to disparity in the level of services offered. By comparison with many independent advice agencies, the CABx are poorly funded at a local level.

Unlike independent advice agencies, however, the CABx service enjoys permanent Central Government financial support for the services provided through SACAB. Funding of SACAB by Central Government is fast approaching £1,000,000 per annum.

As may be expected, there are a common set of principles and standards that apply to all members and, to this extent, there are not the wide variations of service seen between independent advice agencies, although variations do exist. Because of the structure of the organisation there is much less duplica-
tion of effort across the national scene than we described in relation to independent advice agencies.

There are quite sophisticated and consistent statistical recording methods used by CABx which allow clear analysis of work patterns, including debt advice. There are, however, no detailed statistics on different types of debt problems being encountered and here again we had to depend on the opinion of experienced staff to gain insights into the nature, if not the exact scale, of the problems being presented.

Unlike the independent advice agencies, the CABx, of whom we interviewed 7 in addition to SACAB, see debt as a major issue, probably the biggest single issue they have confronted in recent years and one which is causing severe organisational difficulties. Many of these organisational problems relate to the time involved in seeking solutions to complex debt problems and the comparative lack of administrative resources to back up this work. From statistics published in SACAB’s annual reports, debt negotiations accounted for 8.5% of CABx cases in 1986/87, representing over 42,000 enquiries, out of 168,414 money enquiries of all types, including situations in which debt existed but the assistance asked of the bureau was not principally help in negotiations with creditors. However, evidence we received indicated that debt negotiation cases required a disproportionately large amount of time to solve them. Over the last four years the number of debt cases being handled by the CABx has more than trebled and risen from 3.7% of cases in 1983/84 to the 8.5% quoted above in 1986/87. For the first four months of 1987/88 the percentage of cases representing debt had risen to 9.4%. Although debt enquiries represented only 8.5% of all cases, the time needed to deal with the average debt enquiry was perhaps three times that needed to deal with the average enquiry in all categories. This recent growth and extra burden is seen as being a major problem to the organisation, falling on top of an already high case load. It is also work which causes some ill feeling toward the practices of some credit giving organisations.

From the evidence gathered from Consumer Protection Departments, Social Work Departments and independent advice services, it appears that the CABx are carrying the overwhelming majority of the total case load of debt problems in Scotland. There would appear to be three reasons for this:

1. The widespread publicity and reputation attaching to the CABx service

2. The generally larger population centres the CABx are serving

3. The fact that many "default notices" issued under the terms of the Consumer Credit Act specifically advise people to visit their CABx if they have any problems.

These factors act together to give the CABx a full case load of all the types of debt described earlier. CABx are involved in routine debts associated with poverty and loss of income; and in the "Acquisition" and "Yuppie" debt.
Despite the advantages that accrue from operating within one organisational unit, and despite this issue having been on the agenda of CABx as a burning issue of major importance for some time, it is clear that no conclusive debate had taken place within the organisation on the response that is necessary in policy and organisational terms on how to cope with the "crisis". Indeed, we did hear criticism at the lack of an adequate training and information response from the centre, to meet local needs, as well as criticism of an inadequate response in terms of policy guidance. Perhaps surprisingly, we saw evidence of fairly wide variations of practice toward debt problems and varying approaches to training, some better than others.

SACAB funds an experimental debt unit within the Glasgow Bath Street CAB but this is not seen as the definitive project which will give rise to a set of agreed practices and procedures for the organisation as a whole. Indeed, SACAB were at pains to stress that Bath Street CAB was only one contributor to the experimentation on debt within the organisation as a whole. This was reinforced by comments from others we interviewed where it became apparent that some of the practices used by the Bath Street unit would not necessarily commend themselves as appropriate to the remainder of the organisation.

All CABx have had to adapt their working practices to cope with the growth in demand for their services for debt advice. The bureau in Bathgate has developed an internal referral service for multiple debt cases. This service is known as MIDAS (Money Information & Debt Advice Service), is funded with MSC funds, and is being viewed with interest within the CAB service in Scotland. It closely resembles the Bath Street model (ie a specialist debt advice unit attached to a generalist advice service) in a number of respects.

SACAB staff have now established an inter-disciplinary staff working group to help devise the various responses that are needed to equip bureaux to deal with the growing number of debt problems. Perhaps surprisingly, no guidance has been issued to bureaux on how to respond to the increased number debt problems. It was stated to us by SACAB that the bureaux information system acted to provide guidance to bureaux on procedures. However, we also heard criticism at a local level that the information system did not fully meet information needs let alone provide policy guidance on debt. SACAB did report that information and training were under review by the staff working group.

The rate at which debt cases are being presented to CABx is seen to be still rising, partly as a consequence of the publicity they have received in relation to this type of work and as word of mouth, in terms of local reputation, brings more custom.

Overall the level of problem debt brought to CABx has been estimated by them at between a staggering £50 million to £70 million per year. Setting against that figure the total cash available to local bureaux to provide their services, it can be seen that resources to cope with such a scale of problem are very small indeed. Detailed statistical information of exact amounts of debt are not available from all bureaux as yet.
Most commonly, bureaux believe that debt is a phenomenon involving multiple arrears. The most common range quoted by some bureaux is between five and ten different debts simultaneously.

Many bureaux, unlike the independent advice services, have advised clients with sequestration proceedings as a solution to extreme debt problems.

The CABx, while recognising the importance of credit, are highly critical of many practices involved in the granting of credit, believing many to be close to being morally indefensible. We shall refer more to this in our section on the causes of debt. However, a particular theme emerging from CABx was their belief in the almost total absence of adequate credit referencing or checking by many companies involved in retail credit arrangements, leading to problems being caused or aggravated. Many examples were given to us of people in serious debt difficulties, with complicated repayment arrangements in force, being offered further credit by companies to which they were already in debt. These practices provoke reactions of real frustration and anger within an agency where the human misery which follows such actions, and the complexities which require attention, have to be contended with by mainly volunteer helpers. Resentment is growing that obviously large profits are being made within the finance and credit industry, leaving dedicated trained volunteers working under increasing pressure in mopping up the social casualties that this is leaving behind.

As with most agencies we spoke to in our investigations, the increase in debt was thought to have more to do with unemployment, poverty and the ready availability of credit combined with high pressure selling which, when combined with a change in life circumstances, could precipitate a debt crisis. There was little evidence that recklessness or lack of care was a main contributory characteristic in causing debt problems.

Most CABx deal with all of their cases internally and few, if any, would refer debt cases elsewhere. There is evidence of increasing use of insolvency practitioners in Scotland to assist with particularly severe debt problems. Potentially, the growth in the number of insolvency practitioners is seen as a useful additional resource available to assist the most complex and time consuming debt problems.

With only very limited exceptions, and with no consistency among those exceptions, CABx have developed constructive professional relationships with the agencies with which they have to negotiate in the solution of debt problems. As with the independent advice services a toughening of attitude by the Electricity Boards was highlighted, but almost without exception professional relationships with the Boards remain positive and helpful.

The type of debt that was most frequently seen by bureaux varied from area to area but it appears that CABx see all the different types of debt described earlier within their total case load.

There is some variety in practices relating to whether bureaux consider attaching priorities to the repayment of certain debts in negotiated arrangements.
Some bureaux clearly do, others seem to calculate repayments on a strictly pro rata basis. In interviews with creditor organisations this latter practice gave rise to criticism of CABx making unrealistic repayment proposals. This is clearly an area where a consensus of what represents best practice has yet to emerge.

Both volunteers and paid staff within the CABx are involved in giving debt advice.

Over recent years the CABx have operated a decentralised training strategy where the bureaux Organiser and key volunteers have been trained in how to identify local training needs and deliver such training locally. This has been a developed feature of the bureaux service and has provided a flexible approach to training not apparent in many organisations. This local training has been supported by centrally provided written material.

Differing training practices for debt advice were discovered at a local level, in the absence of centrally provided debt training support and material. Some training was clearly more sophisticated than other training heard of, ranging from formal off-the-job training prior to dealing with clients, to on-the-job coaching during work. Often the only specific training on debt advice took place within a basic training course, supported by on the job coaching. Given the degree of organisational problem that debt work was seen to present to the CABx service, we were surprised that debt training had not been given a higher priority and that a greater degree of consensus on what had to be involved in debt training had not been reached. It appears that there is still some way to go before there will be an agreement on what constitutes best practice in debt advice and what, therefore, training should comprise. The only real difference between the independent advice agencies that we saw and the CABx, lies in the training skills that exist locally.

There were very few joint training exercises with other agencies with the notable exception of the Highland Region where a training day involving CABx, Social Workers, Housing Officers and Consumer Protection Officers had taken place. As a result of this, consistent staff guidance on how to handle debt cases now exists for these agencies.

Many CABx said they were only coping with their current debt case load with the utmost difficulty. Most CABx saw the availability of more training, together with the improvement of information materials and the provision of more cash to resource their operations, as being potentially of most use to them in improving their ability to provide debt advice.

Few CABx had computer facilities to assist with their debt work, and while most had facilities for standard mail, few had secretarial/clerical help to ease the administrative strain that debt work placed upon them.

CABx have spent some time developing a computer programme designed to assist calculation of debt repayment schedules and create standard mail arising therefrom. They are now experimenting with this programme in selected bureaux.
CABx have a group license for debt counselling from the Office of Fair Trading.

CABx commented specifically on the need for greater inter-organisation co-operation and regretted what they saw as over competitive behaviour between agencies when, overall, the resources available to cope with the problems at hand, seemed inadequate.

Interestingly we were aware throughout our conversations of there still being a tendency toward competitive behaviour between advice services and the statutory organisations. This acts as a hindrance to co-operation. The joint appointment of a Welfare Rights Adviser in Highland Region between CABx and the Regional Council provided the best example we saw of co-operation.

In summary therefore, the CABx see debt as a burning, major issue of concern causing significant organisational difficulties. The CABx deal with the full range of debt we described earlier, although the distribution of such problems may not be evenly spread. It appears that they above all others are carrying the greatest burden of debt cases in Scotland. There are still many policy issues that remain to be resolved in relation to their decisions on the best way to handle debt cases. There are different types and levels of training being offered to those dealing with debt advice.

It seems there is room for greater consistency of practice.

Social Work

Social Work in this report refers to Regional Council Social Work Departments, when dealing with family case work. As a group social workers probably see a great many more cases of debt than is generally realised. We surveyed all the Scottish social work authorities by means of a questionnaire.

It is clear that most see debt generally associated with poverty, although with increasing evidence of credit induced debt. Most debt they see arises as a by-product of normal family case work, it is part of the range of issues that will be confronted in detailed work with families.

In many cases, debt advice together with welfare benefits advice, is referred on to another agency, such as a CABx, independent advice centre, or to a Welfare Rights worker where one exists. Increasingly, social work staff are being supported in their front line duties by specialist backup in the form of welfare rights workers, with established teams in Lothian, Central and Strathclyde. Highland have a joint appointment with CABx and Tayside are in process of appointing welfare rights staff. Central Region are also now considering some specialist staff to assist what is recognised as a growing feature of work.
No specific statistics were kept on debt work per se, but it was seen as a significant element of family case work, even if it was very much as a by-product of such and not seen as a main part of social work in its own right. Many commented on their desire to give the matter more priority but found this difficult in relation to existing priorities and because ready made training was not easily available or accessible. Comments were received from both CABx and independent advice services that there was a need for social workers to be more aware of issues relating to debt and for specific training in debt advice to be available to social workers. Regrettably, we heard complaints that where this awareness was not very high, debt problems were being exacerbated by inappropriate advice.

Given that referral to another agency is not always appropriate within established client relationships, or when establishing a client relationship, there would seem to us to be much more scope for training of Social Workers in debt advice techniques.

Social Work Authorities identified CABx as being most involved in debt advice as well as independent advice centres. Some also mentioned Consumer Protection Departments as being involved in giving debt advice. It was clear that CABx and other advice agencies did receive referrals from social workers on a fairly regular basis.

Most social workers did not have ready access to information or training material about debt and the joint training exercise already referred to in Highland Region was the only example of interdisciplinary training we came across. There is evidence of growing awareness among Social Work managers of the importance of sound debt advice and although such limited training as does exist tends to be ad hoc, moves to give greater prominence to the matter is evidenced by, for example, specific responsibility for debt matters being identified in Strathclyde as a duty of Welfare Rights Development Officers.

**SSAFA**

SSAFA - the Soldiers’, Sailors’ and Airmen’s Families Association - is a large national voluntary organisation with over 4,500 voluntary advisers in the UK, offering a service (largely by home visiting) to service and ex-service families. SSAFA’s voluntary case workers in Scotland are regularly in contact with families facing a variety of problems, including debt.

Multiple debt is an area of work that they know has been rising steeply and about which they have a growing concern. They seem to be seeing a combination of “poverty debt” and “acquisition debt”.

SSAFA use a leaflet on debt designed and published by SACAB to assist their case workers and also sometimes refer more complex cases to CABx. Generally, their debt work arises, as with Social Workers, as a consequence of their wider case work interest and not because of any debt specialism. SSAFA are an extremely useful organisation in cases involving ex service per-
sonnel who are in debt, not least because they have some finance with which
to give grants to help clear debts, on occasion.

SSAFA commented on the lack of training facilities in debt advice in Scotland
and they had sent staff south of the border for training. SACAB had assisted
with some training in the past.

SSAFA commented on the ease with which credit was made available to
people who were clearly in no position to repay any credit advanced and com-
mented adversely about this type of “irresponsible” behaviour by some credi-
tors. Indeed, they used the analogy of horse racing, where someone who
gambled regularly on outside risks had only themselves to blame when they
lost their money. They likened the actions of some creditors to reckless gam-
bler, in some instances.

SSAFA also told us that in their experience debt was principally a result of a
change in circumstances, such as redundancy, which triggered the problem.

Consumer Protection/Trading Standards
Departments

Consumer Protection/Trading Standards Departments occupy a unique
position in the field of money advice, credit and debt counselling. They
are the only agency with statutory responsibilities for the enforcement of
the Consumer Credit Act, which makes provision for the control of credit
arrangements. In this regard these departments occupy a central and
significant role at the core of credit and debt advice.

However, in terms of the volume of cases that are being presented to these
departments compared with the scale of the problem overall, they are acting
only at the periphery. The reason for this is probably related to how the public
view the services these departments have traditionally offered, which has not
previously included work related to poverty. However, reference to Trading
Standards Departments under the terms of the Consumer Credit Act, which
requires all consumer credit agreements to carry a reference advising custo-
mers that they can obtain help from Trading Standards departments (as well
as CABx), ensures that these departments will continue to receive a steady
flow of people seeking help with credit agreements and the debt problems
that very often flow from them.

Each CP/TS Department in Scotland was surveyed by questionnaire and an
interview was held with the Director of Trading Standards of Lothian Region,
where a specific new debt advice initiative is being undertaken. We sub-
sequently met with representatives of Strathclyde Region where earlier initia-
tives in money advice are now consolidated into the mainstream work of the
department. Currently, only two regional Councils have taken specific initia-
tives in debt advice, Strathclyde and Lothian. Within Strathclyde, in response
to its Social Strategy for the Eighties, which gives service priority to areas of
identified social need, a project was established in the east end of Glasgow. In conjunction with the welfare rights team, a range of help associated with money and debt advice is being offered. Following from the early experience gained, Strathclyde now have six officers specialising in money advice and based within some of their offices. These officers also act as a support resource to other offices of the department within the Region where people may also present themselves for help. It is understood that Strathclyde are considering further developments to improve their ability to meet the growing debt problems in the Region and to assist other agencies dealing with debt.

More recently, in response to political concerns and together with recognition of a growing problem in personal debt, Lothian Region gained approval for an urban aid project which will have debt advice as its main activity. This project will also be looking at co-operative food buying schemes and credit union development, issues traditionally associated with combating poverty. It is too early to say what results will flow from this project or how it will develop in detail as it is seen to be experimental in nature. The project is seen, however, to have a potential role as a strategic backup and co-ordinating resource for all those involved in debt advice in the Region.

Highland Region seem to have taken an important initiative by creating a standing working group on debt advice to monitor developments, following their joint training exercise. Perhaps there are lessons here for other areas and perhaps there is a role for some form of interdisciplinary advisory group for projects like Lothian's.

Difficulties were referred to in obtaining appropriate training for Consumer Protection Staff involved in debt advice. Some staff had undertaken placements in other authorities to learn what was considered best practice. There does not appear, however, to be any agreement on what does constitute best practice, some offering a total debt advice package to clients. Others take a view solely from the perspective of the legality and ability to enforce credit arrangements.

There is a clear lack of proper training opportunities in debt advice in Scotland. A lot of the expertise that does exist originates from training given in Birmingham by the money advice centre and, obviously, is based on English law which is markedly different in this area of work. Clearly these departments are acutely aware of the differences in law, but this situation highlights the need for appropriately devised and delivered training at a Scottish level and immediately relevant to Scotland.

It is widely recognised that the Consumer Credit Act is extremely complex and Consumer Protection/Trading Standards Departments hold particular skills, expertise and powers in relation to its enforcement. It appears that there is a need for other agencies involved in debt advice to be more aware of these skills and powers and of when it is important to involve Consumer Protection staff. Clearly there is scope here for the departments concerned to make more widely known the role they can perform in relation to debt advice.
Overall, therefore, Consumer Protection/Trading Standards Departments have a central role to play in terms of their special skills and powers in relation to Consumer Credit. Currently, and for the likely future, the level of actual case work in debt they handle places them at the periphery of the heavy volume of case work being dealt with by CABx and others, such cases as are handled taking their place among the very many other heavy responsibilities these departments carry. It is, however, the combination of their central role, their permanence as a statutory element of Regional Authorities, and their relatively light case involvement that may mark them out to play an even more significant role in future.

The legal profession

It might have been expected that Solicitors would be fairly extensively involved in assisting people with debt problems of the sort that we have been examining, but this appears not to be the case. In the main, solicitors are involved in debt work as the pursuers of debt on behalf of creditors, often in the small business sector. Perhaps it is the association of solicitors with creditors, and the famous "solicitors letter", which largely accounts for people apparently consulting solicitors on their own debt problems, only infrequently.

There is some evidence, particularly in relation to problems with mortgages where the solicitor may have acted for a couple, that the couple may return for advice on any ensuing money or debt problems. Often such problems arise following the breakdown of a marriage, or are associated with selling houses which were marketed as inclusive of certain extras whose value is not recoverable if the property is re-sold. This form of marketing houses was prominent some years ago and was identified to us as a particular problem presented, both by solicitors and by the building societies.

The principal occasion on which solicitors appear to be asked for advice in relation to debt is when a debt is at a court stage and where, in the minds of many, effective action is impossible without the assistance of a solicitor. This is more likely to be the case when the provisions of the Debtors Scotland Act 1987 are brought into force later this year. Overall, solicitors seem to be operating very much at the periphery of the apparent large demand for advice on debt.

DHSS - Special Case Officers

The DHSS are acutely aware of personal debt problems being on the increase and are concerned at its growth over the country. They see the problem as embracing more people and larger amounts of cash being involved. While most of the debt they see fits the descriptions of debt associated with poverty and loss of income which we described earlier, they are also seeing some of the spectacular types of multiple debt as-
associated with acquisition, not uncommonly totalling around £15,000. The role of Special Case Officer was in part created as a response to the growth in the difficulties associated with money management and debt.

The officer responsible for the work of DHSS Special Case Officers (SCOs) in Scotland was interviewed. It is clear from the comments of other agencies that the work of these officers is not universally understood and there were different patterns of referral and usage of SCO's services. Perhaps more requires to be done to bring the role of the SCO to wider attention among helping agencies.

SCOs are used within local offices as a referral point for clients with financial problems, generally involving more than just a single fuel debt. There is an SCO in every local office even if the person designated is only part time in some of the more remote and smaller offices.

No detailed statistics are kept of the work of Special Case Officers as it relates to debt advice and it is not possible, as in other fields, to quantify the scale of the problem. However, debt problems are seen to be significant and growing by the DHSS.

The practices described to us were as sophisticated as any encountered in the survey and it is clear that SCOs are involved in the full range of services which are normally associated with the term "debt counselling". SCOs are involved in helping ascertain the total level of debt a client may have, in budget exercises, in the calculation and negotiation of repayment schedules. Both the DHSS themselves, and some advice agencies, referred to their success in some of their negotiations, making quite complex arrangements on behalf of clients. This is seen in part as a result of the "authority" the DHSS is believed to possess. Indeed the DHSS have been able to have debts written off on behalf of clients whose circumstances have become pretty hopeless, where other agencies have failed. The DHSS were conscious of the difficulties they have in securing adequate training in the techniques involved in debt advice and, like others, have had to go south of the border for training. This gap in availability of training is seen as an obstacle to the development of practices specifically relevant to the Scottish context.

The DHSS were critical of some of the practices they saw in relation to the vetting of credit, particularly at retail outlets, indeed, highly critical. The DHSS commented, in the same way as CABx and independent advice centre, at the apparent irresponsible behaviour of some creditors offering large amounts of credit to people who were clearly not in a position to make repayments. Cases were quoted where some companies, having just finalised complex and long standing repayment arrangements with customers, within days were offering increased credit limits to the same customers. It is this type of practice that gives rise to such anger among advice givers. Companies who offer new credit in such circumstances were more than once described to us as gambling.
The growth of illegal money lenders in certain areas of deprivation was highlighted as a growing and worrying trend, as was the apparent high pressure selling of credit.

The problems of the poor as a group and the dynamics of debt as it applies to them, was a feature of our discussions with the DHSS.

Overall the role of the SCOs was seen to be a very positive one, not always widely understood by other agencies and in some ways inhibited by the lack of adequate training at a Scottish level.

The DHSS felt they had generally good relations with other helping agencies and professional relationships with the electricity boards, with whom they had to have very regular contact on fuel direct and other arrangements. The DHSS received a lot of referrals from other agencies in relation to the work of SCOs.

Local Authority Housing Departments

Housing Departments have a three part role in relation to our area of research; as major "creditors" in relation to their role in providing public housing, as providers of benefits, and in terms of their general role to act in the common good of their community. These differing roles do not always sit easily with each other.

Some Councils are involved in money advice through the widening of the role they perform in relation to the administration of housing benefits. Many appear aware of the impact of other types of debt on the ability of tenants to pay rent. Most currently however see their role, at most, as maximising the take up of housing benefit as the principal means of keeping arrears at least static, if not reducing. In Glasgow, for example, they believe that they have been highly successful in securing a very high take up of housing benefit and that they therefore do not necessarily see the impact of indebtedness in increasing rent arrears from the very poorest in the city. Currently over 50% of all Glasgow's tenants are on full housing benefit with a further group in excess of 20% in receipt of some Housing Benefit. They were none the less aware of the impact of other debts on the ability of tenants to make regular rent payments.

Some Councils, but by no means all, seek to take a wider view of a clients situation when dealing with rent arrears. They, because of an attitude of enlightened self interest, see positive help in assisting a total debt situation as a means of easing their ability to collect arrears, as well as acting for the public good. Some Councils offer debt advice, others refer internally to specialist staff, or to an outside agency like CABx, an independent advice centre or welfare rights worker. Very few Councils have sophisticated internal systems of helping clients explore their overall financial commitments through budget exercises and none that we are aware of extend help to assisting with repayment schedules or negotiating with creditors.
Some Councils recognise that they would not always be seen by tenants as being impartial in debt counselling because of their interest in rent collection.

Renfrew Money Advice Centre was established for the specific purpose of dealing with debt problems. It was set up with Urban Aid Funding, and sponsored by Renfrew District Council (through its Housing Department). It was originally opened in March 1986, as part of an increasing awareness of the problem of debt existing in the District, as identified by the Housing Department through increasing rent arrears, and an increasing awareness of Housing Staff that the incidence of debt was widespread and on the increase.

As the first agency of its kind, it has become something of a model for other proposed services as well as an object of study for a large number of existing organisations.

The pattern of demand placed on its service by its clients does not vary significantly from that experienced by advice agencies in general, but, as would be expected some of the methods used have been innovative and sophisticated by comparison with general practice.

In particular, it is one of the few agencies which deals with most of its business through home interviews.

