

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

Gordon Lindhurst MSP,
Convener,
Economy, Energy and Fair Work Committee
Scottish Parliament

Via email:
economyenergyandfairwork@parliament.scot

28 January 2021

Dear Convener,

General Review of Debt Solutions

I wrote to the Committee in October 2020 to set out my plans to take forward a general review of statutory debt solutions in Scotland and I am pleased to provide an update on the progress being made on this work.

I convened a meeting of my Working Group on Statutory Debt Solutions on 26 October 2020 and members reached consensus that it would be sensible to adopt a 3 stage approach to this review. This includes the following work-streams:

- Stage 1 – focusing on immediate priorities to be taken forward in this parliamentary session that will help address short-term consequences of the COVID-19 pandemic.
- Stage 2 - wider review aimed at developing recommendations for existing statutory debt solutions in the current year aimed at providing recommendations to the incoming Government. This will be taken forward through dedicated stakeholder working groups and officials are in the process of establishing these. These groups will pick up on a range of issues including the Committee's recommendations on Protected Trust Deeds and the consultation on 2015 bankruptcy reforms which concluded shortly before the out-break of the pandemic.
- Stage 3 – longer term strategic review to assess if the existing solutions meet the needs of a modern economy.

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

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

Stakeholders were very clear that Stage 1 work was necessary and should concentrate on the important issues that need to be addressed in response to the COVID-19 pandemic. Although the financial consequences of the pandemic have not yet materialised fully through increasing personal insolvency numbers, it is important that plans are made for future increases and that the system is as accessible and efficient as possible – particularly for the most financially vulnerable.

This stage of the review has concluded and the recommendations are that some of the bankruptcy measures introduced through the Coronavirus (Scotland) (No.2) Act 2020 are appropriate to introduce through bankruptcy legislation and place on permanent footing. These measures aim to:

- Reduce bankruptcy application fees for debtors. Primarily, the reduction of the full administration fee to £150 and the Minimal Asset Process fee to £50;
- Remove bankruptcy application fees for those individuals in receipt of prescribed benefits;
- Increase the debt threshold for entering a Minimal Asset Process bankruptcy from £17,000 to £25,000;
- Remove student loans from the debt threshold calculation in accessing Minimal Asset Process bankruptcy;
- Allowing the electronic signature of bankruptcy forms; and
- Increasing the length of time for a trustee to submit an initial proposal for the Debtor's Contribution Order from 6 weeks to 12 weeks.

I support these recommendations. They include measures that improve access to debt relief for those that need it and include some important reforms that streamline the processes involved. They are particularly relevant as a response to the COVID pandemic where it is clear that issues of unsustainable debt will be felt for some considerable time to come. They are also positive reforms to introduce for the longer term.

I am pleased to follow up on the Stage 1 review and today I will introduce draft Regulations that aim to enact each of these provisions.

Finally, I would like to draw the Committee's attention to two other initiatives that have stemmed from our stakeholder discussions last year. These have looked at non-statutory areas that can provide greater flexibility and improvements in the delivery of our statutory debt solutions.

The first of these includes the introduction of new guidance relating to the Debt Arrangement Scheme (DAS) that seeks to make access to the scheme possible for those experiencing short-term financial challenges during these very uncertain times. This guidance has been developed through participation of stakeholders, including money advisers and creditors. This introduces the prospect of "low and grow" DAS proposals and more information on this can be found on the [AiB website](#).

The second area of work again relates to non-legislative measures that can, at least in part, address some of the Committee's recommendations on Protected Trust Deeds through guidance and good practice. Very good progress is being made in this area and we will soon be in a position to publish additional guidance. I highlighted this work in my letter to the Committee of 26 October and I will of course be happy to share further detail on this in due course.

I hope this is helpful and would be pleased to answer any questions the Committee have on these issues or indeed my letters of October 2020.



JAMIE HEPBURN

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

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

