

Consultation Response



Public financial guidance review: proposal for consultation

StepChange Debt Charity response to HM Treasury

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Introduction

StepChange Debt Charity is the UK's largest specialist not for profit debt advice and solutions provider. In 2015 we were contacted by over 500,000 individuals in financial difficulty. We welcome the opportunity to respond to this consultation on Public Financial Guidance.

We responded to the previous consultation on this subject and we are pleased the Treasury has taken on board many of our thoughts. This response draws on much of the evidence previously submitted.

1. Are there any specific guidance gaps in the current pensions guidance offering that you think the new body should fill?

We have no comment on this question.

2. Are there any pension-related topics that shouldn't be included in the remit of the new pensions body?

We have no comment on this question.

3. Will these objectives focus the activities of the new money guidance body sufficiently to allow it to improve consumer outcomes?

We agree with the Government that insufficiently well-defined statutory objectives and unclear accountability have limited what the Money Advice Service (MAS) has been able to achieve. In debt advice, MAS has often struggled due to a mismatch between its statutory objectives and its powers. MAS has an objective to co-ordinate the debt advice sector but it cannot compel market participants to act, except by setting conditions on grants it provides. This limits both who it can influence and what it can influence. Mainly it can only meet goals by consensus. At the same time MAS has never had a clear steer on where its primary accountability lies (for example, is it accountable to people who need debt advice, providers of debt advice, or funders?). MAS have often been in the position of trying to reach consensus between these constituencies, and this has often meant slow progress and confused accountability.

It is key therefore that the new body has a clearer remit, a narrow focus on commissioning and managing commissioned services, and a clear primary accountability.

We accept the proposed objectives for the new money guidance body should ensure it operates more efficiently than MAS. They are more coherent and imply a specific set of tools (a commissioning process) to achieve a specific set of goals (filling gaps in the market).

However, we think the proposed objectives could be more specific on some points.

- The new body should set expectations in commissioning and evaluate against these expectation. However, it should avoid engaging in regulatory or “self-regulatory” activities (dictating standards that overlap with existing regulations) outside of this. It must fully respect the existing responsibilities of the organisations it funds, including the trustees of independent charities and the Directors and proprietors of companies. The new body should not begin to “control” the organisations it funds but not having other organisations in a similar sector.
- It needs a duty to consider the costs and benefits of new proposals and to identify the costs and benefits to creditors, debt advice providers and clients.
- While it should consult with all stakeholders, the new body should have the interests of consumers at its heart and have a clear primary accountability to the public interest. Members of the board should pursue these interests, not sectoral or organisational priorities.
- Projects relating to the infrastructure of the sector, or the relationships between different bodies, should generally be initiated by market participants (creditors and debt advisers, with appropriate stakeholder input) and should not fall within the “gaps” that the new body aims to fill. Here we mean projects like MAS’s common initial assessment and the Standard Financial Statement. Where the new body identifies a potential need, it should have to consult on the need, and the market’s potential to meet it, before proceeding to tender for services.

A full debate is needed on the statutory duties and objectives of the new body, which will presumably follow when the Government confirms the delivery model in its final response to the review in the autumn. The fit between the new body’s statutory objectives and the objectives of other bodies needs to be fully understood¹. It will be important to map the changes that need to be made to the remits of other bodies to fill any gaps created by the disappearance of MAS and create a coherent framework overall. One example of this is the responsibility for ensuring the consistent quality of debt advice. If there is appetite for standards and certification for individuals or organisations, then the structure needs to be fitted around the Financial Conduct Authority (FCA) regulatory regime, as is the case for professional qualifications in other areas of financial services.

4. What role do you think the new money guidance body should have in providing research?

There is finite resource within debt advice organisations to commission research. Therefore it would be useful for the new body to have a research function, either

¹ In particular the Financial Conduct Authority (FCA), Financial Ombudsman (FOS), the Competition and Markets Authority (CMA), HM Treasury and the Department for Work and Pensions (DWP)

commissioning research from others or funding research being carried out by sector organisations.

It is important that any commissioned research does not duplicate existing work as it is wasteful for multiple bodies to research the same topics. Therefore the new body must ensure it engages with sector organisations when commissioning research projects. Research spending needs to be subject to close governance, ensuring there is a prioritised plan which is consulted on.