The process used is one where initially "first aid" is applied to each debt situation, applying priorities to all debts outstanding. Once the client's situation is stabilised, repayments are calculated on a pro-rata basis for negotiating agreement with creditors. A procedure also exists for subsequent review of cases so that the client's situation can be monitored, and further help offered if necessary.

Being "sponsored" by the Housing Department as it is, the MAC has to present a clear image of its distance from the District Council (as a creditor). In this regard, the situation is the same as in other Districts where, although a specialised Money Advice Centre does not exist, arrears staff become involved in debt counselling.
3. The Creditors

Local Authority Housing Departments

Scotland's two largest housing authorities were visited in the course of the study, as well as the Institute of Housing. Susan Crookston's detailed survey "Money Advice in Scotland" was consulted as was the relevant section of Adler and Sainsbury's Report, "Recent Trends in Personal Debt in Scotland".

There are in excess of fifty different housing authorities in Scotland employing a wide variety of practices.

That having been said, there are few housing authorities who do not see their problem of rent arrears as being significant and requiring imaginative and ever developing strategies and initiatives to hold arrears steady, if not reduce them. Many authorities have seen significant rises in their arrears position over recent years.

The Institute of Housing, who are involved with many authorities over a wide range of training matters, stated that a constant recurring theme in their dealings with housing staff was the occurrence of debt and its relationship with rent arrears. The Institute commented on how difficult it was to secure specific training on debt advice.

Not all authorities see themselves as being involved in debt advice in the way practiced in CABx or independent advice centres, for example. Some, like Edinburgh District, had discussed the issue and it adopted a positive role. Guidance had been issued to staff following Committee consideration of the matter.

Part of the reason for the variety of approaches to arrears and debt advice lies in the conflict of interest that can arise within the three functions we mentioned in the previous section. Principally, detailed debt advice may not always lead to the conclusion that rent arrears repayments were to be the highest priority for repayment. Such a conclusion is seen to present too many difficulties to housing staff. Part of the reason for different approaches lies with attitudes toward debtors, by some politicians, that debt is seen as more to do with an individual's wilful refusal to pay, than a genuine difficulty in making the payment.

It is perhaps regrettable that the difficulties anticipated with the conflict of interest mentioned may have prevented more initiatives in debt counselling within housing authorities. Adequate training and policy development could minimise any conflicts. Practices which advance the social objective of helping tenants
to resolve their financial difficulties need not necessarily be in conflict with the economic objective of the authority to minimise rent arrears. Edinburgh District do recognise the conflict of interest but this has not prevented the development of a positive approach to debt counselling and from which there is still scope for further development. Given access to developed training on the subject more could be achieved.

Some Councils are inhibited from becoming more involved in debt counselling because they believe that they would frequently be seen by tenants as being less than impartial in debt counselling because of their interest in rent collection.

Glasgow District Council have been considering the establishment of a debt advice unit. This is partly because of their awareness that they occupy a key vantage point which allows them to know quickly, through their records, when people are getting into money difficulties and also because of a wider recognition of their social responsibilities to meet new and developing problems. Any new development would also be seen as a positive means of managing the overall arrears problems which they face. So far no final decisions have been taken, partly because it is felt they do not yet possess the expertise to establish a service in the immediate future.

Because of the relaxed policy of some Councils to evictions, some advice agencies regard rent arrears as a priority for debt repayment, provided some small repayments are made; some Councils are aware of this but do not appear to be seriously concerned.

Some Councils take a broader view of their clients debt problems only as a way of deciding what will be achievable as a reasonable repayment of arrears to them, not as a way of assisting with the total situation. They would tend to refer the wider problem to another agency.

Those interviewed felt that the forthcoming changes in the administration of Housing Benefit will hamper the ability of housing departments to assist in practical ways with debt and arrears generally. Currently, backdating Housing Benefit to cover periods where tenants were entitled to benefit but not claiming, is a common way of assisting with arrears and debt difficulties. Currently, this money is almost all reclaimable from the Government, however, from next year only some 25% of backdated Housing Benefit will be reclaimable. This will place a significant additional financial burden on the local authority and be an impediment to the continued use of the technique described.

Causes of debt were seen by those to whom we spoke to be principally associated with unemployment and the poverty that stems from prolonged unemployment. Marriage breakdown is a further significant cause of rent arrears. Whether debt is a consequence of the marriage breakdown, or a contributory factor, is often difficult to untangle.

Many housing authorities employ housing assistants who may be involved in arrears recovery in some form or another. It is known that many, because of the position they occupy, are at least involved in informal discussions with ten-
ants about debt problems. There is little evidence, however, of there being any developed training given in debt advice as part of their preparation for this type of work.

An auditor's report on the arrears situation in Edinburgh District Council did not mention positive debt counselling among a range of suggestions that were made about keeping arrears in check. It was, however, suggested that a budgeting type of exercise should be done at housing allocation stage by staff, with assessments of other expenditures that would be necessary during a tenancy. This was seen more as a means of establishing a prospective tenant's ability to pay rent, than as assistance in money management.

The impact of tenants borrowing to repay arrears, but at high rates of interest, was mentioned as a worrying development and one which may in fact compound the arrears problem. In this regard some very novel thinking at Officials’ level is apparent in some places, where the prospect of treating arrears as a loan to the tenant, and charging interest only on the principal amount of arrears, is being considered. Indeed, going further by offering limited credit to tenants with financial difficulties is seen as a way of "keeping people out of the hands of the loan sharks". This matter is close to some thinking that we have developed in the course of our research in relation to the need for inexpensive forms of credit for those caught in the poverty trap.

Housing Authorities occupy a unique and privileged position in the lives of a great many Scots. They will be among the first to see when a family is heading into financial difficulties. Most advice agencies will comment that they only see debt problems when there is a crisis and very often problems will have been compounded to a stage where their solution is extraordinarily difficult. There appears to be a case for housing authorities using their unique position and their commitment to the social good to take very positive action in relation to debt advice.

### Building Societies

Visits to building societies were made against a background of recent publicity about the Building Societies Association, the rising number of house repossessions and an apparent growth in mortgage arrears.

Interviews with the Societies did not reflect any sense of crisis or impending doom among those responsible for managing mortgage arrears. The problem of arrears was seen as relatively small and, although growing in volume, was not seen to be rising disproportionately to the total of lending. The problem was seen as a normal part of the management of the affairs of the Societies and not in any way of crisis proportions.

There were distinct causes of arrears. Most common was marriage breakdown, which we also refer to in local authority housing. Unemployment was also seen as a significant cause of problems that did exist and debt was
generally associated more with younger than older people. The close association of arrears with sudden changes of family circumstances was highlighted.

Recent changes in DHSS payments for mortgage interest, where payments have been restricted, have of themselves caused arrears. However, this is not seen as a problem by the Societies who generally make arrangements to accept only what the DHSS are paying during any period of restricted payments. The Societies campaigned hard against the Governments intentions to implement these changes and still do not see the restrictions as helpful. The Societies are taking what appears to be a very responsible and understanding attitude to customer needs at the time of restriction.

There was a very positive approach by the Building Societies which were interviewed to mortgage arrears and the practices, procedures and management information they had developed appeared to have put them on top of the problem.

It could be argued, of course, that the Societies could afford the approach they take, in so far as any risk they carry is secured by the equity value of the property for which the loan is granted, and this is undoubtedly the case. However, we were genuinely impressed by the positive attitudes to customers and the systems that had been developed to assist customers in genuine difficulty.

Generally speaking, any customer who took the trouble to explain their circumstances and come to some arrangement to contribute toward arrears, even by very small amounts, or to maintain some payments toward current costs, is dealt with sympathetically. This view was confirmed by advice agencies we spoke to who had to deal with building societies.

Pursuit of arrears is triggered by computer at a very early stage and then generally followed up by some personal contact. The contact made can vary from local contact from a local office to telephone or written contact from the central office, depending on whether a central or distributed control system operates within the Society.

Personal contact was designed to encourage some action toward the identified problem and to set the problem in the context of other financial difficulties that may be being faced by the customer. There was real awareness of possible multiple debt problems and that arrears of mortgage should be seen in that context. In short, there was no point in seeking repayments, or maintenance of payments at a particular level, if that disregarded the reality of the customers overall position. Therefore, positive attitudes toward the total situation are encouraged in what appears to be a genuinely helpful way. This "enlightened self interest" appeared to marry successfully and positively what was best in commercial practice with what was appropriate to the customer's total situation.

Compared with what might be considered best practice in debt advice, the training that was described to us, as in most organisations, could have been more complete and sophisticated. However, it encompassed an awareness of the issue of multiple debt and such key features as budgeting and realistic
repayment scheduling, at least in so far as their own repayment needs were concerned.

Where the management of the Society is decentralised through local offices it is not possible to be sure of the degree of sophistication of local training arrangements or compliance with centrally given guidance. "Being positive towards people gets a positive response", seems to typify the attitudes of the Societies. Such attitudes are not widely reflected in other creditor organisations. Little judgmental comment was given about the "worth" or the intentions of borrowers.

Societies did refer to other agencies such as CABx when they considered there might be problems, over and above mortgage arrears, and where their customer might seem to require further assistance. Referral to DHSS Special Case Officers was also mentioned.

With the new ability of building societies to be involved in the business of personal loans there was already evidence of loans being offered to assist in debt situations where mortgage arrears is part of the problem. This was seen as a possible technique for assisting people with a number of debts, particularly those with high rates of interest, to borrow at more reasonable rates. This could be a positive means to better debt management across a number of debts and where the society has an interest. However, if the customer's problems are not very obviously temporary, the problem of indebtedness could become much more serious if short term borrowing of this kind was not strictly monitored, and undertaken only in the certain knowledge of the temporary nature of the problem.

Extension of the original mortgage over a longer repayment period can also help solve short term problems of liquidity.

Use of credit references is standard practice in the approval of personal loans from Building Societies.

Fuel Boards

Interesting and positive interviews took place with the SSEB and subsequently the North of Scotland Hydro-Electric Board.

Regrettably, British Gas declined to meet us. They did, however, read a prepared statement over the telephone which they confirmed by letter at our request.

Both the SSEB and the Hydro Board were interviewed, not only because they are major creditor organisations, but because fuel arrears, particularly electricity arrears, frequently feature in "poverty debt". The SSEB are by far the major supplier, with more than 1.4 million customers.
Fuel bill arrears are seen as a steadily growing problem for which the Boards have, over the years, been criticised for taking both too slack an attitude and too "hard nosed" an attitude. In 1981 the SSEB were criticised for being too tough on debt and not implementing the Fuel Boards' Code of Practice at all times. Although not accepting the criticism in full, the Board none the less responded by closer observance of the Code. Over the period 1981-1984 arrears began to rise, not necessarily because of any slackening of procedures, although that may have been a cause. In 1984 the Board instituted some tightening of their procedures but arrears none the less kept rising. During 1986 further tightening of procedures took place and this coincided with a report by the Monopolies & Mergers Commission which criticised the level of arrears. Arrears are now declining. This recent tightening is reflected in the experience related to us by advice agencies. A not dissimilar sequence of events also applies to the Hydro Board.

The Boards drew a distinction between their customers who do pay (the vast majority), the minority who won't pay, and the growing group in the middle who can't pay. This last group who can't pay or were having increasing difficulty in making payments were seen to be growing because of changes in the levels of unemployment and changes in the system of Social Security benefits. The reduction of single payments, for example, was quoted not only in relation to arrears but because of the possible knock-on effect of available cash being used in other areas of family expenditure. Looking to the future, the Hydro Board, in particular, referred to evidence they had given to the DHSS on the possible effect of repayment of loans from the Social Fund if pursued too vigorously and without regard for other commitments.

While the senior officials of both Boards to whom we spoke believed that there was a growth in problems of indebtedness, surprisingly, the Boards "don't recognise other debts". Indeed the notion that there may be reasons for recognising other debt as part of the procedure for recovery of the debt owed to the Boards, was seen as novel and was not an issue that had been considered within the Board. This contrasts starkly with the attitude of the Building Societies, for example. There also appears to be a slight problem with the Code of Practice, which is designed to balance the interests of the consumers and the Boards, in certain respects. The Code states that, "We shall not pry into your affairs". It would be unfortunate if an interpretation of the Code interfered with the development of sound, positive and enlightened practices toward customers with genuine and wide ranging difficulties. In the economics of the electricity industry - and they have to exist in a climate of economic reality - the current policy which results ultimately in disconnection if there is a failure to reach agreement between the Board and its customer is seen as probably more economically efficient than a "counselling" approach.. We have no way of judging whether that is correct or not, but perhaps the economic benefits of recognising other debt in the procedures for arrears recovery requires further debate within the industry and perhaps even merits some experimentation.

