BANKRUPTCY AND DEBT ADVICE (SCOTLAND) BILL: FINANCIAL MEMORANDUM

Dear Murdo,

The Finance Committee issued a call for evidence on the Bankruptcy and Debt Advice (Scotland) Bill’s Financial Memorandum (FM) on 2 July 2013 giving a deadline of 23 August for responses. A total of eleven responses were received and these are attached.

One recurring theme to arise in the written evidence relates to the provision which will require a debtor to access money advice from an approved money adviser prior to applying for any form of statutory debt relief. The FM states that only around 6 - 8% of such applications are currently made without the debtor having accessed such advice. For that reason it predicts that any resultant increase in demand for such services will be “manageable”.

However, several respondents question this assumption with COSLA, for example, stating that the FM “may be significantly understating the potential costs to local authorities and their partner providers of giving compulsory advice to debtors”.

Similarly, Dundee City Council stated—
“Additional money advice services will be required due to already oversubscribed services and an increase in both numbers and complexity of the long term money advice cases being referred to agencies.”

A number of respondents also suggested that many of the figures and assumptions contained in the FM may be subject to change in the future as a result of external factors including the general economic climate and reforms to the welfare system.

In its submission StepChange Debt Charity questioned the decision to make the use of a single Scottish Common Financial Tool (CFT) mandatory for all money advisers, stating that it was puzzled as to why more than one tool could not be used in parallel. It also drew attention to the costs it expected to incur as a result of having to train its staff and make changes to its IT systems in order to accommodate a single CFT. These costs do not appear to be included in the FM.

StepChange also pointed out that the Bill would restrict eligibility for the Minimal Asset Process meaning that greater numbers of debtors would be subject to a “full administration process”. It predicted that this would lead to increased costs falling on the public purse.

Your committee may wish to consider the above information along with the attached submissions in advance of its further evidence sessions with Scottish Government officials and the Cabinet Secretary for Finance, Employment and Sustainable Growth.

Yours sincerely,

Kenneth Gibson MSP, Convener