OFFICIAL REPORT
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Economy, Energy and Fair Work Committee

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Pàrlamaid na h-Alba

Session 5

Tuesday 28 January 2020

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ECONOMY, ENERGY AND FAIR WORK COMMITTEE
3rd Meeting 2020, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Richard Lyle (Uddingston and Bellshill) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Anna Hamilton (Citizens Advice Edinburgh)
Mike Holmyard (Citizens Advice Scotland)
Lee Kilgallon (City of Edinburgh Council)
Ross Kirkland (Energy Saving Trust)
Scott Mathieson (Scottish Power)
Bob Russell (Falkirk Council)
Neil Swanson (Electric Vehicle Association Scotland)
Stephen Vere (Scottish Futures Trust)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Energy and Fair Work Committee

Tuesday 28 January 2020

[The Convener opened the meeting at 10:02]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the third meeting in 2020 of the Economy, Energy and Fair Work Committee.

Agenda item 1 is to make a decision on whether to take items 4 and 5 in private. Does the committee agree to take those items in private?

Members *indicated agreement.*

Energy Inquiry

10:02

The Convener: Agenda item 2 is our energy inquiry. We have four witnesses with us today to give evidence. Neil Swanson is the director of the Electric Vehicle Association Scotland, Scott Mathieson is the network planning and regulation director for Scottish Power Energy Networks, Stephen Vere is the programme director of low carbon for the Scottish Futures Trust, and Ross Kirkland is the senior programme manager of technical projects for the Energy Saving Trust. Welcome, and thank you for coming in.

Before coming to questions from other committee members, I will ask a few questions about distribution networks. Whose responsibility is it to ensure that distribution networks are fit for purpose? What upgrades do we need? Who will do that?

Scott Mathieson (Scottish Power): As the network's representative, it is incumbent on me to respond. We believe that it is our responsibility to prepare the network for the future—not just in relation to transport, but in relation to the coming changes in the heat system.

We are proud to be working with the Scottish Government in particular. A key document exists in Scotland that does not exist at Great Britain level. The document, "A vision for Scotland's electricity and gas networks", sets out the need for much more integrated planning across the transport, heat and network vectors to realise our zero-carbon targets.

However, we cannot do that on our own. Ultimately, we are a regulated monopoly. That is appropriate, because the business within which we operate is a natural monopoly and the consumer must be protected at all times. However, it is very important that our regulator, the Office of Gas and Electricity Markets, comes on the journey with us in order that we can achieve the goals of policy makers, including on electrification of transport.

The framework must incorporate—and recognise—the need for anticipatory investment. On the scale of the change on our networks that lies ahead, in line with the Scottish Government's target, there will by 2032 be as many as 1 million electric vehicles on the roads of Scotland. To put that into perspective, if all those vehicles simultaneously used smart charging when the market was at its cheapest price, that would be more than double Scotland's winter-peak demand on the electricity system.

There are huge savings to be made by operating a smarter network and by changing people's behaviour—how they utilise vehicles and when they charge them—but there is a fundamental need for investment, particularly in the distribution system, to support electrification of transport. We are pushing very hard with our regulator for that in relation to the coming price-control framework—that is, electricity distribution 2, or ED2—which will begin to take effect in 2023. We think that that is too late and we are pushing very hard with the regulator on the need to recognise changes in the regulatory framework now.

The Convener: If everyone suddenly had an electric vehicle and charged it overnight, could the grid cope?

Scott Mathieson: That is clearly a hypothetical proposition. We do not want to be a barrier to people realising their ambition to own an electric vehicle, so we would look at behaviour change and when people use the electricity system in order that we could move demand around in time.

We often hear the proposition that price signals are very important in relation to behaviour change. We have to remember that use of the electricity distribution system costs the consumer 35p a day. It is very difficult to make significant and material price changes that would change people's behaviour.

At the moment, if a person who applies for a connection for a charger wants two chargers, the approach to connection charging means that the consumer would recognise the difference in the cost of connection. There is no doubt that some things need to change in relation to charging, but those changes will not cause a big behavioural change.

If everybody had an electric vehicle tomorrow and switched on a charger that was linked to the grid, the distribution system in particular would definitely struggle. However, there would also be benefits for the grid. I point out that Neil Swanson, as well as representing the Electric Vehicle Association Scotland, is a transmission engineer. In Scotland, we have an abundance of generation, and congestion is one of the big issues that we have in transmission, so higher demand from electric vehicles would reduce the constraints on the transmission system.

The answer is not straightforward. There is no doubt that the distribution system, in particular the low-voltage system, would face challenges, but benefits would be realised across the integrated transmission and distribution systems by increased demand.

Stephen Vere (Scottish Futures Trust): You asked whose responsibility it is to ensure that the network is fit for purpose. Scott Mathieson gave the broad answer that it is the responsibility of the Scottish and United Kingdom Governments, Ofgem and industry. It is the responsibility of all of us.

I point the committee to the Infrastructure Commission for Scotland's report that came out last week, which highlights that we cannot look at electric vehicles and the grid in isolation. We also need to look at heat: the report said that we must consider heat along with surface transport generally when looking at the grid, because electric vehicles are just a small part of the load. For example, the Royal Society of Edinburgh's report suggests that electric vehicle uptake could increase peak demand on the grid by 50 per cent, but other reports take a different view. For example, a KPMG report on heat suggests that if all domestic and commercial heat was electrified, peak demand on the grid would increase by 145 per cent. Heat is a big issue. In many ways, it is a bigger issue than electric vehicles, but we must look at both aspects together.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I have a daft laddie question. Why can electric vehicles not be self-charging?

Neil Swanson (Electric Vehicle Association Scotland): That goes back to high school physics: energy has to come from somewhere.

Colin Beattie: Does energy not come from wheels turning?

Neil Swanson: Yes, but what makes the wheels turn? There has to be a source of motive power. If a vehicle is coasting down a hill, kinetic energy can be recovered, but it is necessary to have put energy in to get it up the hill. There was an original source of power—it must come from somewhere. There is no such thing as free energy.

Colin Beattie: So, the answer is that electric vehicles cannot be self-charging.

Neil Swanson: That is right.

Colin Beattie: I will need to go back to the drawing board.

I have a question for Scott Mathieson. According to Scottish Power's submission,

> "successfully delivering Scotland's net zero target will require more collaborative and creative approaches from Ofgem, industry and government alike."

What might those more collaborative and creative approaches look like?

Scott Mathieson: The approach needs integrated planning, which must involve central Government and local authorities.

Colin Beattie: Is there any sign of that?

Scott Mathieson: Yes; I am encouraged by what is happening, and I was going to mention an example. We are working with Transport Scotland on a project with two local authorities—which I cannot name at the moment—with a view to ensuring that we can provide public charging infrastructure in those authority areas. That will result in an increase of about 25 per cent in the number of chargers that are registered with ChargePlace Scotland Ltd, which is not immaterial; the councils in question are big authorities.

We are looking at transport planning alongside grid planning. As well as looking at the types of vehicles on the road and the journeys that they will make, from domestic to commercial, we want to make sure that there is clear public access, including for consumers who live in multi-occupancy dwellings and who struggle with off-street parking. The advantage of working with the transport planners and local authorities is that we can align provision of access with grid capacity and ensure that we minimise the costs of grid reinforcement for delivering that. There is clear evidence that integrated planning is taking place.

Stephen Vere raised a good point: the heat vector must also be picked up. We do not want to lay cables in the streets multiple times; we need to think about heat and transport together.

There are good examples. I mentioned "A vision for Scotland's electricity and gas networks", which is a very important document, and is unique in the UK. I wish that we could get the same from the Department for Business, Energy and Industrial Strategy. That document recognises that networks have an extremely important role to play in supporting our transport and heat ambitions.

Last week, I attended a networks leadership group, which included representatives of consumers, National Grid, the transmission system and both the Scottish distribution businesses—Scottish Power and Scottish and Southern Electricity Networks. It is vital that we bring people together in that discussion, as well as having actual integrated system planning across transport and networks.

Colin Beattie: Are you happy that that is heading in the right direction, at the moment?

Scott Mathieson: I think that a small step has been taken, but I would like the pace to pick up. If we look at the economic projections for electric transport, we can see that it will become more economical to purchase electric vehicles in the next two to four years. We believe that, if we are to realise the ambition and the required rate of change, the pace needs to pick up significantly. The party that is coming to the table a wee bit late is Ofgem, which has a role to play in facilitating the change that we are talking about.

Colin Beattie: Why is that?

Scott Mathieson: There is a great deal of uncertainty. As Stephen Vere touched on, this is an area in which policy makers could provide greater clarity. At the moment, no statutory instrument is being put in place for the regulator. Scotland is a leading powerhouse in the growth of renewables; we have decarbonised our energy system, ahead of heat and transport in a way that has not been done anywhere else on the globe. It is a real achievement that we are leading in that area. One of the reasons is that statutory direction was given to the regulator about its role and responsibility in delivering the future energy system on the power supply, or generation, side. We need the same to happen on the demand side for transport and heat.

Colin Beattie: My next question leads on logically from what you have said. What would a regulatory framework that was fit for purpose look like?

Scott Mathieson: First and foremost, the consumer must always be protected against uncertainty. The debate about stranded assets often comes up, but I have yet to see a stranded asset in Scotland or the UK. I see assets that are heavily congested, despite the rate of investment in infrastructure that we have delivered.

When I started in our business, we had in Scotland 850MW of transfer, or export, capability on our transmission system. We are now sitting at 6,600MW of transfer capability, and we still have congestion on the system.

10:15

The regulator must therefore move beyond the stranded assets. Better planning should provide better certainty. We hope that the regulator will work with us on that, in order to protect the consumer. An anticipatory investment mechanism is required, examples of which exist for transmission, but they have not been extended to electrification of transport. There is a meeting—

Colin Beattie: I am sorry to interrupt. From what you are saying, you seem to expect that Ofgem will take the lead on driving that, from a regulatory point of view. I am not sure that that is evident.

Scott Mathieson: I expect Ofgem to be a partner. We do not think that it, uniquely, has the solution. In renewables in general, the industry has worked with the regulator on what the solution and the framework should look like. There are good examples, especially in the renewables world, that have, through anticipatory investment mechanisms, facilitated renewable generation. One such example in the distribution system, which was called the distribution generation incentive mechanism, allowed businesses to build, ahead of need, for supply and production of energy on the distribution system. However, at the moment, nothing similar exists in the demand side of transport and heat.

The Convener: I will bring in Stephen Vere, then Richard Lyle has a brief question.

Stephen Vere: A few questions have been asked. On collaboration, I point out that it is important that, when infrastructure is being planned, we understand at that stage its likely cost and the cost drivers. For example, if it is intended that electric vehicle charging points will be rolled out, it is important to understand the cost of their connection to the grid. If there are options to put charging points in different places, it is essential to know how much each option will cost, because that will inform the decision on where they should be put.

One of the current challenges is that, understandably, there is a requirement on distribution network operators to treat everyone equally. However, that means that, at the planning stage, a local authority might find it difficult to get key information on costs and drivers, or the process might be slower. As Scott Mathieson mentioned, what is required instead is for the strategic partnership to work with the distribution network operators in a collaborative and iterative process, so that everyone can understand the costs and make informed decisions based on them.

My other point is in response to the question on responsibility. It is the responsibility not only of Ofgem but of all the UK and devolved Governments to work collaboratively. The problem cannot be solved by one organisation alone.

Richard Lyle (Uddingston and Bellshill) (SNP): I have a question for Scott Mathieson, on charging points and parking. I am also a member of the Rural Economy and Connectivity Committee, at which I have for many years advocated that new homes—regardless of whether they are being built privately or by councils—should have charging points installed during construction. In tenemental properties in Glasgow, Edinburgh and elsewhere we are going to have a problem with people who want to charge their cars hanging charging leads out of their windows. How will we solve that?

Scott Mathieson: We have to tackle it. Multi-occupancy dwellings are one of our biggest challenges. We need public charging infrastructure. Another reason for our having chosen to work with the two local authorities that we have chosen is that we recognise that such properties present a major challenge that the grid will have to face.

We set out with a target of 90 or so sites being required in those two geographic locations. Through grid and transport planning, we have been able to cut that down to about 45 to 50 sites. They include a range of chargers from 22kW to 50kW, which allows us to match them against grid capacity, to see where such capacity can be delivered efficiently and quickly.

Richard Lyle: I know that we are up against time, but I will just ask this quickly. If you go along any street in Glasgow—Duke Street, for example—or any street in Edinburgh, you see cars parked nose to tail. There might be 40 cars on an average street, so we will need 40 chargers, will we not? If not, what will we need?

Scott Mathieson: We do not necessarily need 40 chargers. We need to look at the capacity and capability of the chargers, but we also need to consider hard behavioural change. One of the key things that we need to look at is how we ensure that people do not hog the chargers and that they are reused by people on those streets.

One of the big challenges for urban environments, in particular, is reducing the level of congestion on our streets. It is as important for me that everybody has universal access, not just those who own a car. Let us not ignore those who rely on our transport system. The issue is not just about the cars that are parked on the streets.

Two weeks ago, we delivered to the Caledonia depot the first electric bus in the Glasgow area. There are 365 buses using that depot, which is right in the heart of the Gorbals. The first bus route that we delivered goes through Possil and Springburn, which are among the poorest and most deprived areas in the city, so it will be an important public transport artery in those local economies. Those 365 buses will require anything between 100kW and 280kW chargers, which will create 8MW to 16MW of demand on a network that currently has 2MW of demand. We can deliver the capacity for that bus depot to operate, but not without an anticipatory investment mechanism in place.

I draw your attention to the Infrastructure Commission for Scotland's key findings report, "A blueprint for Scotland", which Stephen Vere referred to. It said that, by 2021, the Scottish and United Kingdom Governments should develop an appropriately devolved regulatory framework—one that does not just go at the average pace of the UK but really recognises Scotland's ambition. That is an important point, as we are running ahead of other parts of the UK. The report also says:

> "By 2022, the Scottish Government, local authorities, regulators and industry should work together to establish ... incentivisation mechanisms and a route map for the transition to net zero".

That concept of integration in our planning is vital, as is the need for the regulatory frameworks to move at pace.

The electric vehicle energy task force highlighted the urgent need for the Government and Ofgem to

> "facilitate effective ... planning and coordination of the rollout of EV and electricity network infrastructure at a national and local level".

The type of work that we are doing with the two local authorities that I mentioned is unique in the UK; no other network operator is doing it. We are doing it for the UK in conjunction with colleagues at Scottish and Southern Electricity Networks. We are dealing with not just the urban issues but the e-tourism issues. If we look at Portree, we see that its population can treble or quadruple in summer. People will also need access to charging infrastructure in island and rural environments. That is vital for our economy as a whole.

Ross Kirkland (Energy Saving Trust): I totally agree with Scott Mathieson and Stephen Vere that heat and transport need to be considered together. I would just add that, in my experience, communications networks go hand in hand with those things, as they need to be co-ordinated and able to communicate with each other.

On the collaboration theme, the Energy Saving Trust is working with 11 local authorities throughout Scotland, from Dumfries and Galloway in the south to Orkney and Shetland in the north, on the shared issues of how much public infrastructure is required to meet the needs of different groups, such as those who do not have access to off-street parking of their own. We understand that DNO costs for upgrades or potential upgrades are a vital aspect that we need to consider, and we are open to engaging with DNOs and are trying to do so at the moment. We all agree that there has to be a collaborative approach.

Stephen Vere: Scott Mathieson made a good point about buses, and I thought that it would be appropriate to say that, when we are considering public charging infrastructure, we should also consider what I would call the transport hierarchy. I know that the committee is looking at local energy and electric vehicles today, but we should consider electric vehicles in the wider context of more sustainable travel options such as walking, cycling and public transport.

Neil Swanson: We support that point about the transport hierarchy. When we are looking forward at where such vehicles will be charged, we should remember that, in the next 10 to 20 years, we will see the growth of autonomous vehicles, which could reduce the need for ownership in tenemented apartments. That type of vehicle will impact on what we install and how we manage charging. It will be another game changer. To go back to anticipatory investment, we need to think about how we manage that. If people have fewer cars but they are driving themselves around, we need to consider how and where we charge those vehicles. The same will apply to buses.

Colin Beattie: I have one final question. Have Ofgem and the UK Government indicated that they want the forthcoming price control framework to deliver the transition to net zero?

Scott Mathieson: Ofgem has certainly recognised that in its recent consultation documents. We had to write to Ofgem to say that the 2045 target, which is legislatively important in Scotland, needs to be recognised as well as the 2050 target across GB as a whole. We serve Merseyside and North Wales as well as Scotland, and the metro mayor in Merseyside has a different set of targets for that area. The problem is that waiting for the next price control will leave until 2023 decisions that need to be taken now. We are therefore arguing that Ofgem needs to respond in the interim, during the current price control, rather than wait for the next one, which will take effect on 1 April 2023.

I believe that, in the next month or two, a statement is due from Ofgem about its commitment to net zero—I think that the chief executive officers of the DNOs are being briefed today, so I will find out what has been said when I return to the office. Ofgem has certainly recognised the issue. In the last quarter of last year, we saw a big change, but I expect more changes.

Andy Wightman (Lothian) (Green): I have questions about the charging network. I presume that the answer to the question about who is responsible for that network is similar to the answer to the question about who is in charge of grid upgrades, in that it is sort of everybody, so I will take that as read unless anyone has a different view.

The roll-out of the charging network has been variable. Dundee City Council, for example, has been praised for its infrastructure, but that of cities such as Edinburgh is poor. How do we ensure that a consistent and reliable network is developed across the country?

Neil Swanson: One issue is that we need some sort of coherent guidance for local authorities. The Government is providing them with funding through Transport Scotland, but there is not enough direction on how to assess the issue—

they are very much left to their own devices. Dundee City Council has a particular model for dealing with air quality issues in the volcanic bowl. That is specific to Dundee. East Lothian Council has taken a different approach, which it is supporting individual communities to drive forward. It is also engaging with companies to do geospatial assessment of who can and cannot charge at home, which it will use as the basis to model its infrastructure roll-out.

There is no set framework for councils to work with—they are very much on their own. We can offer them advice as drivers, based on what we see when we are using the network, but it is difficult for us to offer local authorities a clear evidence base without some framework to drive that.

Andy Wightman: Are you saying that Transport Scotland is providing funding to local authorities without providing any guidance as to how it should be used?

Neil Swanson: Ross Kirkland is probably better placed than I am to answer that.

Ross Kirkland: I am involved in the switched on towns and cities programme, which works on feasibility studies and is designed to provide local authorities with expert resource to look at the issues. It is perhaps not good to use a broad-brush approach, as there will be regional variations that need to be taken into consideration. However, there are certain skills and methods that we can help local authorities with so that the approach is largely similar. We are now in the second year of feasibility studies, and there is potential for a third round next year. By then, we should have provided local authorities with the tools to develop their own processes.

10:30

Stephen Vere: It is worth putting the issue in perspective. Scotland should give itself some credit. In November 2019, the Department for Transport released a table of charging points per 100,000 of the population. Scotland came second, with London coming first. Scotland had 32 charging points per 100,000, London had 49, and Yorkshire and Humber were at the bottom of the table, with 12. However, we cannot be complacent. A lot needs to be done.

Right now, the public charging infrastructure is largely delivered by local authorities, which, like all government, including central Government, have budgetary challenges and limited resources, so the development of charging points definitely needs to be prioritised. However, as Ross Kirkland said, expertise and resource are also needed to future proof the charging network for the growth in electric vehicles.

Scott Mathieson: To add to Stephen Vere's point, it is important that we recognise the good work that Transport Scotland has done, in particular through ChargePlace Scotland. The statistics show that Scotland is leading across the UK in that respect. We serve Merseyside and North Wales, and we can see a distinct difference in charging infrastructure between the territory that we serve south of the border and Scotland. I mentioned the PACE—public access charging for EVs—project, which we are working on with local authorities.

Andy Wightman: Is that the strategic partnership?

Scott Mathieson: It is, and it is called PACE. It is designed to improve the distribution across the network, which we want to be accessible by all, including those in multi-occupancy dwellings and small commercial industrial players. We are trying to complement the resources that local authorities have for planning, and both our colleagues have identified an important point: a lot of the responsibility for this work sits with the local authorities. If 22 local authorities are trying to increase the number of charging points, how do we co-ordinate that in a sensible way at the national level? Equally, how do we make sure that they are supported and equipped and able to resource up to deal with the coming change?

Neil Swanson: My point partly reiterates what Scott Mathieson said. We have been approached by local authorities who are encountering the same problem. They are developing a large asset base, and it is only sensible that the free charging that has been a draw-down on their revenue is coming to an end. However, at the moment, that work is usually done by local authority staff as an extra function, not as their day job. It should not be an extra function, but a dedicated full-time job, as a dedicated person is required to drive it. Local authorities cannot meet that revenue cost. The development of the charging network is not being driven in a way that they can properly support at the required level. We have the assets, but the support within local authorities to maintain and promote those assets is a different challenge and one that we might need to step up to more.

Jamie Halcro Johnston (Highlands and Islands) (Con): You have talked about the hogging of charging points, but also about London and Scotland having a high level of them. Do you have any figures for the percentage of time for which charging points are used? I imagine that although London might have more charging points, its charging points will be a lot busier.

Neil Swanson: That is a challenge. Dundee has the biggest functional charging hub in Scotland, and its utilisation sits at about 10 per cent, which is an interestingly small number, although the situation will have changed since that figure came out last year. With the chargers, that facility is using less than half the available capacity of the substation, which was sized for it. There is a learning curve there.

Charger usage will vary from place to place. On the electric A9, the chargers are fairly busy, but if you travel down to the Borders and drive up to a single charger point, you can be comfortable that nobody will be using it, because the infrastructure is not quite giving people the necessary confidence. That is coming, and it is coming fast.

Jamie Halcro Johnston: Is an estimate available of the per-mile cost for the infrastructure? You mentioned the A9, which is the planned electric highway, and there are other roads, such as the A96, that are being upgraded. It is not just a question of putting in the charging points; the space needs to be provided for them.

Neil Swanson: Transport Scotland or EST might be able to provide a figure, but I am not aware of one. If the charging points are put in, people will stop and charge. We want them not just to sit in their cars but to engage with the local community. If they only buy a packet of Polos, that is still a win, and the opportunity is there to get them to do more and to explore the local area. When it comes to what we want to do, it is quite a mixed bag.

Jamie Halcro Johnston: Apple recently said that it was going to change the Lightning charger and lots of people were stung with Betamax. Are we at risk of investing heavily in the infrastructure and the current charging technology, only to find that the technology in 10 or 20 years' time is different and better?

Neil Swanson: No. The current standard—the type 2 charger—is now mandated for all European manufactured vehicles, and most imported vehicles come with it for alternating current charging. There are two standards for direct current charging, both of which are covered by the European standard. The bulk of European manufacturers use the combined charging system. China and Japan maintain CHAdeMO, but the majority of cars will go with CCS.

There might be changes with things such as inductive charging; members might have seen the trial for taxis in Nottingham that was announced a couple of weeks ago. Inductive charging has been going in Norway for a wee while, and East Lothian Council is looking at that type of thing. That deals with a specific set of problems, but it adds a cost to the vehicle. Companies such as Connected Kerb are looking at the use of 5G networks with charging. However, the basic connective charging process is not likely to shift.

Gordon MacDonald (Edinburgh Pentlands) (SNP): We have talked about upgrading the grid and the need for a lot more charging points. Does anyone have a ballpark figure of how much they will cost?

Stephen Vere: I do not have a figure, but last year the UK Committee on Climate Change suggested that the cost for charging infrastructure in the UK—not for the grid—by 2050 could be £9 billion. This sector is not short of statistics, and they are all different, so I would not put massive weight on that figure, but it is as good as anyone can come up with.

Scott Mathieson: In Scotland in the medium term, we are looking at £200 million to £300 million for grid infrastructure to support the public charging infrastructure. That assumes a 40 per cent saving from doing it smartly—releasing capacity on the grid and changing people's behaviour—so the cost could be 40 per cent higher if everyone wants full access.

On the point that was made about uncertainty, we recently put a case to the regulator to invest £42 million to facilitate the installation of monitoring on the distribution system to give better learning and understanding of how EVs impact the grid. It would have been recovered over 45 years at a return of less than 4 per cent and would have cost consumers 2p annually. However, the regulator refused the submission; it would have been a huge step forward for physical engineering learning and allowed us to provide greater certainty on investment requirements.

We have looked at the upgrade of the grid in Scotland, using estimates of the charging infrastructure that would be required and taking into account the additional electricity consumption resulting from the transfer of people away from diesel and petrol, and we have found a saving of about £1,000 per annum on the average family's gross domestic product. Even if a large slice of that was taken to replace fuel duty, it is still a material prize to go after. The switch from petrol to electric looks to make a saving for family budgets—that is an important point. The issue is not just about one dimension—investment in infrastructure to support the transformation—because there is a saving in another dimension. Our energy planning needs to take account of that transfer.

Gordon MacDonald: I accept that there is that substantial saving in the short term. However, you have identified two large areas of investment that are required. Figures from the Office for Budget Responsibility show that the UK Government gets £6.5 billion from vehicle excise duty, from which EVs are exempt, and £28 billion this year from fuel duty, plus the 20 per cent VAT on top of that, which takes it up to £34 billion. That is a total of

£40 billion that comes from petrol and diesel vehicles, which is 5 per cent of the UK Government's income.

In the short term, there is a saving, but how do we get the £9 billion that is required for electrical charging across the UK? We need something in the region of £3 billion for grid updates, if we take your Scotland figure and multiply it by a factor of 10. However, we are going to be losing £40 billion of income. How do we balance that? Who pays? Who contributes in order to make those economics work?

Stephen Vere: Those are valid points, as there undoubtedly will be a big loss of fuel duty. Although there is VAT at 5 per cent on electricity, there will be a big gap.

We have talked about utilisation, and in future private sector investment should be possible in the area, so the numbers that we are talking about do not necessarily all have to come from public sector funding or finance. There are likely to be areas such as workplace charging and destination charging—charging outside, for example, a pub or restaurant—where the private sector will invest. Right now, that sector is investing with the recognition that it will make a loss, but it is investing for the future. In future, the private sector will invest because it will be confident that it can get a return.

Gordon MacDonald: However, in order to get that cultural change, people need to see the benefit. If we strip out fuel duty, the cost per mile of using a petrol vehicle, based on 35 miles per gallon, is roughly 7p. According to figures that I have been given, it costs £8.40 for a 200-mile charge overnight, which is roughly 4p a mile. The average saving for a family is £336 a year. An e-Golf electric vehicle costs £31,000, but the petrol vehicle version costs £23,000. That is an £8,000 increase—a third of the total—and the payback per year is only £336. For an ordinary family, the economics do not appear to work.

Scott Mathieson: There is a high technology price at the moment because of the relatively low uptake. As I mentioned, most consensus forecasts are that, by about 2023 or 2024, it will be more cost effective to purchase an electric vehicle. Of course the price is higher at the moment because of lower adoption rates.

Taking a step back to look at the work that we have done, we would say that the saving for the average family is about three times the value that you quoted, which I think would provide some headroom to look at a new form of fuel duty. Equally, are we going to say that the issue of replacement of fuel duty is a reason not to tackle climate change? We have to recognise that there will be other benefits from the transition. For example, there will be health benefits from lower emissions in city environments. Certainly, anyone brought up and living in Hope Street in the centre of Glasgow is living in one of the worst areas for pollution in the whole of Europe.

Gordon MacDonald: Do not get me wrong, because I agree with you that the climate change aspect has to be tackled. However, I do not think that it is helpful for it to be said in a written submission to the committee that

"an EV could provide a customer with 'fuel' savings of over £1000".

In the very short term, that is correct, but if the Government has to find a way to backfill the loss in excise duty and fuel duty, that £1,000 is not reality in the long term.

Scott Mathieson: I commend the Scottish Government for another piece of work that it is doing that I think is vital, which is the just transition work. With the development of the low-carbon future in the heat and transport systems, from apprenticeships through to engineering, technical and planning resource, there is a huge opportunity for GDP development if Scotland takes a leadership position, which is why Stephen Vere's points are important. That is well beyond the grid infrastructure area in which I work.

We did an important piece of work with the University of Strathclyde through which Professor Karen Turner, who might be asked to give evidence to the committee in future, highlighted that effective planning of infrastructure delivery to support the electrification of transport and heat systems could deliver 0.5 per cent growth in Scottish gross domestic product. Growth could be delivered if infrastructure delivery is properly planned. If we leave it and become reactive, and if electrification is a shock to the economy, that will increase the overall cost.

10:45

Andy Wightman: I have questions about the charging infrastructure. A couple of committee members met electric vehicle users in Stirling, who told us that there are problems with the ChargePlace Scotland app and its back-office functions. We heard that there is a lack of reliability and a lack of certainty about whether chargers can be used, even if the app says that they are working. How can we resolve that? At the moment, someone who uses a diesel or petrol vehicle can be confident that if they go to a filling station they will be able to fill up with fuel—that is rarely not the case. We need people in electric vehicles to have the same confidence when they are travelling about.

Neil Swanson: The contract to run the e-mobility service provider—the back office for

ChargePlace Scotland—is going out to tender. It is a very competitive marketplace, and there are interesting products out there. The back-office provider does not own any of the hardware; the hardware belongs to the charge point operators, who are as frustrated as drivers are, because they are not always able to see whether their asset is working and in a position to generate revenue.

We have driven a move to a more integrated back office. With Transport Scotland, we have pushed for additions to the contract to make the system more visible and more reliable for the end user and to bring in interoperability and the ability to roam across different networks. A person should not need a card for every network that they use; it should be as simple as driving up, plugging in, swiping and charging, with the payment appearing on the monthly bill. With some modern cars, the driver does not even need a card.

Contactless payment gives an ad hoc version of the same access and is now mandated on all new rapid chargers but, on the broader network, one card and roaming are the way to go. High-end cars such as Tesla vehicles have on-board sat nav that can tell drivers the state of charge points nearby, and we will begin to see more cars with such technology, which will give consumers a lot more confidence.

On the issues to do with the app and the mapping, we just need the system to be updated and brought up to a more modern standard.

Andy Wightman: How long does the contract last?

Neil Swanson: Until July.

Andy Wightman: You said that the contract is going out to tender. How long will the new contract last? Will it be two, three, four or five years?

Neil Swanson: I think that it is a three-year contract, with the potential for two single-year extensions.

Andy Wightman: At the moment, the free charge place, or charge point—this charge stuff—[*Laughter*.]

Neil Swanson: Free power.

Andy Wightman: It is free at many places. Who pays for that?

Neil Swanson: At the moment, the charge point owner pays, whoever it is. On the ChargePlace Scotland network, there are more than 250 charge point owner operators who pay for the energy that is consumed. The bulk of the charge points belongs to local authorities.

Andy Wightman: Local government is paying for the electricity that people use.

Neil Swanson: Yes.

Andy Wightman: That is not sustainable, is it?

Neil Swanson: God, no.

Andy Wightman: When will that end?

Neil Swanson: It is beginning to end. For example, Dundee City Council now has a tariff for visitors to the city, although residents continue to benefit from free charging in the city. Fife Council will bring in its tariff this year. East Lothian Council's comes in in March. The City of Edinburgh Council has announced its tariff, which is also due this year. Moray Council has always charged. Highland Council is looking at the issue. Orkney Islands Council brought in a charge last May. Charges are gradually being rolled out, but we are not seeing universal application of tariffs, so it will be a lot more expensive to charge a car in Edinburgh than to do so in Dundee or Orkney.

We talked about charger hogging. We have issued a guidance document, which is available on our website, for anyone who is thinking about implementing a tariff, to encourage them to give a behavioural nudge to get people to use the right assets in the right way. For example, they could apply overstay fees so that, if someone uses a rapid charger for more than 45 minutes, they are told, "You have stayed too long, so this will cost you extra." There would be not a penalty but a fee for staying too long, to encourage people to move on quickly. From the asset owner's point of view, that means more turnover and an improved revenue stream.

That is what is needed in order to get people to use the right charger. If they need a slow or small charge, they should use a lower-powered unit. If they need to charge quickly, they will pay a premium to get the higher delivery rate. The owners have invested in a £50,000 asset in the ground; they cannot have the same charge on each.

Andy Wightman: As charging becomes more commonplace, so do fees. Could local authorities begin to generate a modest amount of revenue from charging points?

Neil Swanson: Yes. However, I see it being used to let them organically grow their network without running at a loss, and potentially to support staff to look after the network.

Stephen Vere: Electric vehicle charging is not necessarily an area for local authorities to make significant revenue. As Andy Wightman rightly identified, the electricity is a cost. It is a relatively small cost, partly because of the number of electric vehicles and how much the charging points are used. Going forward, it is important that we charge a tariff, because it makes it a more commercial proposition. When it comes to the level of service, as Neil Swanson mentioned, interoperability is key. Once people can turn up and use different charge points, if there is private sector investment, there is the potential for an element of competition, which tends to raise standards.

Dean Lockhart (Mid Scotland and Fife) (Con): My question is on a similar topic. Another issue that we discussed at the EV summit in Stirling was the need for more information to be given to consumers to encourage behavioural change. There is a concern about range anxiety. There is also a misunderstanding about the relative costs of running an EV and the potential cost savings. Behavioural change, such as charging overnight rather than charging when people get back from work, can bring relative cost savings. Are we doing enough to educate the public about EVs and their benefits and about range anxiety?

Ross Kirkland: The Energy Saving Trust works through the home energy Scotland network to provide consumers with independent and impartial advice on a range of technologies, including electric vehicles and heating and building efficiency. Across the rest of the UK, we work through the go ultra low programme. We have done that in many ways, such as community engagement events and speaking to people on the telephone. We also engage with local authorities and sit down with local interested parties to discuss those issues. We put a lot of content on our web page to provide people with information and address the barriers that Dean Lockhart is talking about.

Scott Mathieson: As Dean Lockhart said, we need to do more in the areas of behaviour, understanding and cost, but another aspect is the people who install the equipment. We are talking about electricity infrastructure being installed behind the meter, so we need to ensure that the process is safe. In most domestic premises, there is a point of isolation that is about 18kW. A shower will use between 7 and 9kW. If the hob and the oven are connected at the same time, that will use 6kW, which takes it up to 15kW. If a 22kW electric charger is plugged in—and perhaps another electric charger—that goes significantly over the rating of the asset. Therefore, a strong piece of work needs to be done to ensure that the infrastructure is co-ordinated in such a way that it is safe, not just in domestic premises but in the streets.

That goes back to the point that was made earlier that it is not just about a maintenance contract for three to five years; it is about what the maintenance operation and the licensing regime look like. More needs to be done in relation to socialising all aspects of the infrastructure.

The Convener: Stephen Vere can come in briefly—I am conscious of the time.

Stephen Vere: I am very much for more education. One of the points was about the vehicle. Until recently, if you walked on to a garage forecourt, they would try to push you towards a diesel or petrol car, because that was what they had in stock. When people walk in, they are offered a deal, and evidence says that electric vehicles are not brought up in the conversation unless people specifically ask about them.

Earlier, Andy Wightman raised the issue of the cost of electric vehicles. They are undoubtedly more costly at this point, but if we look at the whole-life cost of the vehicle—by which I mean the purchase price, leasing cost, fuel cost, insurance, funding cost, tax and fees, maintenance and the sell-on cost—the picture is not so clear. However, people see only the up-front cost right now, so we need to educate people and ensure that they have access to funding arrangements that allow them to purchase such vehicles.

Richard Lyle: I have a question for Neil Swanson.

The first electric car that I used, which was when I was on the Rural Affairs, Climate Change and Environment Committee, ran for about 100 miles. Electric cars now run for about 250 miles. Have you seen the *Daily Mail* report on the former Royal Navy officer turned inventor, Trevor Jackson? Is it the case that he has developed an incredible electric car battery that lasts for 1,500 miles?

Neil Swanson: It might be the case, but it is a disposable device and, effectively, a resource user. When the battery is flat, you have to get a new one.

Richard Lyle: So you would need to buy new batteries all the time. Oops.

Neil Swanson: Yes. One of the great things about batteries is that they are largely recyclable. I know that some members of the committee have spoken to Euan McTurk, who talks about that issue at length. Before a battery is recycled, it can be reused. However, Trevor Jackson's battery is for one use.

Richard Lyle: Are you saying that his battery can be used only once?

Neil Swanson: Yes.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): What are your views on the impact of electric vehicles on the rural community and environment? As you know, garages and petrol stations are often the hub of small villages, and they are about not just fuel but services, retail and even banking. Will you look into the near future and paint a picture of what Scotland might look like? Will such garages disappear? Will they have to repurpose themselves to become something entirely different?

Neil Swanson: They will become different. They might provide charging. We and the EST encourage businesses to engage with the issue. They do not want people to stop, charge their vehicles and leave. They want them to charge and perhaps have a meal or a snack. We will still have garages that sell such things, but they will no longer provide fuel. There is potential to grow the local economy, because people will stop and, while they charge their vehicle, they might explore and do more in the community. It is a potential area of growth for local economies.

Willie Coffey: I presume that fuel companies own most garage forecourts. What is their interest in maintaining the infrastructure if they no longer sell fuel?

Neil Swanson: It is fairly clear that most forecourts make money out of the products that they sell in the shop, not out of the fuel. The balance is a little different in rural areas, but having the EV infrastructure in place will potentially reduce their overheads, as they will not need to have fuel delivered, in the conventional sense, although there will be network issues, as Scott Mathieson pointed out. We might move from having conventional forecourts to having enhanced local shops, which will benefit local communities as well as drivers.

Stephen Vere: The fuel companies see this coming, so they are looking at not just the future of rural communities but their own future.

Willie Coffey made an important point. The challenges in rural communities are different from those in cities such as Dundee and Edinburgh. There is a need to look at how we channel our support and direct it to the areas where it is most needed and where charging is less likely to be delivered commercially.

Willie Coffey: During our discussion, I have been looking at the ChargePlace Scotland website and it looks as though there are charging points all over the country. Are you okay with what is being done in rural communities to ensure that they are not left behind, as they often are?

Scott Mathieson: That is a big anxiety. There are many private providers of charging infrastructure beyond those that ChargePlace Scotland is focused on. Companies such as Ecotricity provide chargers under a merchant model in such areas in Scotland.

Our big anxiety as a network provider is that, as we know, our service has to be universal, whether we are providing it in a rural community or an urban environment. How do we ensure that the charging infrastructure is the same? That point has to be dealt with. We have chosen to run our project in two local authority areas that contain rural areas as well as conurbations, in order to test that proposition.

11:00

I return to a vital point that was made earlier about a just transition. We cannot think about how we did things in the past with fuel stations; we have to think about the fitters, the installers and those who will maintain what will be a much larger proportion of infrastructure in our rural communities. The value of electricity, if it is used for heat and transport in rural communities, will grow, and that will provide employment opportunities for those who fit, maintain and secure that infrastructure in local areas.

Willie Coffey: On the European dimension, I think that Neil Swanson said that type 2 chargers are commonplace across Europe.

Neil Swanson: Yes. Type 2 is the mandated alternating current charging standard for cars that are manufactured in Europe.

Willie Coffey: So people would not have an issue in terms of their ability to use their cars throughout Europe.

Neil Swanson: Not currently, no.

Willie Coffey: As the technology develops, will attempts be made to keep pace and maintain close connections with what is happening?

Neil Swanson: Because the car-manufacturing base is largely outside the UK, that will remain the case. For example, Jaguar Land Rover's electric vehicles are manufactured in Hungary, so it is mandated that they will be manufactured with a type 2 charger. CCS is an option, but the AC charger will remain constant.

Worldwide, there are only really two functional standards for charging vehicles: type 1, which applies principally in Japan, and North America—the United States and Canada; and type 2, which applies almost everywhere else.

Jackie Baillie (Dumbarton) (Lab): My initial questions are for the Energy Saving Trust. I am interested in some data—if you cannot supply it today, please send it in writing to the committee.

In 2017, 7,509 EVs were registered. How many of their owners benefited from an interest-free loan? Do you have indicative figures for registrations in 2018 and 2019?

Ross Kirkland: I do not have an answer to your first question, but I should have the answer to the second one.

The indicative figure for 2019 is a total value of £45 million—that is for ultra-low emission vehicles, including battery electric vehicles, plug-in hybrids and some range-extended vehicles, costing up to £35,000. That is forecast to be the equivalent of more than 1,300 individual vehicles, some of which will be taxis and private-hire vehicles.

Jackie Baillie: Would it be possible to get a breakdown? If I, as a vehicle owner, wished to switch, how would I know about your services? Would I perhaps not be able to find about them, in which case I would just march in and buy a vehicle myself? How many vehicles have you provided interest-free loans for? What types of vehicles are involved? Are they taxis or private cars? What is the context in terms of the overall number of registered vehicles? That information would be useful in allowing the committee to understand the dynamics.

On how an EV loan scheme would work for second-hand cars, there are some practical things to consider. For example, how long would it take for a loan to come through for someone standing on a garage forecourt, about to buy a car?

Ross Kirkland: The specifics around loans for used vehicles are still being discussed with Transport Scotland. I cannot go into any detail on that now, but the point is being considered. We should have more detail available in the next month or two.

Jackie Baillie: I think that the committee would be interested to receive that.

Does the panel have anything to suggest to inform the thinking about how a second-hand scheme would work?

Neil Swanson: We have spoken to dealerships, and one of our members specialises in selling second-hand electric vehicles. The big issue for the dealers is that they need a quick turnaround on the loan. Most of them will accept seven to nine days. However, they are now at the point where they can sell the car off the forecourt for cash surprisingly quickly.

We need to support the people who need an interest-free loan in order to achieve the purchase of an electric vehicle, for whom a personal contract purchase is not always an option. That would open up a huge market in which we deliver electric vehicles to the people who will benefit most from them.

Jackie Baillie: Should the scheme apply to purely electric vehicles or to hybrids as well?

Neil Swanson: I think that it should apply to purely electric vehicles, but that is a policy decision for Transport Scotland.

Jackie Baillie: We look forward to hearing more about that in due course.

I have a question for everyone on the panel. What further initiatives should be considered to encourage the switch to electric vehicles? We are all used to going into petrol stations. Should they have charging points? What about changes to import duty or access to bus lanes? What do you think would help?

Neil Swanson: Incredibly enough, one of the big issues involves children. They are very aware of what is going on—we see them on television marching because they are upset about the state of the planet. The 203020 taxi fleet owned by the late Davy Young in Dundee went largely electric on the back of his grandchildren telling him off for driving dirty petrol cars. That level of pester power and understanding is underrated, and we could make a lot more of it.

Education at the school level will really drive the issue. Parents choose electric cars because their kids tell them that their cars are too dirty and that they are polluting the place and hurting them, and that is true. That is a strength that should be used.

Jackie Baillie: I have never heard that described as "pester power" before. I shall use that term in the future.

Stephen Vere: My children already pester me.

We need a culture change, but we are seeing that happen. I have certainly noticed a big difference in the past year in respect of not just electric vehicles but the carbon agenda. Regulation always helps, and I think that net zero emission zones will make a big difference. People will not be able to enter city centres unless they have an appropriate vehicle.

Neil Swanson: A lot of people drive around not realising that there are electric vehicle charge points everywhere. Members have looked at the map and seen how prevalent they are.

One thing that we have been asking for is beginning to come through, however. I will give an example: the new station in Glasgow has a sign that indicates that there is a charge point out on the trunk road. If there are signs on the trunk roads that tell people that there is a charge point a given distance away and where to turn off to go to it, that is not advertising beyond the fact that the network is there. Awareness will come: people who drive but are afraid to have an electric vehicle will see signage that tells them that the network is there, which will give them range confidence—we do not like to talk about range anxiety; we like to talk about range confidence. The ability to see where the assets are is a surprisingly big driver for electric vehicles.

The Convener: We still have a couple of minutes. Jamie Halcro Johnston and Gordon MacDonald want to ask brief questions.

Jamie Halcro Johnston: We have tended to focus on domestic vehicles, but there is a huge number of commercial vehicles out there. A lot of them are company vehicles, including vehicles of larger companies such as the Royal Mail. How important could the impact be from changing those vehicles to electric vehicles?

Neil Swanson: Are you talking about the impact on the grid or on usage?

Jamie Halcro Johnston: Both. Companies might have more ability to provide infrastructure such as depots themselves.

Neil Swanson: We would call that a return-to-base fleet, in which the vehicles charge overnight, so they potentially offer something—I do not want to call it a revenue stream, but smart charging can be controlled within a depot, and there is the potential to return power from vehicles to the grid to meet demand overnight. That is an exciting area.

I am not surprised that Scott Mathieson is desperate to join in the discussion. Those vehicles have the potential to save businesses money.

Jamie Halcro Johnston: Is there a big enough focus on use by companies? We have talked a lot about domestic or private use today.

Neil Swanson: There are already companies out there with products to sell to those fleet businesses. The vehicles come through a little slower, but they are coming. I think that SSE put in a large fleet of electric buses in London. Quite a large demand for energy is created, as Scott Mathieson said, but that can be controlled and, if that demand is reduced, it can be delivered overnight but possibly at a lower cost. There is more to come, and the network's businesses will have to work with third parties on that in a big way.

The Convener: You may be desperate to say more, but it is open to any of you to write in to the committee to amplify what you have said today, or to add further comments that you want to make.

The final question is from Gordon MacDonald.

Gordon MacDonald: I am looking for clarification. A couple of people have said that the public charging points will have a local economic impact. I am looking at a proposal from a company called Gridserve, which talks about putting in the world's fastest charging points, but then goes on to say that the bays will charge most electric and hybrid models within half an hour. Are you saying that there will be a local economic impact because folk will have to find something to do with the extra 25 minutes that it will take to charge their vehicle?

Neil Swanson: Potentially, yes. You are asking me to predict how people will behave. It is up to whoever installs the asset: units with different price points will attract people with different drivers. If someone is in transit, they will want to charge fast and go, because it is about business; if someone is travelling with family, that will inevitably involve a toilet break, and they will charge their vehicle at a slower rate for a lower cost and will stay longer. They may spend money in or explore the local area, or they may come back later having seen something that they like. It is very difficult for us as an association to quantify the impact—it would involve quite a major piece of research.

Gordon MacDonald: I accept that. I ask because you mentioned the local economic impact and I wanted clarification.

Neil Swanson: We are certainly seeing bed and breakfasts putting in charge points to encourage people with EVs to stay.

Scott Mathieson: As a final addendum to that, you are talking about multiple 200 to 300kW chargers. I highlighted the impact of a bus depot with 80kW chargers and the significant, material impact of a large proliferation of such depots. We tend to find that the very high-capacity chargers have low utilisation rates. ChargePlace Scotland sees the lower-rated chargers having high utilisation, and the higher-rated chargers having lower utilisation, although they get more visits, interestingly.

The Convener: We are out of time, but please feel free to write to the committee if there are further issues that you want to cover. Thank you for coming in today.

I suspend the meeting briefly to allow for a changeover of witnesses.

11:12

Meeting suspended.

11:16

On resuming—

Protected Trust Deeds Inquiry

The Convener: Under agenda item 3, we will take evidence on protected trust deeds from Mike Holmyard, financial health policy manager at Citizens Advice Scotland; Bob Russell, debt advice officer at Falkirk Council; Anna Hamilton, money advice manager at Citizens Advice Edinburgh; and Lee Kilgallon, debt adviser at the City of Edinburgh Council.

I will start, and then we will move on to questions from other committee members. We have heard a variety of evidence on protected trust deeds. Will you give us your views on the level of difficulty that is associated with them? As with anything, there will always be isolated cases that have gone badly for the individual involved, but will you give us an overall picture of how protected trust deeds are working? Are there serious problems that go beyond one or more individual cases going wrong?

Mike Holmyard (Citizens Advice Scotland): There are no hard-and-fast statistics on how many people are badly affected by trust deeds. However, if we look at the citizens advice bureaux network and the number of advisers who have come to us with issues and cases, albeit that they are individual cases, where there have been particular problems such as issues around what happens when a trust deed fails or whether there should have been a trust deed in the first place, there seems to be enough of a continuous stream of reports of detriment to indicate that there is a problem that needs to be resolved.

We are not here to bury trust deeds: we realise that they have a place in the advice landscape. Apart from anything else, the free advice sector would not have the capacity to meet the demand if there were no trust deeds and no commercial sector. We have been here before to talk about funding of the debt advice sector and how difficult it is just now, particularly for the free advice sector.

However, we are here to say that there are difficulties with some firms that do not handle consumers very well. There might be some fundamental issues with the construction of protected trust deeds given that they are based on insolvency law—common law and statute—and there is no consumer law aspect to them. We are here to talk about how those issues at the edges need to be firmed up a bit to make the trust deed market a lot healthier.

Lee Kilgallon (City of Edinburgh Council): I would not disagree with any of that. I have been a practitioner in the debt advice team of my local authority for the past 15 or 16 years and I have seen significant changes. When I started, we had 19 money advisers or debt advisers, whereas recently we have had five or six, and the complexity of the client group is probably greater than ever.

PTDs have always had—and they should always have—a place. However, as a practitioner, I have made only one or two referrals in relation to a PTD in the past five or six years. The reason for that, which Mike Holmyard alluded to, is that we have concerns about the appropriateness of people signing them. Are people having the full picture of their debts taken into account? Are they being listened to in relation to their primary, priority debts—for example, if they are involved in a court case for rent arrears? Many of those things are overlooked and it is suggested to people that things will be okay with a protected trust deed.

When a trust deed fails, it tends to be difficult for us to do anything about it. We tend to see trust deeds only when they fail, which might skew our opinion of them to a degree. However, when we see them fail, we see that they do so very badly. People think that they are going somewhere for help, but they are simply not getting it.