Enquiries about customers' possible other debts, to the extent that they are made, are more intended to help ascertain whether any repayment proposals will "stick". It was recognised that not all staff who were arranging arrears re-
payments with customers would enquire about other debts, and, as previously stated, a particular interpretation of the Code of Practice may inhibit this. Training is given to staff on the Board's own debt recovery procedures and in terms of "Customer Care" training more generally. There was no specific training on the issue or dynamics of debt per se, or the impact of debt overall on a customer's ability to repay arrears to the Boards. A lot of training was on-the-job, and undertaken by local supervisors who have some responsibility for staff training.

The Boards did refer customers to other agencies on occasion and their standard reminder mail did refer to agencies prepared to assist with debt or money problems. Generally speaking, the Boards feel they have good relations with the vast majority of advice agencies and the DHSS. This was confirmed to us by the agencies concerned. It is felt that relationships with Social Work Departments are developing well and new, formalised arrangements for key mutual contacts are being made.

Some of the practices adopted by some CABx, which result in "unrealistic" offers of repayment being made, were pointed out to us by both Boards. This is a result of practices which simply offer pro-rata repayment of multiple debts, without necessarily attaching priority to types of debt. As a consequence some offers of repayment were made which did not cover current consumption, let alone contribute to arrears reduction.

Both the SSEB and the DHSS referred to the introduction of the new scheme of Power Cards in the SSEB area, (and token meters in the Hydro Board area). This is a type of credit card, purchased in advance, which is hoped will reduce the risk of arrears with none of the security disadvantages of the coin meter. New meters could be also be calibrated for individual customers to take a contribution to arrears. Time will tell how effective this scheme becomes, but it is being viewed with optimism. However, where such schemes have been introduced in England there has already been criticism of their operation, particularly in relation to the rate of collection of arrears.

There is considerable criticism of the electricity industry, but there are some good features of the Boards' procedures that help in early identification of payment problems.

Little consideration appears to have been given to the principle of "enlightened self interest" described in the section on the Building Societies and it is therefore not reflected in the training which is given to staff. The training available may not sufficiently recognise other possible debts as part of the scene in which the Board must secure repayment arrangements. Recognition of other debts may not result, as may be mistakenly assumed, in a softening of attitudes toward the debt being pursued, but could result in repayment being more firmly secured at a rate which the customer can maintain, and which reduces the need for more formal recovery action and ultimately disconnection. An approach of more enlightened self interest may also go some way to improve customer relations in particular areas and to reducing criticism of the Boards.
Financial services

The recent growth and sophistication of financial services has seen its greatest development in consumer borrowing, through personal loans and easy forms of credit available in High Street shops and department stores. Such has been the growth in credit that the monthly bank lending figures have become a key indicator in economic forecasting, the value of shares and of the pound being susceptible to change if the figures do not appear to be meeting expectations.

As a by product of the increased availability of credit there has been a rise in often quite spectacular and well publicised debt problems which, in part, have given rise to this study. Time was therefore taken to visit some of the High Street Banks as well as speaking to the Finance Houses Association and the Consumer Credit Association along with the Money Management Council. Information was sought from the Committee of Scottish Clearing Banks.

It is extremely difficult to summarise this sector because of its diversity and its sophistication and interlinking. Who exactly finances who, and the dynamics of the forces that drive credit would be a complete study in its own right. At the risk of oversimplifying the field, sources of credit have been divided into four groups. Firstly, the traditional forms of High Street banking with regard to overdrafts and personal loans. Secondly, the credit card industry. Thirdly, the retail credit sector, arranged through high street outlets. Fourthly, the finance houses and companies involved in personal lending.

Banks

The banks interviewed indicated that the traditional high street type of bank borrowing has seen a steady growth and most certainly a surge in advertising and marketing promotion. The banker would like to preserve the image of the canny conservative Scottish banker only lending to a secure bet and at reasonable rates of interest. When comparing this sector to the others in this field it is possible to retain this image, if only by comparison. Banks told us that this type of cautious lending is relatively risk free, largely confined to those with a "track record" at the bank in question and was not causing any real problems to the banks in terms of worrying levels of indebtedness. Bank loans of this sort do not appear to cause the majority of problems referred to advice services although they are on the increase and the higher marketing strategies to attract new custom outwith the ranks of traditional bank customers may well add to this trend. From conversations with debt collecting agencies, the impression which the banks give may not be fully sustainable.

Debt problems arising out of this sector tend to be dealt with at local level through the banking network and we were not made aware, in detail, how much "counselling" is done informally by bank managers at local level. It seems that quite a lot actually takes place, from the comments received. Loans that are centrally arranged are usually pursued through central office if
they fall into arrears. Some evidence was found of budgeting techniques being used, but interestingly, to help bankers make suggestions about priorities for their customers and in this sense were more a judgmental tool and not necessarily an enabling tool for customers to examine their own circumstances and arrive at their own conclusions. Most of the "counselling" that would be done at a local level would depend on the experience of the local manager and his senior staff and not to any extent on training in the techniques of debt counselling in the context of the modern and much more complex world of borrowing and debt. If the potentially large and expanding rate of growth in financial services continues, it seems that the rate at which local managers and their staffs become involved in quite complex debt advice will continue to grow. The need for training will grow also.

This type of borrowing is generally not available to those on the lowest incomes or living only on benefit. They would not be considered a particularly safe risk.

Credit Cards

When studying the world of the credit card industry, which is currently under investigation by the Monopolies and Mergers Commission in relation to the rates of interest they charge, one then comes into an area where some of the practices involved are being questioned by advice services dealing with problems arising in part within this sector. These problems must however be seen within the context of the major advantages that accrue in terms of financial flexibility from the services of the credit card industry. Recent evidence has shown that 40% of all credit card accounts are cleared within the period for which no interest is charged (See Adler and Sainsbury). This, however, adds to the cost of interest that is borne by those who do not clear their account monthly. They pay interest at what might be considered fairly high rates.

We have been unable to secure information to show the extent of actual bad debt within this sector or whether such is seen to be a problem. However, given the growth in this market and the constant marketing of the facility, any problems of debt have to be seen in the context of a very profitable industry and are, economically, insignificant.

The number of examples we have been given of credit being offered to people who would have limited ability to repay is a matter for concern. Assurances were given that there is fairly rigorous screening of customers before credit is offered but we are bound to say that we have seen and heard of too many examples to show that whatever screening processes are used, a great many people seem to slip through the net. Cases were quoted where the behaviour of companies offering credit cards was described as being thoroughly irresponsible, because of the risks they seemed happy to take in recovering their money, and in terms of the subsequent misery caused to those deluded by the ease with which money was offered to them. Evidence was received that many people offered credit in this way simply do not understand the rates of interest that apply to them and the implications of these rates. By way of illustration one volunteer at an advice agency we spoke to, who was living on supplementary benefit and had been for some time, applied for a credit card and
almost by return of post was offered a card with an immediate limit of £500. There was no way that, had they used this limit, they would have been able to meet any repayments from their income.

In this sort of way more and more people are slipping into debt. As always these types of problems have to be kept in perspective to the overall scale of the people who use this form of credit in positive ways and manage the consequences with no difficulties. Seen in that light it will only be a tiny proportion who default on payments and fall into difficulty and they should not prevent the remainder from enjoying the positive benefits of this type of credit. However it must be remembered that there is a public cost accruing from this type of free market as a result of the costs to the Courts, advice services, Housing and Social Work authorities and the like from the minority who are unable to manage this type of credit and who are unappreciative of the consequence from the apparent ease with which credit is available.

In-Store Credit

This area of credit has possibly seen the fastest rate of growth over the last few years. The Finance Houses Association recently adopted a Code of Practice governing the granting of credit, against a background of concern expressed in the media and by advice agencies at the apparent problems associated with credit available through retail outlets. The problems referred to are both those of the customers who slip into debt and also of the finance houses which are carrying an increased level of arrears.

The Code having only recently been introduced, the Finance Houses Association felt, quite reasonably, that it was too early to see any result, but expect to produce a report during 1988.

The Code of Practice, however, covers only a minority of circumstances in which the average consumer is likely to be offered in-store credit.

It is widely held belief among the advisers interviewed that this aspect of credit is the least regulated, and lacks some of the constraints that apply to other forms of credit. For example, not all stores finance their own credit. Credit is offered immediately to consumers, sometimes on production of a current cheque card, sometimes on production of another credit card, but almost always, on the assumption that because a consumer has one form of credit, they are worthy of another. Possession of a cheque guarantee card is not necessarily the best way of assessing credit worthiness, indeed the banks we spoke to indicated their concern at the use of cards for this purpose. Some stores we heard of do not even use this inadequate method to assess credit worthiness, apparently taking a person’s word to be adequate in some circumstances.

If a company does not finance its own credit, but instead receives a premium for allowing a finance house to operate a credit facility through their store, then it is difficult to see what influence there is on the retailer for restraint in granting credit. No risk is involved to the retailer. Indeed, there is an inbuilt incentive to sales assistants, particularly if pay is related to volume of sales, to
use credit to boost sales. The risks are borne by the finance house and the rates of interest charged reflect this. The retailer has both the profit from sales and the premium for allowing credit.

The number of finance houses involved, along with the very few companies actually controlled in Scotland, made this aspect of our study difficult. We did speak to the Retail Credit Group who, although explaining the Group's attitude toward the beneficial side of credit purchasing, provided no further clarification to our question on the issue of credit vetting in stores which did not finance their own credit.

It is understood that when arrears occur in this type of credit, the defaulted account is amongst those most readily passed on to collection agencies. We could find no real detail of specific practices or attitudes towards arrears.

**Personal lending**

Finally, in this section, we looked at the more localised forms of credit available such as "trading cheques" which have been traditional sources of credit in many parts of Scotland. Finance tends to be available at higher rates of interest, although the interest may not be so visible because of the relatively small amounts of money that are involved. However, we were not made aware of this type of credit arrangement causing major problems. Problems may be minimised, at least in part, by the face to face collection arrangements that are typical of this type of credit.

The Scottish Consumer Credit Association (SCCA) has around 50 members, all of whom are involved in Consumer Credit Agreements. Most obtain repayment through collection arrangements. The SCCA is part of the UK-wide Consumer Credit Association (with 800 members) based in Chester, which employs a Director and a small number of administrative staff. In common with other creditors, the SCCA felt that there had been a rise in the level of debt, but in proportion to the amount of Consumer Credit sought and granted. Most members employ collectors who visit creditors, normally weekly, and receive instalment payments for goods bought on credit. The SCCA believes this has the advantage of keeping close links with consumers, and enables early identification of arrears problems, as well as a means of coming to realistic agreements over repayment of arrears. Weekly personal collections also avoid additional costs to the debtor in making arrears payments, e.g. by postal order or other means which actually increase the administrative costs of repayment without effectively reducing the amount owed. SCCA feel that, although theirs is a more personal credit service than many others, the cost of collection is reflected in the APR, to their disadvantage in the technical expression of the APR and by comparison with larger, but more "distant" credit grantees. Like several other creditors we interviewed, the SCCA feel that the public in general find more confusion than clarity in the term APR, and in the meaning of its calculation. Staff employed by members of the SCCA have only a peripheral involvement in debt advice and repayments of arrears tend to be arranged on a one-off basis, depending on the circumstances of the individual debtor. There is a suggestion, however, that at least some members of the SCCA may consider extending the scope of their OFT Licences to include debt counselling. In this
case, we recommend that such staff as are involved are trained in modern methods of debt management and that their training programme covers the appropriate and relevant aspects of the training specification in Recommendation 14. Many advice agencies expressed the view to us that the private sector ought to contribute to the funding of debt counselling services; the SCCA expressed the view that funds might be raised for this purpose through an increase in the cost of the Consumer Credit Licence. Licence Holders, after approval and on issue of the Licence at present pay a fee of £60 to the OFT for the administrative cost of granting the licence. SCCA believe that an increase in the cost of the Licence to, say, £100 could provide a source of funds for advice agencies. While we feel that this is worth further consideration, we also note that payment is made once only on the granting of the licence, and is not an annual payment. However, we also understand that the vast majority of licences currently held are due or overdue for review and we believe that this may be an appropriate time for the OFT to give serious consideration to the possibility of raising funds for debt counselling services in this way. The SCCA feel that an increase in the cost of the licence from £60 to £100 could be met with no real difficulty by the licence holders, but money thus raised could significantly help advice agencies who both reduce collection costs and increase repayments of debts for organisations in the private sector through their debt advice work. Members of the SCCA feel that some advice agencies made unrealistic offers of repayments of arrears in individual cases. This was mainly attributed to the tendency to offer "pro-rata" settlements. The amounts owed to SCCA members are, on average, smaller than those owed in a multiple debt situation to, say, a credit card company or major finance house. On the other hand, although the amounts owed were lower, smaller creditors had a greater need for liquidity than larger creditors and simply offering "pro-rata" repayments failed to take account of that. Nor did it take account of the fact that most collecting staff are paid a commission on weekly amounts collected. Like their employers, but for different reasons, they are hardly encouraged, therefore, to accept unrealistically low repayments from debtors. SCCA would, we believe, support a co-ordinated approach to debt advice by advice agencies.
4. The Issues

The extent of debt

The initiative of the Scottish Consumer Council in commissioning a study of the problems associated with debt has been well-timed. Despite the patchiness of good statistical records over the whole field, with the exception of Adler and Sainsbury's report, where such evidence does exist it shows substantial growth in the number, range and scale of debt problems. There is also evidence of growing public interest in the issue of debt, along with a growing interest among politicians at local and national level about its impact.

Essentially, the increase in the number of problems has its root in two factors: Firstly, in the growth of unemployment and the numbers of people forced to live at poverty level as a consequence; secondly, in problems arising from the rapid growth of and increasing sophistication of the financial services on offer, particularly in the availability and marketing of credit.

It would help if the general problem of indebtedness was given some perspective. Almost every agency among those we have termed "the Advisers" has observed an increase in personal debt over recent years; has commented on it as an increasing share of their workload; has at least tried to devise schemes to provide advice and practical assistance to those who experience debt problems; or has, in some cases, set up special projects or units to provide more assistance in response to the perceived need.

Almost all creditors comments that debts have increased, but only in proportion to the increased amounts borrowed, and maintain that the situation, from their perspective, is not out of control.

Both of these attitudes have to be qualified by the circumstances and environment within which each agency or creditor works.

On the one hand, the advisers - even if they do not keep statistical records in a systematic way - seem to have clear evidence that a large and increasing part of their workload consists of providing practical assistance to people with debt problems. In this situation, and given their further belief in the inherent complexity of handling debt enquiries, it is easy to see why the problem can appear to be of major significance.

On the other hand, however, creditors operate in a competitive market place. Some sell money, some sell goods, but competition has to be recognised as a factor which leads creditors to attempt to minimise arrears problems. Even
a reputation, whether justified or not, for having a significant arrears problem can damage the reputation of any creditor and affect their potential market share.

Objectivity is important, therefore, in examining the extent of debt problems. So many of those who help people in debt have evidence of the extent of the problem, however, that creditors' contentions that it is only growing proportionately cannot be completely accepted without at least some qualification.

It can be argued that the growth in financial services has in the main brought significant and substantial benefits to the great majority of consumers, and in this context the number of people who are facing difficulties must be kept in perspective.

It does appear that the burden of dealing with the consequences of debt in individual cases is falling disproportionately on Citizens Advice Bureaux, in particular, and then on the independent advice services, Social Work Departments, Consumer Protection Departments, DHSS, SSAFA and similar organisations to a lesser degree. To those involved in the CABx, the issue of debt has understandably assumed enormous proportions and is presenting them with significant organisational problems. Those involved must remember, however, that, by the very nature of their work, they see a one-sided picture, which outside their world, is not seen in the same perspective at all. That said, the phenomenon is worrying enough overall to be taken as a serious and relatively new social ill that requires sophisticated responses.

Looking to the future, and given the strength and apparent benefits of the credit industry, it is likely that debt problems will continue to grow. This will particularly be so if there is to be no marked reduction in unemployment and low income living in Scotland over the foreseeable future.

The causes of debt

Predominantly, debt associated with poverty and loss of income is the main issue for those involved in debt advice, but additionally, the credit industry's active marketing of credit is giving rise to a new type of debtor, involved in a growing number of spectacular and highly complex multiple debt cases. These "acquisition" debts are highly visible to advice givers because of their apparent rapid growth and because of their spectacular nature.

While there are positive benefits in the growth of credit, there are also some practices among creditors which contribute to the scale of the problem and to the public cost of coping with it. The fact that there is a public cost arising from the growth of private credit is not always appreciated.

Considerable fears were expressed to us at the prospect of the forthcoming changes in the Social Security system and the introduction of the Community
Charge which were both seen as likely to add considerably to problems of indebtedness.

Frequently such things as marriage breakdown, redundancy, illness, pregnancy, loss of regular overtime, short term working, were quoted as matters which precipitated debt for people who otherwise had lived very normal and stable lives.

Feelings of guilt and inadequacy which often accompany debt may contribute to difficulty in admitting that there is a problem, and a delay in seeking help, which in turn may worsen the situation and make satisfactory settlements more difficult to arrange.

The ease with which credit is available, and the way in which it is being marketed, encourages many people to live close to the limits of their income with the result that the changes in circumstances which we have described can precipitate major problems.

In the past, and sadly in some attitudes still apparent today, debt was believed to be caused by reckless and/or feckless behaviour in almost every case. In all the evidence received, hardly anyone associated those characteristics with the increase in debt today. It would be wrong to pretend that there were not elements of irresponsible behaviour apparent but, for the main part, debt was seen to be associated with unemployment and/or a sudden change in personal and family circumstances which disrupted the normal pattern of living for those involved.

Poverty

Long term unemployment, and the removal or restriction of benefit rights, have increased the numbers of Scots living at poverty level.

During the preparation of this report, the Social Work Department of Strathclyde Regional Council produced a report called "The Poverty Swamp" indicating that approximately one third of those living in the Region existed at or near the level of Supplementary Benefit.

Those with the highest levels of disposable income can shop around for credit, in the secure knowledge that their custom as borrowers will be welcomed, they can obtain goods on favourable terms (for cash) and they are able to take advantage of the cheapest forms of credit. They will be welcomed by banks as good risks, by Building Societies equally, and by credit providers generally. We wish to concentrate here on issues relating to people in the lower income brackets to highlight some of the problems of credit and some of the issues relating to collection of arrears.

Those living at poverty level, with little or no surplus income after essential expenditure is met, are the very people who have the greatest need for credit. They live in a total cash economy, do not have sufficient income to save for
the "rainy day", do not use banks (and therefore have no credit worthiness rating, nor the opportunity to acquire one), but in any case would not be defined as credit-worthy by current criteria.

People in this category have, therefore, to seek and acquire credit, not on the basis of its cheapness and suitability, but on the basis of its availability to them, almost always at the highest rates of interest.

While there are small money lending concerns prepared to offer small loans, at high rates of interest, to people otherwise unable to obtain credit, the difficulty of acquiring credit on low incomes is also wide open to exploitation by illegal moneylenders, whose activities escape all but a fraction of the condemnation they deserve, but particularly so from their victims. Although physical intimidation is frequently present, the reason why many "customers" are uncritical of the moneylender's activities is simply the absence of any alternative means of acquiring credit.

It important to stress that poor people do not find themselves seeking credit to make progress or enhance their status, but, on the contrary, they often need credit to exist.

Where people on low incomes have found themselves in arrears, but are making attempts to repay creditors, these repayments often take the form of relatively small sums each week. It is not uncommon that arrears are being paid off at a level of around £1 weekly. If the debtor has to make these payments by posting them to the creditor, then the cost of repayment increases by as much as 50% on a £1 weekly repayment. A £1 postal order costs £1.25 and a first class stamp currently 18p, to which must be added the costs of stationery. It would be much more efficient if the additional 50p could be applied to the arrears, rather than disappear in non-productive costs. This small example usefully illustrates the additional problems and relative costs of debt to the already poor.

This situation could be eased if arrears could be paid back through a low cost means, such as a standing order from a bank; however, a bank account is not normally an option for people in these circumstances.

The relationship between poverty and the availability of credit is a significant issue that requires further study. New forms of credit are urgently required by those on the lowest incomes.

Credit Unions

In relation to the high cost of credit, and its limited availability to those on the lowest incomes, we briefly examined the potential of Credit Unions to determine whether they might have a part to play in measures to minimise the cost of credit and to increase its availability.
Credit Unions might also provide a means, albeit in the longer term, whereby those on low incomes, unused to banks and financial institutions, can be given the opportunity and encouragement to take advantage of useful and relevant services provided by financial institutions. The encouragement of even small amounts of saving, and the access to cheaper credit within a community organisation of their own, are in any case worthwhile objectives in themselves.

The Association of British Credit Unions (supported and financed by the World Association of Credit Unions) has the task of encouraging and helping to set up local Credit Unions. This organisation, with a small staff, is currently based in Skelmersdale.

The situation in Strathclyde Region was examined, but it is understood that the model seen is that followed elsewhere. Strathclyde Regional Council funds, through grant aid, a post of Development Officer, with secretarial assistance. A condition of grant is that priority be given to the setting up and development of Credit Unions in Areas of Priority Treatment. This grant condition seems to support the view that there is a positive role for Credit Unions among low income groups.

However, some variation of view was found about the role of credit unions. One view is that a Credit Union needs a good income "mix" among its members and that the majority ought to be able to save reasonably substantial sums regularly; the other is that the benefit of an income mix is not as important as both the introduction of a thrift and savings culture, and the provision of access to low cost credit.

There is a sound prospect for the development of more Credit Unions as a valuable institution for those on low incomes. However, the development of a large network of Credit Unions appears to be a long term task.

**Social Security changes**

The prospect of further changes in the Social Security system in April 1988 and the introduction of the Community Charge are viewed with concern and even alarm by many working with poverty.

Reference has already been made to the disincentive offered by the changes in Housing Benefit finance to housing authorities, particularly those authorities operating the most progressive systems of dealing with rent arrears.

The intention to replace the remaining Single Payments by loans and to require these to be repaid by deduction from weekly benefit could have extremely insidious consequences. Not just by abolishing one means of avoiding or repaying debts, but by reducing the claimant's freedom to dispose of available income between competing creditors. It is to be hoped that the regulations will provide some discretion in the level of repayment required by the DHSS, which takes account of the claimant's full circumstances. Apart
from the restriction of the budget available for Social Fund payments in a
given period, fear that preferential repayment of Social Fund loans from
weekly benefit at source will weaken the claimant’s ability to negotiate suc-
cessfully with other creditors may restrict uptake of loans from the fund and
generate more business for loan sharks.

Considerable concern was expressed about the possible operation of the So-
cial Fund; taking a more positive view of the potential of the Social Fund, how-
ever, it clearly does have the potential to be developed into a source of inex-
pensive credit for those with least access to credit of any kind were it to be
operated flexibly over a much wider range of needs than currently envisaged
and freed from restrictive cash limits.

OFT debt counselling licences

During the course of the study, attention was given to the licensing pro-
cedures for debt counselling required by the Consumer Credit Act 1974.
The act defines debt counselling as "the giving of advice to debtors or
hirers about the liquidation of debts due under consumer credit agree-
ments or consumer hire agreements" and charges the OFT with the duty
to license those involved in the aforementioned activities.

Not all the agencies interviewed are licensed under the Act although they are
involved in the defined activities. The majority, however, did have the appro-
priate licence.

What is interesting is that many referred to the granting of their licence as a
form of legitimisation of their practices and standards - a form of accreditation
or approval. From the survey, this would appear to be a considerable overes-
timation of the position, even if entirely understandable.