The scope of research should be primarily to support the commissioning function (including the monitoring of services already commissioned).

5. Would limiting providers of debt advice to FCA authorised firms rule out any types of provider?

It might be helpful to distinguish between:

- Cases where a service is tendered for that requires an activity which is an FCA regulated activity (e.g. debt advice)
- Tenders for other types of service

Limiting tenders for debt advice services to providers that are FCA authorised firms would rule some out. Certain providers are exempt from authorisation and regulation, including Government, local authorities, some journalist-driven website providers, and insolvency practitioners (in respect of particular activities).

We do not believe these providers should be stopped from tendering for services, especially in partnership. Partnerships between organisations with different skills and knowledge should be encouraged to provide the best-designed high quality services.

We agree the new body should only support agencies who meet certain standards but it should be cautious about setting overly restrictive entry criteria, for example prescriptive MI.

The question is how the quality of provision should be ensured. We would expect the tenders to incorporate appropriate and effective standards. This would also help ensure regulated providers are not left at a disadvantage in tendering exercises. It would also help with this if reporting and auditing requirements were aligned with FCA practices, to ensure equivalent obligations on regulated and non-regulated bidders.

6. How could the new money guidance body work with the debt advice providers most effectively to ensure that their expertise is captured and informs contract design?

Overall decisions should be taken by boards and committees comprised of funders and providers (though acting in the public interest).

In addition, there is existing self-governance within the sector itself. The three main debt advice charities (Money Advice Trust, Citizens Advice and StepChange Debt Charity) together provide a well-functioning ecosystem of provision and we are working together to ensure a seamless journey between our services.

It is crucial the new body should seek to work with this group to ensure the most effective and efficient debt advice provision. The new body needs to move away from the idea it should have a controlling or coordinating role within the sector and concentrate more on consulting with established organisations and groups on commissioning and managing.

The new body should have a duty to consult on how it plans to fill identified gaps. This might be at the level of an annual plan, but also at the level of individual commissioning exercises (at least major ones). This would enable:

- Capturing new developments, partnerships and changes in the market which might be starting to address identified gaps
- The body understand issues relating to hand-offs above a certain value, to clarify needs, ensure all the necessary hand-offs are delivered, and that correct outcomes are monitored

7. How do organisations currently monitor outcomes? Do you have any suggestions for the outcomes which should be monitored?

Sector work on outcome measures and monitoring continues to evolve, especially since the arrival of FCA regulation. FCA rules mean that organisations within the sector judge outcomes against multiple regulatory factors, including the need to Treat Customers Fairly (TCF)².

The new body will need to consult the sector to ensure different approaches to monitoring outcomes are understood and FCA expectations taken into account.

There are areas the new body may wish to consider when developing its own outcome measures. Core outcomes can be built into the commissioning process. These include medium and long term outcomes. For example:

- Reasonable medium term outcomes from debt advice might include that individuals are able to act upon advice, understand their debt solution and live to a sustainable budget.
- Reasonable longer-term outcomes may include becoming free from problem debt and developing increased resilience, including the ability to plan for the expected and unexpected.

² https://www.the-fca.org.uk/fair-treatment-customers?field_fcasf_sector=unset&field_fcasf_page_category=unset

Research questions can be designed to collect data which enables assessment to what degree outcomes have been achieved. The questions set (particularly at the early stage of the client debt journey) should be concise and simple. It may be that different dashboards of outcomes are appropriate for different types of service.

8. How could “hand off” arrangements be most effectively built into contracts?

The new body does not necessarily have to specify any general way for hand-offs to be built into contracts. Commissioning arrangements that allow respondents flexibility in hand offs may be the best way to achieve innovation and efficiency. MAS have done this in important aspects of debt advice to achieve channel shift – the tender for advice providers in Northern Ireland, for instance, specified a national telephone partner was expected to be necessary to meet the need.

The new body should not be prescriptive. Instead it must create a commissioning environment that allows sector bodies to leverage their expertise to offer the best service to the public. Tendering process should encourage bidders to seek the best partners and work to ensure the most effective hand offs.

