About us
The Money Advice Service is an independent organisation. We give free, unbiased money advice online at moneyadviceservice.org.uk, over the phone on 0300 500 5000, and face-to-face across the UK.

The Service was set up by the UK Government and is paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority.

Our statutory objectives are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system); and to enhance the ability of members of the public to manage their own financial affairs.

The Service has an independent Chairman and board appointed by the Financial Conduct Authority. The Service was previously called the Consumer Financial Education Body (CFEB).

We are responding to this consultation in light of our statutory role to work with partners across the UK to increase the availability, quality and consistency of debt advice as well as our wider role to ensure that consumers are well informed and empowered to take action across the existing and emerging retail financial services marketplace.

Executive summary
The Money Advice Service broadly supports the proposals for reform contained within the Bankruptcy and Debt Advice (Scotland) Bill.

In particular we support appropriate integration of financial education into the insolvency process, the requirement to receive advice from an approved money adviser and the changes proposed around publication of data.

We believe the principles behind a consistent assessment of income and expenditure are sound and would recommend that strong consideration is given to an approach that is aligned across the UK.

We believe it is important that during the evidence gathering process the Committee makes an appraisal of the implications of the transfer of responsibility for the regulation of consumer credit lending and debt advice provision from the Office of Fair Trading to the Financial Conduct Authority.

Response

Introduction
Since April 2012 the Money Advice Service has been responsible under statute for working with partners to improve the availability, quality and consistency of debt
advice services across the UK. We operate under a legislative consent motion in Scotland and the focus of our debt advice work is a partnership with the Scottish Government to fund advice to prevent homelessness. This programme is run on behalf of the Scottish Government and us by the Scottish Legal Aid Board. We spend approximately £2.7 million on debt advice related work in Scotland each year – the bulk of which funds direct delivery of services to over-indebted people.

We have discussed various aspects of the Bill with officials from the Accountant in Bankruptcy (AiB), the Scottish Government and the Scottish Legal Aid Board. We have also taken part in a recent consultation event facilitated by Money Advice Scotland. We are pleased to have the opportunity to respond to the Committee’s call for evidence and have limited our comments to areas within our scope.

Financial education
The Money Advice Service strongly supports the inclusion of financial education into the statutory debt relief processes in Scotland.

Last year we seconded a member of staff to the AiB to undertake work on this issue and we had previously conducted research in England on how best to integrate financial education into the insolvency processes administered by the Insolvency Service. We shared this research with the AiB and would be happy to share it with the Committee.

While only a minority of over-indebted people will have got into financial difficulties owing to poor money management there is an inherent complexity about the insolvency process - and in particular its completion – that will be unfamiliar to most people. Similarly different types of insolvency will have different long-term consequences and so explaining to people how best to go about the essential work of financial rehabilitation would be a welcome addition to the formal processes.

Our earlier research indicated that the timing of such educational interventions is crucial and our wider research on financial capability has shown that it is as important to focus on people’s attitudes to money as it is to share particular pieces of information.

We would be happy to work with the AiB and the Scottish Government as they prepare the regulations required to bring section 2 of the Bill into reality.

Approved advisers
High quality advice is crucial to arriving at the best outcome for the client so we support the principle that before entering a formal solution that a client should receive advice from an approved adviser. We would expect that a view would be reached on the impact this may have on the ability of over-indebted people to access advice should there be an insufficient number of advisers available in a particular part of the country. We also consider it important that clients continue to have the choice of being able to access free advice across all channels of delivery when this requirement is introduced.
Publication
We welcome the amendment proposed in section 21 of the Bill to provide the AiB with the discretion to omit certain details from the register of insolvencies if inclusion could put an individual’s safety at risk. The possibility of publication of data will have prevented some people, particularly those who have experienced domestic abuse, from entering insolvency when it was the appropriate option so we believe this provision will support increased access when appropriate.

Similarly we believe the changes made to remove the requirement to publish details in the Edinburgh Gazette will assist in reducing the stigma that can prevent people accessing insolvency when it may be the most appropriate option for them.

Common financial tool
One of our statutory functions is to work with partners to improve the consistency of debt advice delivery and a key way to deliver improvement in this area is for a standard approach to be taken to measuring a client’s income, expenditure, assets and liabilities. We have initiated work with partners in the advice sector and welcome efforts to bring consistency via the legislative route.

We have shared our thinking with the AiB and would recommend that it would be in the best interests of over-indebted people that a consistent approach to such measurement be taken across the UK. It would be appropriate too that when assessments of means are being made by local authorities, the Courts or housing associations that the same tool is used. Otherwise there is a risk that different creditors make respond in a way that undermines the solution that is most appropriate for the client.