The OFT were unable to tell us which advice agencies in Scotland held a
licence and, on further investigation, we discovered that the granting of a
licence by OFT seems to be automatic, subject to satisfaction that the licence
is held by a "fit" person. This is authenticated in the Office of Fair Trading by
checking whether the applicant has been convicted of fraud, dishonesty or
business practices that appear deceitful, oppressive or unfair.

It seems, therefore, that the procedure is more one of voluntary registration.
A licence will only be refused if a conviction exists or there are clearly dubious
trading practices. Licensing by the OFT should not, therefore, be seen by ad-
vice agencies - or more importantly by the public - as a form of accreditation
or approval of practices adopted in debt counselling. Some agencies adver-
tise themselves, in part, as holding an OFT Debt Counselling Licence as if it
implied explicit approval of their activities.
Training needs

There is currently no common language to describe the processes of debt advice and this inhibits the development of good practice and of common approaches to dealing with debt problems.

Overall, there is room within every sector we examined to improve practice relating to debt counselling, although within some sectors there were limited examples of very complete practice. For example Strathclyde Regional Council’s Consumer Protection Department appeared to have the most comprehensive list of issues to include in training. Almost nowhere was there consistent and compatible practice. Surprisingly, there was little sign that creditor organisations, for whom debt had an impact on their activities, had yet adapted to the changing world of debt in its modern manifestation. Perhaps only the Building Societies among this group showed a real appreciation of the problem, yet there was room for development of even their practices. This lack of overall development, while surprising, particularly in well established national organisations like CABx, probably has arisen because of the sheer speed with which the newer problems associated with debt have presented themselves. Organisations are still trying to quantify the impact and decide on best practice.

One constant feature of our investigations was the almost complete absence of developed training programmes and difficulties were expressed in obtaining any training in Scotland. However, the lack of training programmes is entirely understandable given the lack of consensus on good debt counselling practice. Before really effective training courses and materials can be developed, there has to be a much greater degree of agreement, both within and between concerned organisations, on the precise steps to be taken to effectively assist someone with a debt problem. This consensus is beginning to develop but there is an urgent need to accelerate the process.

It is also necessary to define more precisely the roles best performed by various organisations, both advisers and creditors, and by individuals within these organisations, to minimise the problem of debt and to optimise the help available to debtors.

It is clear that many individuals, who in no way see themselves as debt counsellors, nevertheless find themselves asked for information or advice about debt during the performance of their normal duties. Debt counsellor or not, every social worker who passes comment (however non-committal) on a client’s proposed offer to a creditor, and every housing official who suggests (or implies) that the repayment of rent arrears deserves a higher priority than another debt, is in effect participating in debt counselling. If their actions influence the decisions of the debtor the consequences can be either helpful or damaging. While few would argue that debtors can be, and often are, damaged by such ad hoc, informal advice, it is less frequently appreciated that creditors too are often adversely affected by advice which damages the debt-
or. Bad advice can quickly turn a minor financial embarrassment into a rapidly worsening financial crisis in which no creditor is likely to get satisfaction. It is therefore in the interest of creditor organisations as well as social services for staff who come into contact with debt to have a basic appreciation of the principles of debt "first aid" even if the staff concerned are not seen to have a specific debt counselling role.

Other staff members, however, do have a more substantial debt counselling role whether it is recognised or not because providing sound "first line" advice on debt matters is inseparable from other essential elements of their work; debt is not a matter which can simply be excluded from their remit without undermining the effectiveness of their essential duties. As a generalisation, no-one whether paid or volunteer, who tries to assist clients to cope with objective personal problems can ignore the dimension of debt because debt is so frequently closely bound up with other personal problems, including matrimonial and housing problems to take but two examples. Such staff require to be able to give competent "first aid" when debt is identified, to help clients gain enough insight into their situation to be able to avoid overcommitting their available resources, to identify for the client ways of maximising income and, perhaps, to conduct simple telephone negotiations for the client with creditors. But before anything else, such staff need to know how to identify debt problems beyond their expertise and where to get help for clients with complex debts.

The scale of the debt problem is such that even the most optimistic view of the number of skilled specialist debt counsellors likely to be available in the foreseeable future cannot begin to deal with the total volume of enquiries already being experienced. The vast majority will have to be resolved by, hopefully well-trained, non-specialist advisers; the most effective use for the specialist debt counsellor must surely be to support the work of less specialist advisers and to accept referral of the most complex enquiries.

In addition to the skills required by the non-specialist adviser, specialist debt counsellors have to be able to assist clients in multiple debt to prioritise their debts and to allocate available resources for satisfying creditors in the most advantageous way. They need to be able to conduct complex negotiations for clients and they must possess the administrative skills to keep control of an evolving situation. Some specialist debt counsellors may also represent clients in more formal situations, such as summary cause proceedings, advise on the implications of consumer credit legislation for an alleged debt's enforceability or advise on bankruptcy.

Some agencies may operate wholly at the "first line" level, relying on external expertise for help with the more complex enquiries and for advice in relation to unusual features of many otherwise straightforward debt enquiries. Other agencies may operate exclusively at the specialist level, relying on referral from first level advisers for their case load. Others again will offer direct access to members of the public but will practise internal referral from first level staff to specialist debt counsellors within the agency or to external specialists providing a "clinic" service on the agency's premises. In almost every case the value of shared, standardised approaches to tackling debt problems
should be self-evident, in facilitating both consultation of available expertise and referral to specialist counsellors. An emerging core of recognised good practice could then become the basis of really effective training provision.

Resources implications

Despite the concerns expressed at the scale of the debt problem and its nature as presented to a variety of agencies and the clear need for agreement on good counselling practice, there was almost no evidence of any inter-agency discussion and co-operation about strategy, resource deployment or training. Indeed there is some evidence of competitive behaviour between agencies, which is regrettable. Highland Region was a notable exception to this rule. There has, as a consequence, been very little thought given to strategies to deal with the problem and to the effective application of resources.

The scale of the CAB debt caseload has already been pointed out; it is perhaps necessary, however, to emphasise that the CAB network is no by means comprehensive in Scotland even when allowance is made for the existence of other advice services, particularly those provided by independent advice centres. Inevitably, many debtors simply do not have access to readily available debt counselling; others with ready access are simply unaware of the services available or may choose not to use a service of which they are aware through lack of confidence in its values and standards. The real need for debt advice is therefore almost certainly very considerably greater than the total number of debt enquiries currently being handled. There seems no prospect at all of resources suddenly becoming available equal to the actual need for debt counselling services; nor of any one agency being able to provide a comprehensive service all available resources to be concentrated on it alone.

The best prospect of maximising resources for debt advice services is through a "mixed economy" of advice provision with each agency maximising on its opportunities to generate resources of all kinds; the most cost effective way of providing these services is through agency specialisation and inter-agency co-operation, however.

Over and above the moral argument that creditor organisations have a responsibility toward their customers who are in debt, it would be in the self-interest of many creditor organisations to contribute financially to the provision of debt advice services. It seems distinctly probable that much existing bad debt is the longer-term consequence of poor or non-existent debt counselling at an earlier stage before the debtor’s affairs became totally unmanageable. The sum represented by a 1% reduction in bad debt, for example, would greatly exceed the total resources available to debt counselling services of all kinds. Given the potential dangers of less than disinterested advice from the staff of a creditor agency, for the creditors’ interests as well as the debtors', it would probably be better for such finance to be given to genuinely independent debt counselling services.
Attention has been drawn to both the extremely tight budgets within which CABx have to operate and to the conditions placed on the funding of most independent Advice Centres, which seriously limit their ability to share expertise, build on earlier successful operation and effectively use volunteer help which is available.

The conclusions mention the potential offered by micro-computers to facilitate debt counselling activities. Given more uniformity of practice and suitable software, micro-computers can be expected to make a major contribution to both the quality and quantity of debt counselling provision over the next few years. The capital costs of installing a cost effective computer system are small in relation to the annual employment costs of a single full-time member of staff yet such capital sums and the equally modest costs of system development are often unavailable to otherwise adequately funded agencies.
5. The Conclusions

Discussion

1. Monitoring developments in credit.
At a national level in Scotland, there is a need for a continuing overview of developments in consumer financial services and debt. This should be seen as a means of sharing information about the practices of creditors and the impact of these practices on consumers. There is a need to convene discussions among the differing interests which are involved and this may be best achieved by the creation of an occasional forum to monitor and discuss developments, share information, and recommend action.

Recommendation:

That debt and debt counselling should be kept under continuing review through the organisation of an occasional forum representative of credit granting and debt counselling organisations.

2. Encouraging "pre-credit" advice.
The enormous choice available of consumer financial services, particularly of credit, has brought many advantages, but also confusion about alternative forms of credit and their relative cost. Much evidence was heard of public confusion. In the mid seventies pre-shopping advice about goods became increasingly available; there is now a growing case for "pre-credit" advice to enable consumers to take best advantage of the range of financial services available. There is a case for allowing this type of service to develop as part of the market and it is possible to envisage the development of "credit brokers". However, there is also a case for pre-credit advice to be offered as part of the range of services on offer from advice agencies and consumer organisations, particularly where the impact of credit on the lives of already disadvantaged groups of consumers is seen to have substantial public and social costs.

Recommendation:

That advice services and consumer organisations should consider giving greater prominence to "pre-credit" advice on the available choices and relative costs of credit.
3. Development of inexpensive forms of credit.
The interplay of credit and debt among those forced to live in circumstances of poverty is such that there is a strong case for further investigation of alternative forms of borrowing and saving for those living close to the poverty level. It is clear that there are some international lessons to be learnt. It is perhaps through the development of the Credit Union movement, or through forms of municipal banking, that alternative sources of credit may be developed. As referred to earlier, there is already some very innovative thought in relation to the conversion of housing arrears into forms of credit. These various areas of initiative justify further study.

Recommendation:

That further study should be commissioned of the potential of Credit Unions, Municipal Banks and other methods of providing inexpensive credit for those on low incomes.

4. Procedures for granting credit
Inadequate vetting of applications for credit was mentioned as a cause of debt problems so frequently that it is felt to be appropriate to draw further attention to this in the recommendations. It has not been possible in the time available to come to any conclusions as to whether an industry code of practice would be sufficient to better control the granting of credit, or whether there is a case for some statutory procedure. It is clear, however, that this matter requires further thought, including consideration of whether failure to follow any new code or statutory procedure should result in forfeited or diminished rights to reclaim any money due.

Recommendation:

Further consideration should be given to whether a case exists for further regulation of the granting of credit and, if so, whether by means of a code of practice or by a statutory procedure.

5. Credit in the school curriculum.
A recurrent theme throughout the study is the relative lack of experience of the public at large in the range of new consumer financial services. The consumer is still relatively unsophisticated in relation to the growing sophistication of the market. There is a strong need therefore, particularly given the marketing strategies directed towards the young, to ensure that the education system plays a positive role in developing skills in the use of credit in its variety of forms. There is a need for learning about the use of money and credit from the early days of teaching in primary schools and as a part of the life examples used in teaching. There are some quite sophisticated teaching aids produced by the Scottish Curriculum Development Service. In England, the Money Management Council and, in Scotland, the Scottish Money Management Association, are supporting initiatives in the promotion of educational material.
It would be appropriate to draw to the attention of Education Authorities in Scotland the need for greater emphasis on this area of growing public concern. The banks and other financial institutions have a continuing role to play in contributing to educational developments in this area.

**Recommendation:**

That Education Authorities be encouraged to ensure that teaching about modern forms of credit should become an integral part of the curriculum.

**6. Changes in the Social Security system.**

Because of the considerable concern that was expressed to us with regard to the forthcoming changes in the Social Security system, several pragmatic points should be made which do not necessarily cut across the government’s intentions.

The intention to largely replace the remaining Single Payments with loans, and to require these to be repaid as a deduction from weekly benefit could greatly exacerbate the problems of many claimants. The detailed regulations, as far as is possible, should not require priority repayment of state loans regardless of the client’s other circumstances. Equally, there is considerable merit in the Special Case Officer role which allows them some degree of independence within the system. It is to be hoped that this relative independence could be preserved within whatever new arrangements are made for the administration of the Social Fund, and not compromised by a direct responsibility for decisions about individual claims.

Because people in low income groups are very often forced to borrow at very high interest rates if they can obtain credit at all, there is a case for the Social Fund being operated flexibly and over a wider range of needs than those currently envisaged.

**Recommendations:**

That DHSS Special Case Officers should not be responsible for specific claim decisions in order to provide reasonably independent advice to claimants with money difficulties.

That regulations governing the repayment of loans from the Social Fund should take account of other debts claimants may have.

That government consider the potential for the Social Fund as a more flexible form of credit than current intentions may allow.

**7. Co-ordination of debt counselling services.**

In most areas, it seems likely that the main burden of handling debt counselling enquiries will continue to fall on the CABx and then between the independent advice centres, social workers and Consumer Protection Department
staff. There will be differences in emphasis in this pattern because there is no uniform distribution of advice services.

There is evidence of some competition between services and also of areas of duplication, within the independent advice sector in particular. There is also evidence of serious underfunding of services on which large numbers of people depend and of agencies, having built up demand for competent advice services, being unable to continue to satisfy that demand through the impermanence and insecurity of their funding. In order to attempt to overcome this pattern, at Regional (or Islands) Council level, there should be some form of strategic co-ordination. The Consumer Protection / Trading Standards Departments are well placed to secure this co-ordinated approach to debt advice as, firstly, they are a statutory provision present in every Region, secondly, they have statutory responsibilities in relation to the operation of the Consumer Credit Act and therefore have an established interest and thirdly, they are increasingly reflecting the growing professional and political concern at the growth of debt problems through the initiation of Regionally funded projects. They could act to convene regular meetings to look at strategic issues and developing trends and to agree inter-agency co-operative action, as appropriate. To be effective these meetings should be representative of all relevant local government departments, advice services (both statutory and independent) and appropriate creditor organisations.

No doubt each Regional/Islands Council will wish to consider, in looking at the precise form of co-ordination appropriate for their area and who will lead it, other departmental interests and existing co-ordinating mechanisms internally and with the voluntary sector.

Recommendation:

That Regional Councils (perhaps through Consumer Protection/ Trading Standards Departments) should be responsible for establishing the means of co-ordinating money advice activities by which the statutory and voluntary sectors can combine to share experience and secure effective debt counselling services.

8. Levels of debt advice.

Any overall strategy to secure ready access for the majority of the population to adequate debt advice would depend on three essential elements; firstly, individuals (whether involved in formal debt counselling or not) who make initial contact with debtors should have proper training in the basics of debt advice and be able to give adequate "first aid" advice, secondly, there is a need to secure adequate provision of advisers capable of handling typical requests for debt counselling up to and including routine types of multiple debt, and, thirdly, there is a need for specialist backup to these front line services both by consultancy and by acceptance of referrals of the most complex and intractable types of case.

It does not seem appropriate to prescribe how the specialist backup level of service may be best arranged as a variety of practices may be appropriate to
different areas. These may best be developed in a structured and co-ordinated way through the local mechanisms we have already described. This could take the form of a central service at regional or sub-regional level, or could be a more localised arrangement based in a CAB or independent advice centre, for example, perhaps serving as a resource for other agencies in that immediate area. There is already a need for this more specialist backup and one of the first tasks of local co-ordinating mechanisms may be to quantify need in this regard.

Recommendations:

That staff in all agencies likely to receive debt problems should be trained to at least a level where they can identify that a debt problem exists, be capable of providing "First Aid", and be aware of the limitations of any help they can offer.

That advisers in agencies which do offer a full debt counselling service should be trained in a complete range of debt advice work which covers all but the very specialist tasks. This training specification is outlined in a later recommendation.

That above the level described in the previous paragraph there should be specialist staff available to assist with the most complex problems and be a supporting resource to those involved at lower levels.

9. Funding policy towards advice services.

In terms of funding these types of service there are a number of considerations. First, the availability of the front line of services we have described will depend on the existing approaches of local councils toward their own services, CABs and independent advice services. Specialist debt advice centres should not be developed as the main providers of debt counselling. It seems that the need will best be met by developing the existing skills of well established advisory services. Therefore, if there is a desire to have the ready access to services suggested, it is a matter primarily for local authorities and central government in their policy toward the funding of local advice services.

The application of funding by Central Government, if differently targeted, could have a major stabilising influence on the provision of local advice services and may also give rise to much greater consistency of service provision. Currently, a very large proportion of local advice projects are funded through temporary programmes, principally Urban Aid and MSC. These programmes fund projects which offer advice very often as a by product of the main purpose of the funding which will be, generally, for community development purposes or for reasons associated with work experience and training. It seems that continuing to provide public advice services by these means simply results in under achievement of potential and in duplication of effort in a field where resources are in short supply for key purposes. It is time for government to review policy on funding advice services through these temporary programmes and in so doing provide the framework for stable advice services performing
at a high level while still meeting job training and community development objectives.

Recommendation:

That Central Government reviews its policy for funding advice services, particularly where these are currently funded through temporary programmes.

10. Funding from the private sector.
There is scope for direct support from the private sector. Publicly funded advice services are, de facto, helping secure for the private sector the repayment of arrears. Indeed, were it not for the intervention of public services it could be argued that the inconvenience and the costs of arrears collection would rise. By contributing to the resources of advice services, the private sector stands to gain by further improvements in the limitation of arrears. It is not possible to predict how much money might be available from this source by an appeal to enlightened self-interest but we believe that such funding, used in partnership with, say, Urban Aid funding, could add significantly to the ability to cope with the growth in need for debt advice. There is a need to co-ordinate approaches to the private sector and to create a means for the distribution of any help secured.

An additional means of raising funds from the private sector, recognising the positive role which advice agencies have in, de facto, assisting creditors to recover arrears might be through an increase in the OFT Licence fee. At present it seems that the licensing arrangement is no more than a registration scheme and the cost of the licence reflects this. If the licence fee for credit brokers and granter were increased, then the additional money so raised could be made available to help fund agencies involved at all levels of debt advice. This could be a means of helping agencies who provide debt advice in some depth as well as helping to fund the specialist units we recommend.

Recommendations:

That those organisations and companies which offer credit in its various forms should help to fund advisory services for people in debt, particularly at the specialist level.

That any funding applications made to creditor organisations should be co-ordinated and mechanisms should be established for the distribution of any funds realised by this means.

11. Housing authorities and debt counselling.
In an earlier section of the report reference was made to the role of the Local Authority Housing Departments and the wide variety of attitudes, practices and procedures that existed in the treatment of arrears and associated debts.
District Councils are in a privileged position in spotting the beginnings of debt problems, often many weeks before they would be presented to advice services, social workers, etc. Despite the conflicts of interest which do arise in their role, on balance, the District Councils should take a positive role in relation to debt advice services and pursue policies which look at the total situation of a tenant’s debt. This approach can be justified both in the interest of achieving the a return of the arrears and for the general social good arising out of early and positive action.

Where Districts are not disposed to this form of internal action it is recommended that they look positively to ensuring that their funding of local advice services is designed to meet the needs of the growing debt problem and that they have positive referral arrangements to advice services for tenants in arrears.

**Recommendation:**

That Housing Authorities take a positive role in ensuring that comprehensive debt counselling is available to tenants in arrears, either from within the department, or through effective referral to an advice agency.

**12. Fuel boards and debt counselling.**

It is also recommended that the fuel boards adopt an approach to their customer debt, which is also reflected in staff training and in billing procedures, which recognises the realities of debt. Such an approach need not carry any implication of a “non-commercial” approach to arrears, but rather a different approach to achieving the minimising of bad debt which may be seen as publicly more acceptable but be in practice at least equally successful.

**Recommendation:**

That Fuel Boards should take account of the existence of other debts their consumers may have in the procedures they adopt for the recovery of fuel bill arrears and should experiment with a counselling-based approach to arrears collection.

**13. Training for Bank and Building Society Managers.**

Informal debt counselling will take place at local level between Bank and Building Society Managers and their customers. Such counselling and its content will be largely at the discretion of local branches. The banks in particular will have staff below the level of Manager involved in dealing with customers with arrears difficulties. Particularly in the banks, it seems the practices used in dealing with customers in debt depend almost solely on the experience the local staff have built up over many years.

Given the rapidly changing dynamics of modern day debt and the increasingly sophisticated techniques for dealing with it, we feel that Managers and other staff may benefit from the availability of training in debt advice.
Recommendation:

That modern debt advice training should be available to local Managers, and other appropriate staff, of Banks and Building Societies.

14. Training for debt counselling.
It will be clear from the recommendations thus far that it is envisaged that the future provision of advice on debt should be handled, as at present, by a wide diversity of agencies. Measures have been referred to which will better support and strengthen the ability to offer consistently good advice. However, the biggest single gap in the achievement of consistent standards lies in the field of training. There simply has not been an adequate development of appropriate training. This is not essentially a resource problem but a consequence of the lack of shared decisions about the nature of appropriate advice for people in debt. At a local level there is some good training. There is, however, no consistency of approach across agencies or, sometimes, within them and this is a matter of concern given the diversity of provision and sources from which advice will be available and the need for inter-agency co-operation.

The outline training specification below suggests what is necessary to equip someone to give advice on debt in an almost comprehensive way. Not all agencies will necessarily require to train staff to the full specification.

Looking slightly further ahead, there may be a case for training in debt counselling to be accredited in some way, possibly through SCOTVEC, because of the importance and complexity of the matters being dealt with. Ultimately the private sector may be more willing to support services where there is approved training. Accreditation may also be significant in relation to OFT licencing and the OFT could well play an important part in the development of appropriate, agreed training.

Recommendations:

That discussions should be held to determine what constitutes "best practice" in debt counselling.

That comprehensive training in debt counselling should at least address the following areas
- An appreciation of the main practices of marketing and granting credit
- An appreciation of the ways in which a debt problem is generally precipitated
- Interviewing techniques and specific procedures for discovering the full extent of any debt problem
- Procedures for checking whether any part, or all of a debt, can be challenged
- The diligence procedures
15. Micro-computer applications.
There is scope for the development of computer programmes to assist with the more labour intensive and mathematical aspects of debt counselling, including progress control of case papers. There is interesting experimentation proceeding within the CABx service and in some other agencies. Until more usable software has been developed there is little point in providing more micro-computers to agencies without systems support. However, useful packages could become available at an early date from the experimentation going on at present. Such packages could be one important means of encouraging common approaches to debt counselling being generally adopted by a variety of agencies.

Recommendation:

That efforts are made to monitor progress in the development of useful micro-computer packages for debt counselling in Scotland with a view to encouraging the general adoption of the most suitable.

16. OFT debt counselling licences.
Dealing with an individual's debt problem is understood to be very important and serious work and there is a case for the public being assured that anyone offering a debt counselling service should be "qualified" to do so. The current licencing procedures of the OFT do not provide for this public assurance, although, in fairness, the present licensing system is not really designed to do so.

Recommendation:

That the Office of Fair Trading licensing procedure for Debt Counselling should be reviewed.

17. Information systems for debt advice.
Surprisingly little was said about the availability of comprehensive information systems to support advice in debt related work. The most comprehensive information available exists within the information files of CABx, although interestingly, there was more critical comment from CABx than from others, perhaps
reflecting different expectations in these matters. Nevertheless, many debt counselling agencies may be seriously handicapped by the lack of a comprehensive, regularly updated, information system particularly in making use of part-time, volunteer staff.

Recommendation:

That the Citizens Advice Bureaux service should share access to information reference material on debt.

18. Enquiry classification.
One of the difficulties in quantifying the problem of debt as it presents itself to the variety of advice agencies is the lack of recorded statistics in certain agencies and the quite different classification descriptions used in those agencies which maintain records of enquiries. Only the CABx service keeps well defined and consistent statistics for analysis purposes. There is a case for a common system of recording and classifying enquiries between advice giving agencies in order to facilitate easier analysis of emerging or changing patterns of problems.

It could be that the Office of Fair Trading has a role to play in securing more consistent classification procedures, both in terms of its role in monitoring the total impact of debt problems and for possible use in gathering information about the activities of the agencies offering debt advice which the OFT is required to licence.

Recommendation:

That efforts should be made to encourage more consistent casework classification and statistical recording methods across different advice agencies.

Different budgeting forms are in use in different advice agencies. There would be an advantage in greater consistency of design in budgeting forms, particularly for clients who are referred from agency to agency. Budgeting forms also assist in the development of standardised advice strategies.

Recommendation:

That agencies involved in dealing with people in debt should adopt a consistent style of budgeting form.
List of recommendations

Recommendation 1:

That debt and debt counselling should be kept under continuing review through the organisation of an occasional forum representative of credit granting and debt counselling organisations.

Recommendation 2:

That advice services and consumer organisations should consider giving greater prominence to "pre-credit" advice on the available choices and relative costs of credit.

Recommendation 3:

That further study should be commissioned of the potential of Credit Unions, Municipal Banks and other methods of providing inexpensive credit for those on low incomes.

Recommendation 4:

Further consideration should be given to whether a case exists for further regulation of the granting of credit and, if so, whether by means of a code of practice or by a statutory procedure.

Recommendation 5:

That Education Authorities be encouraged to ensure that teaching about modern forms of credit should become an integral part of the curriculum.

Recommendation 6.1:

That DHSS Special Case Officers should not be responsible for specific claim decisions in order to provide reasonably independent advice to claimants with money difficulties.

Recommendation 6.2:

That regulations governing the repayment of loans from the Social Fund should take account of other debts claimants may have.

Recommendation 6.3:

That government consider the potential for the Social Fund as a more flexible form of credit than current intentions may allow.
Recommendation 7:

That Regional Councils (perhaps through Consumer Protection/Trading Standards Departments) should be responsible for establishing the means of co-ordinating money advice activities by which the statutory and voluntary sectors can combine to share experience and secure effective debt counselling services.

Recommendation 8.1:

That staff in all agencies likely to receive debt problems should be trained to at least a level where they can identify that a debt problem exists, be capable of providing "First Aid", and be aware of the limitations of any help they can offer.

Recommendation 8.2:

That advisers in agencies which do offer a full debt counselling service should be trained in a complete range of debt advice work which covers all but the very specialist tasks. This training specification is outlined in a later recommendation.

Recommendation 8.3:

That above the level described in the previous paragraph there should be specialist staff available to assist with the most complex problems and be a supporting resource to those involved at lower levels.

Recommendation 9:

That Central Government reviews its policy for funding advice services, particularly where these are currently funded through temporary programmes.

Recommendation 10.1:

That those organisations and companies which offer credit in its various forms should help to fund advisory services for people in debt, particularly at the specialist level.

Recommendation 10.2:

That any funding applications made to creditor organisations should be co-ordinated and mechanisms should be established for the distribution of any funds realised by this means.

Recommendation 11:

That Housing Authorities take a positive role in ensuring that comprehensive debt counselling is available to tenants in arrears, either from within the department, or through effective referral to an advice agency.
Recommendation 12:

That Fuel Boards should take account of the existence of other debts their consumers may have in the procedures they adopt for the recovery of fuel bill arrears and should experiment with a counselling-based approach to arrears collection.

Recommendation 13:

That modern debt advice training should be available to local managers, and other appropriate staff, of banks and building societies.

Recommendation 14.1:

That discussions should be held to determine what constitutes "best practice" in debt counselling.

Recommendation 14.2:

That comprehensive training in debt counselling should at least address the following areas

- An appreciation of the main practices of marketing and granting credit
- An appreciation of the ways in which a debt problem is generally precipitated
- Interviewing techniques and specific procedures for discovering the full extent of any debt problem
- Procedures for checking whether any part, or all of a debt, can be challenged
- The diligence procedures
- Budgeting as a process which enables debtors to make realistic repayment offers
- The maximisation of incomes, with reference to state benefits particularly
- Procedures for determining priorities for debt repayments
- Techniques for drawing up repayment schedules
- Techniques for negotiation with creditors
- Procedures for reviewing repayments

Recommendation 15:

That efforts are made to monitor progress in the development of useful micro-computer packages for debt counselling in Scotland with a view to encouraging the general adoption of the most suitable.
Recommendation 16:

That the Office of Fair Trading licensing procedure for Debt Counselling should be reviewed.

Recommendation 17:

That the Citizens Advice Bureaux service should share access to information reference material on debt.

Recommendation 18:

That efforts should be made to encourage more consistent casework classification and statistical recording methods across different advice agencies.

Recommendation 19:

That agencies involved in dealing with people in debt should adopt a consistent style of budgeting form.
Appendix 1

We should like to acknowledge the cooperation of the following agencies and individuals who provided us with the opportunity of discussing with them the provision and practices of debt counselling. Except where indicated by an *, the first questionnaire reproduced in Appendix 2 was used to provide a structure for the interview.

- Keith Advice Centre
- Gordon Rural Information and Advice Network
- Grampian Welfare Rights Project
- Beechwood Information Centre
- Bonethill Advice Centre
- Rights Office, Fife
- Edinburgh Citizens Rights Office
- Brelch Valley Information Service
- Haldane Information and Advice Centre
- Argyile Community Association Advice Centre
- Faifley Information/Advice Centre
- Linkwood Information /Advice Centre
- Castlemilk Advice Centre
- Scottish Federation of Independent Advice Centres *
- Bathgate Citizens Advice Bureau
- Berwick Citizens Advice Bureau
- Clydebank Citizens Advice Bureau
- Forres Citizens Advice Bureau
- Glasgow - Bath Street Citizens Advice Bureau
- Leith Citizens Advice Bureau
- Perth Citizens Advice Bureau
- Scottish Association of Citizens Advice Bureaux *
- Department of Health and Social Security
- Alliance Building Society
- Halifax Building Society
• City of Edinburgh District Council (Housing Department)
• City of Glasgow District Council (Housing Department)
• Institute of Housing (Scotland) *
• South of Scotland Electricity Board
• North of Scotland Hydro-Electric Board
• Royal Bank of Scotland plc
• Clydesdale Bank plc
• Finance Houses Association *
• Retail Credit Group *
• Money Management Council *
• Vivien Goldsmith, Financial Journalist, The Glasgow Herald *
• The Law Society of Scotland
• A local solicitor *
• A local debt collecting agency *
• A local Sheriff Officer *
• Lothian Regional Council, Trading Standards Department
• Strathclyde Regional Council, Consumer Protection and Welfare Rights Development staffs
• Association of British Credit Unions Ltd
• Dalmuir Credit Union Ltd
• SSAFA (Soldiers, Sailors, Airmen and Families Association) *

In addition, ten of the twelve Scottish Regional and Islands Council Consumer Protection Departments responded to the first questionnaire reproduced in Appendix 2.

Eight of the twelve Regional or Islands Council Social Work Departments and SSAFA responded to the second questionnaire reproduced in Appendix 2.
Appendix 2.

Questionnaire on Debt Advice in Scotland

Name of organisation

Address

Tel. No.

Please tick or complete the appropriate responses

1. Do you consider that your organisation is involved in debt advice?

If you answered no to the first question please do not continue with the questionnaire but still return it to us as it is important that we know your response. Thank you.

2. Please identify from the following list the aspects of debt work in which your agency regularly participates.

a) We identify there is a debt problem and refer it to an agency dealing with debt

b) Having identified there is a debt problem we offer preliminary information only on how the client should go about dealing with that problem

c) Having identified there is a debt problem we offer the client a range of help which includes;

identifying the number and amount of debt(s)
establish whether the debt is legally enforceable
help with a budget exercise
help identify possible extra sources of income
help by calculating a repayment schedule
undertake negotiations on behalf of the client with creditors
represent at court, summary cause hearing

3. If you discover your client is in debt do you offer advice as a matter of routine practice, or
only if your client is prepared to disclose all their known debts to you?

4. How many debt cases did your agency handle within the last twelve months (ending 31 July 1987)

5. Do you believe the number of debt cases you handle has risen over the same period as above?
a) Hardly at all
b) By under 25%
c) By between 25% - 50%
d) By between 50% - 75%
e) By over 75%
Please state if your case load on debt has diminished.

6. Do you believe the rate of cases is still rising?

7. Is the most common debt case you get one involving multiple debts or a single debt?

8. What would be the range of the number of debts that, on average, a client would have. Would it be?
a) one
b) one -to- three
c) one -to- five

d) one -to- ten

e) one -to- fifteen

9. What is the most common range of value of the debt? By this we mean the actual arrears of all the debts a client has and not the total value of the asset. Would it be ...?

a) Under £500

b) Between £500 and £1,000

c) Between £1,000 and £5,000

d) Between £5,000 and £10,000

e) Over £10,000

10. What would you estimate was the cash value of all the client debt that you assisted with during the twelve month period under consideration above?

11. Comparing the twelve month period used above with recent years, is the total money value of client debt ...?

a) substantially less

b) marginally less

c) much the same

d) marginally more

e) substantially more

12. Have you advised on, or assisted clients with sequestration proceedings where they are in serious debt difficulties?

13. Which of the following factors do you consider to be most significant cause of the debt cases you are handling? Do you consider it to be?
a) an increase in reckless behaviour?
b) unemployment?
c) low income living?
d) the way in which credit is vetted?
Other, please specify

14. List any agencies with whom you have an arrangement to refer debt cases

15. Which creditor organisations do you find it
   a) easy to deal with?
   b) difficult to deal with?

16. Please rank the first four (by numbering 1-4) of the following which represent the most common debt problems with which you deal? Of those you do not rank please indicate whether you none the less have experience of such debts.

   Electricity
   Gas
   Rent arrears
   Mortgage arrears
   Bank credit cards
   Store credit cards
   Personal loans
   Hire purchase
   Mail order
   Other, please specify
17. When assisting clients with repayment arrangements do you
   a) Always prioritise debts for repayment, or
   b) Always arrange a repayment schedule on a pro-rata basis
   c) Other, please specify

   Are there any debts you always recommend be paid off prior to others? Please list any

18. Which of your staff are involved in the full range of the debt services you offer?
   a) Paid staff only
   b) Paid & voluntary staff

19. Do you give your staff specific training in debt work?

20. Did you devise your own training on debt work?
    If no, where did you get assistance from?

21. Which of the following do your staff receive;
   a) Off the job training prior to handling debt enquiries?
   b) On the job training while handling debt enquiries?
   Other, please specify

22. How much time do you consider it necessary to give to training a staff member to deal with debt (in hours please)

23. Which of the following do you include in your training for debt work?
   a) Checking whether the debt is legal
b) Diligence

c) Budgeting

d) Maximising income

e) Determining priority debts

f) Determining pro-rata repayments

g) Negotiating with creditors

Please specify any other areas not mentioned

24. Have you participated in any joint training exercises with any other advice agencies?

If Yes, please specify

25. Do you have information or reference materials written specifically for debt advice work to assist you or your staff in giving advice?

If Yes, please specify what

26. Comparing debt work to other advice work with which you deal, would you say it was

a) Significantly less complex and time consuming

b) Marginally less complex and time consuming

c) About the same complexity as other types of cases

b) marginally more complex and time consuming

c) Substantially more complex and time consuming

27. Would you say you are able to cope with the volume of debt work that you are receiving

a) with ease?

b) with no particular difficulty?
c) with considerable difficulty?

28. What would help you most in improving your ability to cope with debt work?
   a) common practices in debt counselling between agencies
   b) access to more training on debt work
   c) improved information and reference material on debt work
   d) the opportunity to refer complex cases to specialist workers
   e) more cash resources

Other, please specify

29. Do you have facilities for the easy production of standard mail?

30. Do you have computer facilities for helping calculate debt repayment schedules

Thank you for taking the time to complete this questionnaire.
Survey of Debt Advice in Scotland

Questionnaire for Social Work Authorities in Scotland.

1. To what extent do you believe your departments staff to be actively involved in assisting clients with personal debt problems?

2. Would you assess your departments involvement to be a significant part of its work or a fairly marginal activity?

3. Is any involvement that your staff may have likely to be as a consequence of their wider case work responsibility toward individual clients, rather than because they are seen as offering debt counselling as a distinct service?

4. Which other agencies in your area do you see as being the principal providers of debt counselling services?

5. Do you believe your department should be more involved in this issue (or, perhaps even less involved)?

6. Do your staff receive any special training in the techniques of debt counselling? (Please describe any such training as has been provided)

7. Do you consider securing staff training on this subject to present any particular problems?

8. Do you have any reference materials available to your staff to assist their work in the field of debt counselling? If yes, please specify what.

9. Are there any general observations you would wish to offer on this subject as it relates to Social Work in your area?