The new body also may not necessarily operate exclusively via contracts. MAS often operates via grant agreements

However, if the new body wants a framework for how hand-offs may work best, the guiding principle should be to make transfers between organisations as easy, immediate and automatic as possible from the client’s point of view, balanced with appropriate transparency and consent. The advice partnership we currently operate with MacMillan Cancer Support illustrates a successful arrangement:

- The arrangement commences when a MacMillan advisor identifies a client as suitable to refer to StepChange Debt Charity
- The MacMillan adviser then offers to refer the client to StepChange Debt Charity informing the client that StepChange Debt Charity is completely independent of Macmillan Cancer Support
- If the client wants to speak to StepChange Debt Charity, the MacMillan adviser completes an email template with the client’s details and sends this directly to the StepChange Debt Charity Advocacy Team.
- A StepChange Debt Charity Advocacy Team adviser then contacts the client from the referral information and can offer either;
 - A ‘One call does it all’ advice session taking the client from registration right through to advice.
 - An appointment at a suitable time/date for the client. A client can select to have a further appointment at any time during a call if it’s more beneficial for them to have the advice session in parts.

Similarly, our partnership work with the Samaritans show the way in which debt advice organisations can refer onwards to other specialist advice:

- The process starts when StepChange Debt Charity receives a call into our helpline and a client is identified as emotionally distressed
- The client is asked whether they would like to speak to the Samaritans
- If they would like to speak to the Samaritans the client is given the option to either a) be transferred immediately to the Samaritans, b) be given the Samaritans' telephone number, or c) have the Samaritans call them
- If the client wishes the Samaritans to contact them, the StepChange Debt Charity advisor establishes if they would like an immediate call back and then contacts the Samaritans with the relevant details

9. How should the new money guidance body seek to understand the gaps in the provision of money guidance?

The new body can understand the gaps in the provision of money guidance by analysing how different families access and use money guidance. It can then work with providers to get advice to the right people at the right time.

We believe money guidance supports financial resilience when it focuses on:

- Appropriate budgeting
- Saving
- Prudent borrowing
- Seeking advice quickly
- Acting on advice to resolve a debt situation

Our experience also indicates that money guidance may be best offered at a “teachable moment”, where, for example, somebody might have a product need or has experienced a life event. Therefore the Government may wish to consider bringing money guidance ideas closer to the point of sale, so that guidance is signposted, but with a clear separation from the sale itself.

10. Is the planned focus on local and digital financial capability raising projects the right one?

We believe a focus on digital financial capability projects may often be a cost-efficient delivery option. From our own experience operating across channels, we estimate that the direct cost of giving online advice is approximately one fifth of the cost of doing so over the phone.

However, while some projects may be amenable to digital delivery; others might not. Therefore digital should not be a default; the focus should be on need and innovative delivery.

While technology provides new opportunities it also presents new challenges. For example, people are taking peer to peer advice on social media and online forums. This is plugging some of the advice gap, but without quality control. The new body should embrace this activity, not seek to squash it, but ensure it does not cause detriment.

11. What should be included in the partnership agreement between the two bodies, and how could hand-offs best be specified?

In any arrangement of agencies, there is a balance to strike between subject and market expertise, and the inter-connected needs of consumers' lives. There are arguments for and against having a separate body looking after pensions and retirement advice, just as there are arguments for and against keeping certain aspects of pensions regulation separate within FCA and TPR.

If the Government confirms its proposed two-body structure, then cross governance between the two bodies and an ability to inform one another's gap analyses and commission joint services (or add requirements to one another's tenders) should be effective. Within this, maximum flexibility to put together the right tender proposals is key to creating services that meet complex human needs.

As we have emphasised above, referring clients between services is situation specific. Somebody struggling with utility arrears will need to be handled differently than somebody with pressing mental health issues. What is crucial, rather than specifying how hand offs must happen in every circumstance, is putting in place an environment where individuals receive the most appropriate help when they need it. Consultation with the wider sector will be necessary on an ongoing basis to ensure this.

12. Do you have any other comments on the proposed model?

We assume the two new bodies will need a number of binding Memorandums of Understanding (MoUs) with each other and with others (regulators, Government etc.) in order to operate most effectively. We hope relevant sector organisations will have the opportunity to comment on these MoUs.

13. Would these proposals have any impact on delivery of public financial guidance in Scotland, Wales and Northern Ireland?

14. What kind of tools and products do consumers most often use or ask about?

The free debt advice sector has sought to provide additional information and services online by investing in websites and digital services. At StepChange Debt Charity our key tools are:

- *Debt Remedy*

- Provides free, anonymous debt advice online
- On average, it takes a client approximately 25 minutes to complete the online journey and over 70% of clients go through the full process in one session
- In 2015 we had 234,577 unique users of our Debt Remedy tool – a 66% rise in five years
- *Our 60-second debt test*
 - Our 60-second debt test uses research from the University of Bristol on the ‘danger signs of debt’ to underpin a simple five-question online test. By making the user realise that day-to-day financial difficulties are actually warning signs of a larger debt problem, it aims to nudge the user into getting further help from us.
- *Wellbeing³*
 - Website visitors are invited to respond to a series of standard screening questions relating to their general mental wellbeing
 - The answers to these questions allow participants to be assessed and grouped into one of four categories: ‘none’, ‘mild’, ‘moderate’ and ‘severe’
 - Participants are then provided with advice based on their category, which could include a referral to their GP or a referral to online CBT (Australian National University, E-couch)

Many of the most visited pages of our website concern details of different debt solutions; this indicates there is a significant demand for impartial information on such solutions.

Two of our 15 most visited pages hold tools regarding self-employment issues and benefits eligibility, so we would suggest to HMT these are also areas where online tools will need to be provided.

15. Which content on the MAS website is most useful for consumers?

The Government does need an “official” website with a signposting function that informs end users of impartial sources for advice (whether for debt, pension or money advice).

Currently <https://www.gov.uk/pay-off-debts> signposts to MAS and given the power of the gov.uk presence online, this may become the key signposting page. However,

³ Wellbeing was launched in December 2010 and was designed and established with the help of recognised mental health experts and organisations

this page doesn't take the user's emotional state into account, especially at the point they will visit (during a debt crisis), and as such can be confusing to the end user. An indebted person could be worried that the triage point is held on a Government website and we believe the current "pay-off" emphasis of the webpage could be off-putting to some consumers mired in unaffordable debt.

We are also concerned that some of the tools on the existing Gov.uk site are underdeveloped and may be confusing, even misleading, for users. In particular the recently launched online debt management tool appears to offer what may be seen as advice on the best (or only) debt solutions for them, when the information it asks of users seems too little to support such a conclusion.

In the long-term this will undercut any faith the public may have in a government offering. In addition it acts as a competitor to a successful service which already exists, undercutting a key aim of the government's re-imagining of the personal financial guidance landscape.

It's conceivable that the gov.uk site could be updated and expanded to feature additional 'advice' content on debt or support the triaging of clients to debt advice providers, some of which could be adapted from existing content on the MAS website

Gov.uk could work with the existing MAS on advice content, redirects and the triage arrangement, this could result in additional 'debt advice' content on gov.uk. A significant number of MAS web links would be redirected to these pages and the gov.uk debt advice page.

An alternative could be a minimalist consumer website signposting to funded and non-funded services. This would need to be independent of service providers to ensure impartiality.

16 Which content on the MAS website is it necessary to maintain because it is not provided elsewhere?

We are concerned that the loss of the consumer facing website will result in a loss of several useful debt and money management digital tools. This is not only because the website itself will not exist, several other websites have MAS tools that are hosted on the MAS web servers. Closure of these web servers will result in these tools also disappearing.

For example, the NHS website hosts a 'debt and health' tool provided by MAS on <http://www.nhs.uk/Tools/Pages/Money-worries.aspx>. The MAS tool isn't hosted on the NHS website, but is instead pulled in from the MAS web servers - when the MAS web servers are shut the NHS will therefore have a gap in their money worries webpage.

One remedy to this may be to consult with the main free debt advice providers to ensure the most useful tools are hosted on all their websites and via these providers to other partners. We have experience in providing hosted tools for use by third parties (e.g. <http://www.morrisontrust.org.uk/index.php/60-second-debit-check/>) and have the scalable infrastructure to underpin the continued availability of the MAS debt tools.