

T: 0300 244 4000
E: scottish.ministers@gov.scot

Daniel Johnson MSP
Convener
Economy and Fair Work Committee

By email:
economyandfairwork.committee@parliament.scot

14 November 2025

Dear Convener

Update on the consultation on diligence and the draft Mental Health Moratorium Regulations

Further to my letter of 6 May 2025, I am writing to provide you with an update on the work we have undertaken in preparation for the development of a consultation on diligence. I will also take this opportunity to acknowledge your letter of 30 October 2025 and provide you with an update you on where we are with the draft Mental Health Moratorium Regulations.

Consultation on Diligence

I took the decision to extend the consultation further, to look at improving other areas of diligence such as protecting funds derived from social security benefits in bank arrestments and implementing Information Disclosure Orders (IDO). Since I last wrote to you, officials at Accountant in Bankruptcy have had ongoing discussions with stakeholders including sheriff officers, the banks and the Scottish Courts and Tribunal Service to gain their insight and gather evidence on the proposals that will be consulted on. These discussions have highlighted some issues that will require further investigation as outlined in the following paragraphs.

There is work being undertaken by the Scottish Government in the debt recovery space that could impact on some of the areas I have proposed to consult on. A joint working group with COSLA has been established to consider council tax reform and part of this work is to introduce a data-sharing pilot scheme between HMRC and local authorities. The aim of this scheme is to furnish councils with the information they need to improve debt collection practices. This will invariably help local authorities to better identify vulnerable debtors and aid in distinguishing between those who choose not to pay, and those that cannot afford to pay. The findings of this pilot may show that a more targeted approach reduces the number of bank arrestments, and the need for information disclosure orders, thereby reducing the

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

impact on those who are struggling with debt. This will be relevant to the development of changes to diligence on which we propose to consult.

I have committed to consult on the protected minimum amount and the bandings used to calculate earnings arrestments which I still very much intend to do. However, given the concerns about unintended impacts previously expressed by local authority stakeholders, I think it is important to first assess and fully understand the impact of the changes made in April by the Diligence Against Earnings (Variation) (Scotland) Regulations 2024 before consulting.

As I am sure you can appreciate, diligence is complex which makes it difficult to anticipate the impact changes might have, and I want to ensure that any proposals we consult on do not have unintended consequences elsewhere. I also want to avoid solutions that make administration overly complex or unwieldy for stakeholders. Taking all of this into consideration, it unfortunately means that I cannot proceed with the public consultation this year, as indicated in my previous correspondence. I accept this will be disappointing but please be assured of my commitment to consult on these important issues when we have all the information required to allow us to obtain the most value from the consultation.

The draft Mental Health Moratorium Regulations

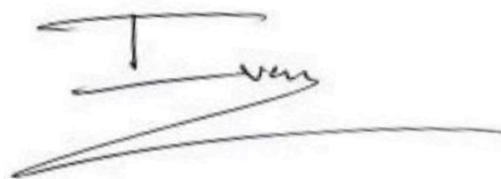
As you mentioned, the analysis of the responses to the consultation on the draft regulations was published in July 2025. The analysis shows clear support for the proposed process for the Mental Health Moratorium. However, there remain a number of areas where key stakeholders are not aligned, and which accordingly require further consideration and discussion. A series of meetings has therefore been undertaken with stakeholders from various sectors to try to identify solutions to the issues that have been raised. Subsequent to the conclusion of this engagement, the draft regulations will be reviewed and where possible, amendments made.

As a result of this work, the timescale for laying the draft regulations has been delayed and I do not expect them to be laid in this session. I apologise for this but consider it to be essential that this important policy has as much support as possible from the various stakeholders who will be vital to its success. I therefore think that taking this additional time to listen to and work closely with those stakeholders to try to achieve that consensus, prior to laying the regulations, will lead to a better end product and will ensure that the Mental Health Moratorium has the full support of all those who will be working with it on the ground. We will of course continue to make all efforts to progress this work as swiftly as possible.

In conclusion

Again, I apologise for the delay and understand this is not the update you would have hoped for. I will of course keep the Committee updated on our progress.

Yours sincerely



IVAN McKEE

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot