

Cabinet Secretary for Social Justice, Housing and
Local Government
Rùnaire a' Chaibineit airson Ceartas Sòisealta, Taigheadas,
agus Riaghladh Ionadail
Shona Robison BPA/MSP



Scottish Government
Riaghaltas na h-Alba
gov.scot

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

Neil Gray MSP
Convener, Social Justice and Social Security Committee
The Scottish Parliament
Edinburgh
EH99 1SP
sjss.committee@parliament.scot

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Dear Convener,

Thank you for your letter of 16 December 2021 setting out the evidence shared with the Social Justice and Social Security Committee from a number of frontline workers, debt advisers and people with lived experience of problem debt.

I am grateful to the Committee for gathering this vital evidence, and also to our mutual stakeholders and, of course, to the people who shared their experiences. This is never an easy thing to do but it is vital we hear of lived experience which often forms the most powerful evidence for change. As can be seen from this and other evidence, problem debt is not experienced in a universal way, but affects individuals and families differently. It is clear, however, that families living in poverty are adversely affected by compound inequalities – reduced incomes, higher living costs, and the unequal impact of the pandemic to name only a few.

Advice services play a critical role across Scotland's communities in helping people to understand their rights and to seek solutions in a range of areas such as money and debt, housing and homelessness, social security and consumer issues. This is even more important as we begin to recover from the Covid pandemic. Our commitment to continue investment in advice services, including in free debt advice, forms a key action to improve financial security for low income households in our [Covid Recovery Strategy: for a fairer future](#), published in October.

The Strategy outlines our plans to invest £10 million in this Parliament to increase accessibility to advice services in a range of places. This includes our plan to place welfare rights advisors in up to 150 GP surgeries in some of our most deprived areas, providing support to many who have never accessed traditional advice services before. This service began in October 2021 and, working with local partners, we are close to implementing the remaining agreements to reach this commitment. Building on that, we aim

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to increase that access to advice, focusing on the priority families from the Tackling Child Poverty Delivery Plan.

In addition, our [second Benefit Take-up Strategy](#) sets out how we will work with key partners to ensure people are aware of, and enabled to access, the financial support that they are eligible for and entitled to. The strategy places increased focus on cross-government and cross-system working, in particular where areas of civic life can come together to tackle poverty and maximise incomes, and therefore reduce debt that may be built up. We want to ensure everyone gets all the financial support available to them by removing social barriers to accessing Scottish social security benefits and other available support. The strategy sets out our work to date on understanding these barriers, and outlines the interventions we are implementing to overcome them.

I will say more on these below in my response, which is grouped by themes as set out in your letter.

Social stigma of debt problems

Debt stigma is a complex, multi-faceted cultural issue which the Scottish Government recognises. Debt is a necessary aspect of our economy which many people and families use to make necessary purchases or indeed to own their home. However, problem debt, most often caused by changes of circumstance outwith the control of the debtor, can carry significant stigma.

In 2021-22, the Scottish Government is investing £7.4 million in free debt advice services – which provide impartial advice to people at no cost to the client. These services are available through multiple channels – face to face, over the phone, or online – and vary in intensity depending on each individual’s personal circumstances and needs. People can be assured that providers of free debt advice consider privacy of utmost importance.

As part of this investment, as we moved into winter and the traditional peak demand period for debt advice in January and February we allocated funding to increase the capacity and reach of existing services. We are prioritising frontline advice services, so that those most in need, particularly those facing problem debt, are able to access support when it is needed.

We also fund wider advice services such as the Money Talk Team service, delivered by Citizens Advice Scotland and the network of Bureaux in Scotland. Since the service began in November 2018 it has supported over 44,000 clients across Scotland. It has put almost £38 million into the pockets of more than 18,000 clients – averaging just over £2,000 per client.

Obtaining good advice can help to remove the stigma associated with problem debt. That was one of the drivers of the Scottish Government making it a pre-requisite of accessing all statutory debt solutions. Ultimately, for some people bankruptcy is the best solution and while a big step, can help to alleviate the burden and stress they have been experiencing.

In addition, the issue of stigma was also identified as a barrier to accessing debt and financial support in the research that informed the Scottish Government’s Financial Support campaign which launched on 29 November 2021. To that end, the strategy for this campaign, and the creatives that flow from that, seek to break down the stigma by showing

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how people are not alone in having financial worries and that, in fact, these thoughts are shared by many.

Our Benefit Take-up Strategy, described above, also identifies stigma is one of the key barriers to accessing Scottish benefits. As well as setting out how we have worked with stakeholders and those with lived experience to understand, address and remove the factors which are driving stigma, our commitment to further targeted work to challenge stigma is one of the key strategic initiatives to maximise take-up outlined within the document.

Digital exclusion

The Scottish Government's approach to debt advice funding focuses on the potential value of digital tools to improve advice-giving while acknowledging the importance of, and continuing to fund, face-to-face advice provision for those people who want or need it. It should be noted that investment in digital approaches – including online “face to face” video provision – has the potential to expand the reach of advice services towards previously unmet need. The Scottish Government does not believe this investment should be at the expense of traditional face to face advice provision, but we must not be afraid to embrace new ways of working and adapt to different demand from people seeking advice.

During the Covid pandemic, we have continually supported advice services to adapt and continue operation in different ways, for example supporting Citizens Advice Scotland with £100,000 start-up investment in its new national helpline. We also granted more than £700,000 for Citizens Advice Bureaux to support safe delivery of in-person face to face advice when that was possible. More widely, in both 2020-21 and 2021-22, we granted additional in-year funding to front-line debt advice services delivered face to face, over the phone and online. By allocating this additional funding within the financial year, we made best use of resources and ensured advice agencies had capacity to deal with unexpected changes to demand.

In terms of digital exclusion more generally, the Scottish Government is also taking action. Connecting Scotland is a Scottish Government initiative which is one of the most comprehensive national programmes aimed at tackling digital exclusion in the world, unmatched elsewhere in the UK. In total, the Scottish Government has committed over £48 million to Connecting Scotland and we have met our target of bringing 60,000 people online. We are now working to scope out an extension to the programme to reach 300,000 people by the end of this Parliament.

Support was focused initially on those on low incomes most at risk in the Covid crisis, for example people shielding and the clinically vulnerable. Now as we focus on Covid recovery, the programme is focussing on people who are digitally excluded due to low income and most likely to experience additional disadvantage.

The programme is part of our wider package of support to help everyone in Scotland benefit fully from the advantages of the digital world – from broadband connectivity to digital skills training to support for business to exploit the opportunities of doing business online. Our ambition is to have the most digitally active citizens in the world.

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Signposting to free debt advice

Much of the evidence here in terms of regulation of the debt management industry relates to the responsibilities of the UK Government. The Scottish Government works closely with the UK Government and its agencies, in particular the Money and Pensions Service and the Financial Conduct Authority (FCA), to ensure Scottish-specific considerations are recognised and accommodated.

On signposting specifically, as part of the Scottish Government's new Financial Support campaign launched on 29 November, we recognised that there is a wide range of helpful advice and information available across a number of providers and stakeholders. However we also identified a need to develop a first port of call that could hold this information and then signpost back out to the appropriate partner for a specific need. A new website, moneysupport.scot, has therefore been developed to support people to navigate their way through the support available. This campaign will have a specific focus on signposting to free debt advice starting in January 2022, with TV adverts and increased poster campaigns.

In addition, the Scottish Government maintains mygov.scot, which provides extensive information about how to access public services in Scotland. The Money and Pensions Service also hosts its [MoneyHelper](https://moneyhelper.org.uk) site which outlines the support available in Scotland for problem debt, alongside wider advice and self-help resources.

More widely, the Scottish Government wants advice to become more accessible and joined-up and thus reduce the requirement for signposting and referral. That is why we are investing £2.9 million over the next two years to place dedicated welfare rights advisers in 150 GP practices in Scotland's most deprived areas, as described above. These practices will refer patients directly to an in-house welfare rights officer for advice on debt resolution, increasing income, social security eligibility housing, and employability issues as well as helping with representation at tribunals.

Outreach and partnership have long been priorities for the advice sector and we know, learning from pilots such as Maximise in Edinburgh, that with concerted effort and collaboration, great outcomes can be achieved for families. These models, based in education, health and other accessible settings, provide vital income maximisation advice but also include handovers to wider support networks which will help families to address the multiple issues affecting their lives.

Mental health and problem debt

We understand that many people across Scotland will experience financial hardship as a result of the economic downturn. This is linked to heightened stress and is a risk factor in relation to suicide. In our [Mental Health Transition and Recovery Plan](#) we committed to further develop a response for those whose mental health has been affected by issues relating to debt, working closely with a range of advice organisations, including Citizens Advice Scotland, to better understand and tackle these issues.

We also know that the Covid pandemic has had a particular impact on the mental health and wellbeing of those who are unemployed, or face the risk of redundancy, as well as those in work who may have experienced increased levels of stress, anxiety and depression as a result of the pandemic. As a priority action within the Mental Health Transition and Recovery

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Plan, we are engaging with Public Health Scotland to enhance the mental health and wellbeing support for those facing redundancy through the Partnership Action for Continuing Employment (PACE) programme.

In August 2018, the Scottish Government published its new Suicide Prevention Action Plan [Every Life Matters](#). This sets out ten measures to reduce the rate of suicide in Scotland by 20% by 2022, from a 2017 baseline. To implement the plan, the Scottish Government set up a National Suicide Prevention Leadership Group (NSPLG). Membership of the group includes representatives of the third sector, NHS, local authorities, COSLA, criminal justice sector, clinicians, and most importantly, people with lived experience. Further information on the NSPLG webpage, including the action plan, annual reports and other documents, is available on the [Scottish Government website](#).

The group issued its [third Annual Report](#) in September 2021. This outlines important recommendations to identify key areas that should be taken forward towards the vision of our suicide prevention action plan.

Childcare

In the face of the pandemic, working together, the Scottish Government, local government and local delivery partners have delivered our commitment to provide access to up to 1,140 hours of funded early learning and childcare (ELC) to all eligible children in Scotland. Up to 130,000 children are expected to benefit this year. As part of this offer, all children attending a funded ELC session will be eligible for a free meal (which can be delivered as breakfast, lunch or dinner). In addition to the free meal provision in funded ELC settings, on 1 August 2021, we launched the Scottish Milk and Healthy Snack Scheme, which allows all preschool children attending a registered eligible setting to receive a funded portion of milk (or specified non-dairy alternative) and a healthy snack, for each day they spend 2 hours or more in childcare.

For older children, the Scottish Government is now providing local authorities with funding to offer universal free school lunches during school term-time to all children in primaries 1 to 5, and we are fully committed to rolling out the provision of universal free school lunches to all children in primary and special schools during the lifetime of the current parliamentary session. In addition to this will be also be developing a new Scottish School Milk Scheme, which will replace the previous EU School Milk Subsidy Scheme. This will be a fully funded free school milk scheme covering all children of primary school age, and will also be introducing a pilot School Milk Scheme for secondary-age pupils at the same time.

As part of the Programme for Government, we have committed to building a system of wraparound school age childcare by the end of this Parliament, offering care before and after school and in the holidays, and supporting parents – particularly on low incomes – to have secure and stable employment. Those on the lowest incomes will pay nothing, and others will make fair and affordable contributions. We have also committed to expanding our early learning offer to all one and two-year-olds, starting with those from low-income families within this Parliament.

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Child poverty

We are fully committed to delivering on our national mission to tackle child poverty and to working with our partners to deliver the change needed. We recognise the importance of the affordability and availability of childcare, not only as an essential household cost facing many families, but also in enabling parents to access employment, training and learning. This is a key part of the wider services which need to wrap around families in order to improve their outcomes and enable them to move out of poverty.

Our next Tackling Child Poverty Delivery Plan, to be published by the end of March, will set out how we will work across Scotland to tackle and reduce poverty – setting a critical path to the ambitious child poverty targets set.

There is a role for UK Government in this to make sure that families in Scotland receive the support they are entitled to through reserved benefits, including for childcare costs and through 'tax free childcare'. The Department for Work and Pensions has no published approach to promoting reserved benefits or supporting people to access the money which they are due. We have called on the UK Government a number of times to take a more active role in the promotion of reserved benefits. On 12 November 2020 we joined Welsh and Northern Irish Ministers in sending a joint letter to the Secretary of State for Work and Pensions, urging a more strategic approach to maximising the take-up of reserved benefits. To date no response has been received.

Statutory debt solutions

The Scottish Government has a range of statutory debt solutions to help those in financial difficulty. A requirement to seek advice prior to entering a statutory debt solution helps to make sure that each person enters a debt solution that is best for their individual circumstances.

The Scottish Government has been proactive in this area to respond to the Covid pandemic. For example, our statutory solutions include the moratorium period which provides breathing space to seek that advice and decide how best to deal with the debts. This protection period has been temporarily extended from 6 weeks to 6 months. In addition, the level of debt enabling a creditor to pursue bankruptcy through the courts has also been temporarily increased from £3,000 to £10,000 – this provides additional protection for those experiencing issues. We have consulted on options for permanent arrangements when the temporary provisions expire and intend to bring forward proposals which will strengthen the protections available for those struggling with debts on a permanent basis.

Other reforms introduced at the end of March 2021 have reduced the cost of access to bankruptcy where advice has highlighted it as the right mechanism to resolve debt issues. All of the access costs have been reduced with fees removed completely for the most financially vulnerable.

A review of statutory debt solutions is currently underway. This is stakeholder-led, with working groups established in April 2021 to examine the current system. The report and recommendations from these working groups are currently being finalised for consideration by Scottish Ministers. Please note that the portfolio responsibility for statutory debt solutions lies with my colleague, the Minister for Business, Trade, Tourism and Enterprise.

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This review is considering the complex issue of debt levels within Protected Trust Deeds (PTDs), which has been the subject of considerable debate amongst stakeholder groups. The Scottish Government has already acted on some of the Economy, Energy and Fair Work Committee's report and recommendations on the practices adopted in relation to PTDs. A voluntary protocol has now been developed and Insolvency Practitioners acting in the vast majority of PTDs has signed up to this. This protocol includes a commitment for Insolvency Practitioners to accept referrals from only FCA approved lead generators and additional measures to improve the operation of PTDs.

We have also been working closely with the UK Government which has reserved powers in relation to the regulation of insolvency practitioners and the FCA to improve performance and remove unscrupulous practice in the area of PTDs.

To conclude, I remain grateful to the Committee for its work in gathering this evidence, and would be happy to expand on the Scottish Government's response through attendance at Committee, if invited.

Yours sincerely,



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