The Convener: We have heard in evidence that the fixed fees that are applied mean that, in some cases, none of the debt has been paid off when a PTD fails, but the fees have been paid. Is that an issue?

Lee Kilgallon: Yes. Previously, we had three-year trust deeds, but they can now be for four years or potentially five years or beyond if there is an owned property. When a trust deed is set up, the person might be required to pay £150 a month over four years with a fifth and final year to buy out equity in the owned property. The primary concern of any client who goes into such a trust deed is whether they will lose their house. That has been the first question that people have asked me in any surgery that I have done. However, it seems that that question is not being addressed.

At present, a trustee might look for the first year's contributions to cover their fees. At the very least, a percentage should be put towards the fees, a percentage should be used for creditor payments and a percentage should go towards buying out equity in order to address the main concern that most clients have. If the trust deed fails in year 2 or 3, a percentage should be applied for the fees and the rest should be written off. The process should be more balanced throughout, rather than the insolvency practitioner fees being front loaded.

Bob Russell (Falkirk Council): All money advisors at Falkirk Council have had the experience of a trust deed coming to them that should never have existed in the first place because it was neither viable nor sustainable and the money was not there to pay for it. After X amount of money being paid, such cases end up being bankruptcies, which is what they should have been in the first place.

I agree with Lee Kilgallon's point about equity. Sometimes, it is left to be resolved at the end, which is completely unsatisfactory from the client's point of view. They should know the exact amount that they will have to pay and what they will get for it. It is of no use to them for someone to say that they will deal with the equity at the end.

The Convener: Before we come to questions from Jackie Baillie, Richard Lyle has a brief supplementary question.

Richard Lyle: Organisations that operate protected trust deeds suggest that everything in the garden is rosy. Is it right for a company to take payments from a debtor for 18 months but not send one penny to the creditor until after that time, assuming that they do send something to the creditor?

Anna Hamilton (Citizens Advice Edinburgh): There has to be a balance in all these things. I am not here to stand up for insolvency practitioners at all; quite frankly, I am here to stand up for debtors. However, I understand that insolvency practitioners' fees tend to be front loaded because the majority of their work is done at the front, as is the case with any debt advice process. Work is done in the early stages, such as fact finding and understanding the client's position and what is available to give to creditors.

Richard Lyle: I think that you do more work than insolvency practitioners do.

Anna Hamilton: Yes. I would say—

Richard Lyle: Time is getting on and I need to get this question in. Should fees be more regulated? Should 50 per cent of the debtor's monthly payment go to the organisation and 50 per cent to the creditor?

Anna Hamilton: I do not mind how the fees are paid as long as there is a satisfactory outcome for the debtor. Creditors are agreeing to trust deeds, and what they are choosing to agree to is that the fees will be collected by the trustee at the front end and the creditors will, in essence, get the surplus. At the end of the day, the debtor should be discharged without any further requirement to pay towards the debts, because that is what has been agreed.

Issues tend to arise either when a debtor is recommended something that is not the best product for them given their situation or when a debtor entered an agreement with the best will in the world and started to make the payments at the agreed rate, but things changed. In such cases, the detriment to the debtor can end up being much more severe than it should be.

Lee Kilgallon: I agree with Anna Hamilton. As a debt adviser, my primary concern is to ensure that the client gets the best possible deal that is on the table. I do not have an opinion on whether the trustee or the creditors should get the first share of the money in the first couple of years. However, I suggest that, where cases involve owned property, it should be brought into the balance at the front end of the trust deed rather than being dealt with at the end, so that it is part of the equation and there is potential for the client's home to be safeguarded. Under that approach, even if the trust deed fails, the client will not necessarily lose their home.

Jackie Baillie: The focus group that we ran in Greenock about two weeks ago was really interesting because, although some of the issues that were raised were about the entire trust deed process, many of them were about the beginning or the entry point of the process. A number of people raised concerns about whether they knew what they were getting into.

There are potential solutions. I will put some of them to you, and I would like to hear your views on what would work. Somebody suggested that all lead generators should be regulated by the Financial Conduct Authority. It was suggested that insolvency practitioners should be banned from accepting paid-for referrals. Another suggestion was that debtors must receive advice from an adviser in the free advice sector before they enter a protected trust deed in order to ensure that the disposal is right—I recognise that there might be a need to increase capacity if we took that approach. Lastly, it was suggested that an official leaflet should be developed and supplied to anyone who is contacted about a protected trust deed.

What are your views on those suggestions? Are there other solutions that we have not considered?

Mike Holmyard: There is an official leaflet. It is called "Debt advice and information package", and it is meant to be handed out to every potential protected trust deed client. However, it is not particularly helpful, because it basically just says, "You're in a serious situation and you should seek advice."

On the other solutions that people came up with, lead generation in particular has been a big problem in the sector. The Accountant in Bankruptcy tried to deal with it in 2013 by changing the regulations. Before that, the fees that lead generators were charging were being added to trust deeds as an up-front cost. In 2013, this Parliament changed the regulations so that that could not happen. We can see that the AIB's direction of travel has been to exclude lead generators from the market.

Statement of insolvency practice 3.3, which insolvency practitioners often refer to, says that it is not acceptable to accept leads. I will quote exactly what it says, because it is important:

> "The special nature of insolvency appointments makes the payment for, or offer of any commission for, or the furnishing of any valuable consideration towards, the introduction of insolvency appointments inappropriate."

Insolvency practice therefore precludes lead generation.

11:30

Regulation of lead generators by the FCA would be a positive step, but I do not know why there are lead generators in the market at all, because everybody is trying to move away from that model. I question the value of lead generators in the process. They do not appear to do anyone any good. They do not do the debtors any particular service; they earn their money from a protected trust deed referral—that is where most of the money comes from for their businesses—so the debtor cannot be assured that they are getting full advice. The insolvency practitioner is responsible for the advice of the lead generator, so they must check everything that the lead generator has done, as well as paying fees to them. The creditor then loses out, because those fees have to come from somewhere.

At the end of the day, what value do lead generators add to the process? I would advocate their removal from the insolvency business. They are not helping at all.

Bob Russell: I agree with that last point. The free advice sector could give the initial advice, provided that it was properly funded, as Jackie Baillie said. That is a big issue, because there have been a lot of cuts in the provision of debt advice, as everyone knows.

Jackie Baillie: That is helpful.

Lee Kilgallon: I strongly agree with Mike Holmyard. The purpose of the lead generator is simply to fund the lead generator's pocket. Figures such as £1,000 to £1,500 have been quoted in some cases, for, in effect, cold calling people who are in the direst need.

As a practitioner, I see people who are at their lowest. Sometimes they are suicidal. A client who feels that they are on the verge of losing everything—their home and their family—will sign up to whatever someone asks them to sign up to, because they trust the person to tell them the right things. When they get a way out, they will take it, whether or not it is the right way out for them.

I am not saying that a trust deed is not the way out for some clients. It might well be the correct option. However, in my surgery, I see trust deeds that have failed badly and made the client's situation worse—and sometimes I am unable to stop it, because the legal document is signed and protected. Often, the person should never have been considered for a trust deed in the first place.

I strongly believe that the free money advice sector should be giving advice on these issues. A client cannot go into bankruptcy or a debt arrangement scheme on their own, without having the correct level of advice. Why is it different for a trust deed? That concerns me.

However, as someone who works for the money advice or debt advice team in a council, I can say that, if the Parliament wants us to give that advice, we will need significantly more funding.

Jackie Baillie: May I press you on that? People have come to the committee before and said that there is a lack of funds for things. Are you talking about doubling current capacity? What order of magnitude are you talking about?

Lee Kilgallon: I do not have the stats with me. If my boss was sitting here, he would be shouting at me for not bringing them.

Jackie Baillie: You can write to the committee.

Lee Kilgallon: Yes—that would probably be best.

I can tell you that, when I started 15 years ago, there were 19 full-time money advisers in the advice shop—I hope that you guys have heard about the advice shop and have referred constituents to it. I have been there for 15 years. Until recently, we had three advisers. We recently appointed three new advisers, and it will take six months to a year to get them up to speed so that they are competent to do the job, including court representation and the stuff that we have talked about.

