Thank you for your email of 29 June 2018 seeking a copy of our submission made to the AiB’s consultation on the regulations and what charity’s position is now that they have been laid.

The charity welcomes this opportunity to comment on the regulations. The charity supports the general principal that a recognised tool be used to determine sustainable contributions. We have been pleased to support the development of the Standard Financial Statement (SFS) to date and continue to do so through our on-going participation on the SFS Governance Board.

We support these regulations which introduce the SFS in Scotland as the common financial tool. We acknowledge that there have been some concerns raised by the advice sector in Scotland about the using SFS. Like many other organisations, as part of the impact and assessment of the SFS, the charity completed testing of our client cases by transferring them into SFS cases. Although, we did see differences these were not sufficient to cause us any concerns.

Although we support the introduction of the regulations, we have serious concerns about the lack of time to actually physically amend our systems, guidance material and to train our advisors by the go-live date of 29 October 2018. This is especially concerning as the Committee is only considering the instrument on the 18 September 2018. Like other organisations, we thought that we would have at least six months to organise for the implementation. As a result the charity has had to invest in making the system changes on the belief that the legislation will be approved.

I have attached a copy of our response to the AiB, for your information.
Future of the Common Financial Tool Consultation Response 2017

Charity Response
Background

StepChange Debt Charity Scotland is an independent charity dedicated to overcoming problem debt. We are Scotland’s largest provider of specialist telephone and online debt advice, with solutions that are effective, tailored and importantly free. Across the UK, the charity now help over 600,000 people a year, with more than two million helped since our creation 25 years ago. In 2016 we managed over £4.1 billion worth of debt and helped clients repay almost £350 million to creditors, local authorities and government. We have also quadrupled our team of debt advisors in Glasgow, who are dedicated to helping more Scots improve their lives. During 2016 we provided telephone debt advice to 6,993 Scottish clients, almost 27% more than the previous year. In addition, we have dedicated teams of advisors supporting our clients with their applications under the Debt Arrangement Scheme and bankruptcy.

Income and Expenditure Calculation

The charity supports the general principal that a recognised tool be used to determine sustainable contributions. StepChange Debt Charity has a nationally recognised budgeting tool which is well respected and received by creditors. Our tool is also used by numerous other organisations to determine their clients’ contributions. Since the introduction of the Common Financial Tool (CFT) in Scotland in 2015, our advisors have been using the Common Financial Statement (CFS) for determining Scottish clients’ income and expenditure. For these clients we also record against our own tool.

Analysis

We have been pleased to support the development of the Standard Financial Statement (SFS) to date and our on-going participation on the SFS Governance Board. Like many other organisations, as part of the impact and assessment of the SFS, the charity completed testing of our client cases by transferring them into SFS cases. We undertook a high-level mapping of 1,000 cases using our own budget guideline figures against the new SFS figures. Of these, approximately 10% of cases within certain household compositions breached SFS guidelines. However, this is consistent with the thresholds that the charity would typically apply when setting our own budget guidelines.

In addition, we compared over 50 Scottish client budgets; comparing the CFS and the SFS guideline figures. Again we noted around 10% of these cases ‘breached’ the SFS guidelines. We also noted that there was ‘expenditure shift’ between categories which resulted in the guidelines being breached. Clients would be asked to provide additional information or evidence to demonstrate this expenditure.

We believe the issue is not whether budget tools differ; it is whether creditors trust the approaches of the organisations using them. As has been shown over the previous 25 years both creditors and insolvency practitioners (IPs) have faith in our counselling and budgeting tool. Our own budgeting tool, CFS and the SFS all use different ‘trigger’ figures, these figures are not allowances but are used by money advisors as prompts as part of their discussions with our clients to clarify their expenditure and to ensure that they have a sustainable budget. The money advisors add notes and explanations to the client’s budget where they breach the guidelines. Creditors normally accept reasonable additional expenditure over these guidelines when there is an explanation. In fact, in our experience, creditors are more accepting of the explanation than some officials in the AiB. This may be because, unlike the AiB, they must comply with the Financial Conduct Authority rules and treating the customer fairly.
CONSULTATION QUESTIONS

QUESTIONS

1. Do you agree that the Standard Financial Statement (SFS) should be adopted in Scotland as the new Common Financial Tool?

   Yes ☑  No ☐  Don’t know ☐

If you answered ‘No’ to Q1 - please go to Q3

2. If introduced, should the SFS be used in the review of existing contributions which were not originally determined using the SFS?

   Yes ☑  No ☐

If you answered ‘No’ to Q2, what would be the appropriate method for reviewing the contribution amount?

   Answer: __________________________________________________________

Please now go to Q5

3. For what reason(s) do you believe the SFS is not the appropriate tool for all Scottish statutory debt management and debt relief solutions?

   Please provide information and any evidence that supports your reason(s).

   Answer: __________________________________________________________

4. What do you consider an appropriate method for determining a debtor’s contribution for a Scottish statutory debt management and debt relief solution?

   Please provide information and any evidence that supports this and detail who you consider should manage and fund this process.

   Answer: _________________________________________________________
5. If the SFS is to be introduced from 1 April 2018, will you be able to make any required changes to your IT and other operating systems, in time to use the SFS from this date?

Yes ☒ No ☐

If you answered ‘No’ to Q5, how long after 1 April 2018 do you believe you will be ready to use the SFS?

Up to 3 months ☐ 3 to 6 months ☐ a longer period (Please specify) ☐