General view on the Bill
I believe that some of the changes being made are regressive and unnecessary while others will have a positive impact. Unfortunately, due to the changes introduced as regards education and the new common financial tool I am unable to declare my support.

I took part in the consultation but I do not believe that my views have been reflected.

Proposal for mandatory money advice
I believe that the proposal itself is positive. However, I am concerned at the lack of safeguarding in place. This proposal still does not tackle the frequent mis-advising of clients by elements of the fee-charging sector who often recommend ordinary debt management plans even though a more suitable but less profitable solution exists. Often we have seen clients who are already in debt payment plans (DPP) being targeted by fee-payers who initially propose a trust deed but when this is found to be unsuitable they place them in debt management plans or they advise clients that the debt management plan they are going into fulfils the same function as a DPP. This only provides credence to the concern that the profit motive in the fee-charging sector has the potential, and in many cases does, distort the advice given.

Proposals for financial education
While I appreciate the value of financial education, the bill is still quite vague when defining who will be required to undertake a course. At present one of the conditions is where the trustee considers it “appropriate” and this requires further clarity. One trigger is that the client has previously accessed debt relief or debt arrangement scheme (DAS) in the 5 years prior to sequestration but more often than not sequestration results after previous access to an alternative debt relief/management product due to a change in circumstances rather than as a result of financial fecklessness. If the purpose of the Bill is to make the legislation fit for the 21st century then it is crucially important that we bear in mind the fragility of the jobs market and the continuing impact of welfare reform. This means that people do not have the security of being able to expect their situation to remain stable over the three year period of the average trust deed. It also means that financial capability is often not the solution as many people are being left without enough money to pay for their essential needs (rent, council tax, gas, electric, food) and no amount of budgeting advice will resolve their situation. Until we lift people out of absolute poverty, people will continue to be forced to take on debts that they cannot afford just to be able to feed themselves or heat their homes.

Proposal for a new common financial tool (CFT)
I do not believe that a new financial tool is needed or wanted. Indeed, the responses to this question on the consultation were inconclusive with 59 for and 54 against. This will still leave the money advice sector having to use two different sets of figures as for people who need a debt management plan but cannot pay their debts in a
reasonable period of time or who anticipate a future negative change to their financial circumstances (and so cannot go into a DPP) we will still be expected to use the Common Financial Statement (CFS) figures as recommended by the OFT guidance which may soon become regulations with the formation of the FCA. In explaining this proposal it is claimed that the CFS figures is widely accepted as too generous but I have never heard this from the money advice sector and given that these are the figures recommended by the British Bankers Association it seems that they currently provide a common ground between money advisers and creditors. The CFS figures currently state that an individual should budget £88 a month for travel whereas for those in work a monthly train ticket or transport pass often costs more than this. The phone figure is £40 a month to cover mobile and landline which means many have to choose between a phone or a mobile which has consequences for budgeting as due to cultural norms most now find a mobile more important to them but call costs are often higher due to the increase in companies using premium rate numbers.

The explanation for this proposal also states that currently the most expensive satellite TV package can be included in someone’s expenditure. This is a very judgemental statement which I take issue with as I believe the point of a financial tool is to advise how much is acceptable to spend rather than what it is acceptable to spend money on. Would a leisure budget of £20 a week, allowing an individual to socialise once a week perhaps, be acceptable? As this would be £86.67 a month which is more than the most expensive Sky TV contract currently. Many clients with low incomes or low disposable incomes have satellite or cable packages as their only leisure interest as it is more cost effective. This expense does comes within the other category in the CFS which includes gifts, dentists bills, meals at work, hobbies, vet bills, postage, hairdressing and other items. The total allowed for a single person is £161 so if an individual chooses to pay more for a satellite TV package then they have to spend less on the other items.

I am very uneasy at the prospect of individual’s personal choices on how to spend their money being put under the microscope. I also am unsure why the period of 48 months has been chosen for repayments when previously the average has always been 36 months. As previously explained I have concerns that this would expect a stability of income which unfortunately most now do not have. I would be even more concerned if during this 48 months if the new common financial tool is to use more restrictive figures than the CFS as the point of any arrangement should be that it is sustainable and this means leaving people with enough money to save for emergencies, Christmases, birthdays, repairs, days out with children, etc. By taking too punitive an approach we risk pushing more children into poverty. Clarity is also required over whether disability benefits will be included and if so what allowances will be made for disability related expenditure. This urgently needs to be clarified if the purpose is to ensure debtors know precisely what they will be expected to contribute before applying.

If the figures for the new common financial tool are set too low then access to bankruptcy will be restricted rather than improved as many debtors are financially capable enough to know they will not be able to sustain slashes to their budget for 4 years. As the Poverty Alliance’s recent briefing on Welfare Reform and Financial
Exclusion in Scotland states “for people on low incomes, the consequences of unplanned expenditure as a result of emergencies or due to increases in prices can cause severe hardship” therefore it is essential that room is left in the budget limits set by the new common financial tool to allow debtors to cope with the current financial climate where benefits and wages are not keeping up with inflation and also often are not enough to prevent families having to turn to foodbanks. For these debtors when a crisis hits they simply cannot be expected to cope unless they have been given the chance to build a savings pot (if they are even in a position to do this). Perhaps a suggestion for the common financial tool would be to take cognisance of the Joseph Rowntree Foundation’s nationally set minimum income standard which this year at £200 a week after rent, council tax, and childcare. With the introduction of personal bankruptcy restriction it seems it will be even more necessary that the CFT allows people to be able to save as their access to credit will be restricted.

**Proposal for bankruptcy where debtor has few assets**

Again I am concerned at which debtors the Common Financial Tool will identify as not having to pay a contribution. It also appears to make bankruptcy more restrictive by setting an upper limit of £10,000. If someone has no disposable income but has debts of over £10,000 what are they expected to do? For example, someone who in work may have debts of over £10,000 which is manageable. But if they then become too sick to work they will not be able to afford a contribution to a bankruptcy, trust deed or das and will face having these debts hanging over them for the rest of their lives. Few creditors now agree to write off debts in these circumstances so all a money adviser will be able to offer them is a never-ending token payment plan. Furthermore, many of the credit products available to low income people have four figure rates of interest so that a small amount of debt can quickly climb above £10,000 but again they will be left with no credible solution to their situation. It also does little to resolve the issue of clients with negative equity in their properties and no disposable income, a client group that we are seeing more and more of due to the current financial climate.