Will we go back to the days of having 19 money advisers? I do not see that happening in my lifetime. However, I would like a significant amount of additional money to be provided, not just for staff on the ground, but for training, so that we can pass on the knowledge that we have in the advice shop to other surgeries and other areas of Edinburgh, and so that we can continue our work in re-education and in schools and prisons. We want to be able to continue to work in conjunction with citizens advice bureaux and to hold surgeries in community centres where we used to hold surgeries, which we have had to withdraw from because of lack of funding. That is where we need to be. If we had more money advisers, we would be able to do that.

Jackie Baillie: Anna, do you have anything to add?

Anna Hamilton: I totally back what Lee Kilgallon has said. On the resourcing of money advice, there is no way that the sector could take on the provision of free advice in relation to the 8,000 or so trust deeds that I think there were in Scotland last year. We see a proportion of the people who have entered trust deeds—we see those people who have problems. Fortunately, we also see some people who decided to check whether a trust deed was the right thing for them; invariably, it was not. We are glad that clients have flagged that up for themselves and understood that there might be an alternative.

We deal with the mop-up afterwards and we deal with a few clients who come to us and recognise that a trust deed might not be the best option for them and that there might be an alternative. However, it would be a huge leap for the free advice sector to see everybody who is affected. I do not think that the City of Edinburgh Council is unique in the difficulties that it is experiencing in resourcing money advice.

Jackie Baillie: One would assume that, if you provided the advice on entering a protected trust deed properly, there would be fewer failed protected trust deeds and you would see fewer difficult cases down the line.

Anna Hamilton: That is possibly the case, although there are many ways in which a protected trust deed can fail.

Jackie Baillie: I understand that.

Anna Hamilton: In a number of cases, a protected trust deed should not have been issued in the first place. In other cases, not enough foresight was shown when the product that was recommended to the client was looked at. Sometimes, it is not recognised that changes are likely to occur in the person's circumstances in the near future that will make it impossible for them to manage the trust deed for four years. In other cases, there is a catastrophic change in circumstances of a kind that can happen to anyone at any time. Such changes cannot be foreseen. Sometimes, cases are not dealt with appropriately at that stage. We pick up the pieces in all those cases.

Colin Beattie: I will begin with what I hope is a simple question. If a person has a protected trust deed that runs for four years and they die part of the way through that period, what happens?

Mike Holmyard: A claim is made on the estate of the dead person. If they had property, for example, the funds from the property would be used to pay the trust deed. The trust deed—plus statutory interest and the IP's fees—would be paid in full. Therefore, the deceased person's estate would potentially have to pay much more than the value of the person's original debt.

Colin Beattie: Are you saying that, in effect, a death in those circumstances is treated as a default?

Mike Holmyard: Yes. That is the case if there is an estate or an insurance policy to make a claim against. The person has contracted to pay back as much of their debt as possible under the protected trust deed. The situation has changed—the person has died—there is an asset that can be claimed against and the debts are paid in full. I am not saying that that is right, but that is what happens.

Colin Beattie: Legally speaking, that might be the case, but is it fair?

Mike Holmyard: No, but there are other situations that are similarly unfair.

Colin Beattie: Such as?

Mike Holmyard: I will give an example. A case was reported to us in which a female employee of Glasgow City Council entered into a protected trust deed at the end of 2018 when it was well known that a lump-sum payment of wages was due to her. The lump sum was paid and the lady attempted to pay off what she thought was her debt, which was about £12,000. At that point, however, the trustee became aware that she had received her back payment. The firm—it was a Glasgow firm, so it would have known that the back payment was coming—demanded another £12,000, on top of what the employee had already paid, to cover its fees.

There are a number of such unfair situations, which tend to happen when people come into money or assets that they did not expect to receive. That brings us back to what Anna Hamilton said. There are two types of unexpected occurrence. One is an unexpected income shock, in which someone's income is reduced to a level at which they can no longer maintain a trust deed. The other can involve an unexpected joyful event such as winning the pools or the lottery, or an unexpected inheritance, in which case it is expected that the debt will be paid back in full.

Colin Beattie: Given that the current situation is manifestly unfair—no one has said otherwise—should there be changes to the regulations or legislation as necessary?

Mike Holmyard: In the case that you mentioned, the interests of the family—the people who stand to inherit—should certainly be prioritised over the debt.

Colin Beattie: Does anybody disagree with that?

Lee Kilgallon: No, I certainly do not disagree. In an instance in which property is not involved, any remaining debt would pass with the person who passed away. However, where there is an estate—as Mike Holmyard said—the amount of money that is recovered could be significantly higher than the original debt level, to cover fees and so on.

I cannot imagine a situation in which that would be okay, especially if it involves a family home. Certainly in my experience of the cases that we deal with, it is very rare for someone to have a second or third property; the inherited asset is primarily their family, and only, home. If a person was to die, the family would not only lose their loved one—they would potentially lose their home after the trustee has paid the majority of, if not more than, the sum of the debt. That part of the system requires fundamental change.

Colin Beattie: I will move on to a slightly different issue. Insolvency practitioners argue that they make a valuable contribution to dealing with demand for debt service. Do you agree?

Anna Hamilton: The figures for the number of people who enter a trust deed suggests that they do. It suggests that there is a place for trust deeds for people who are made aware of the situation that they are getting into and how it will help them to resolve their financial position by having their debts written off at the end of the process, having made their payments as agreed.

I do not have figures for the whole of Scotland or anything close to that—I do not think that anybody has figures that could tell us about anything other than the tip of the iceberg, which is the people who have problems. Those are the people whom we see. For many people who venture into a trust deed, it is the right solution for them at the time, but things change. There is definitely a place for a version of trust deeds, but the current version is not ideal.

Bob Russell: I agree with that. There is definitely a place for trust deeds, but it is clear that tighter regulation is needed, because there are some abuses—if we want to call them that—in the system.

Colin Beattie: Mike Holmyard raised the question of how the free sector might cope if insolvency practitioners did not take on the role that they currently play. There are clearly resource issues in that respect. What would have to be done to enable the free sector to cope? Would it be any more cost effective than the current arrangement?

Mike Holmyard: I believe that the Money Advice Service looked at the value of debt advice. I cannot remember off the top of my head the figure that was attributed to the sector—it was something like a return of £10 or £15 for every £1 that is invested in a debt advice service. There is value in that. Given that we do not charge our clients for the debt advice process, it is clear that more money is being recovered for creditors where possible through the arrangements that are set up, as our clients are not paying IP fees and that kind of thing.

11:45

We have to recognise that our client group has changed significantly over the past 10 years. In the past few weeks, we have done work on the income and expenditure of the people who come to see us, and we think that nearly 50 per cent of them now do not have a disposable income that would allow them to make payments towards their debt. As well as those who have just enough to get by, there is a significant group of people who have a significant deficit on their budgets every month and who are having to beg, borrow and steal to get by.

In considering how much value we could add if we took over the process, we have to weigh up all those factors. The client group is changing and people are definitely worse off than they used to be, but if we weigh that up against the charges that are regularly paid in the IP sector, it is a different kettle of fish.

Lee Kilgallon: To briefly go back to Mr Beattie's previous point, as other panel members said, there is a place for trust deeds, and the main reason for that is that we in the free sector simply cannot manage the number of clients who need money advice or a debt advice service. The trust deed has a place when appropriate but, more often than not, certainly in the cases that I see, it is not appropriate. I have various case studies, one of which I believe is fairly typical and important. I had a client come in with £16,000 of debt whose disposable income was low if not zero. They were on the verge of signing a trust deed at £100 or £150 per month over a four-year term and thought that they had better get it checked out just to make sure. They have used us before and they trust us, so they asked us to have a look at it for them.

More often than not, and certainly in the most recent three cases that I looked at, which I am now actively dealing with, there is a MAP—minimal asset process—bankruptcy in which the client is discharged after six months, with a debtor contribution order set at zero. The person in this case went from paying £125 a month over four years to paying zero over six months, and with the same protections in place. In the last half a dozen cases that I have dealt with, that has been a fairly typical response to what has been in effect mis-selling of, or mis-advice on, a trust deed. However, there are lots of insolvency practitioners who we know and trust and whose trust deeds are a viable and sound option for people. The key is for people to get the correct information and advice at the start so that there is a balance. We need to get it right at the start.

Colin Beattie: Given the eye-watering fees that are sloshing around, could it not be self-funding if the free sector took over the process?

Mike Holmyard: It depends on what you are talking about. In the first place, we in the free sector do not have regulatory authority to provide protected trust deeds, which is why we always refer those cases on. The suggestion would also involve training a group of money advisers to be the professional conduit that IPs currently are.

Colin Beattie: But would it be a big leap?

Mike Holmyard: I do not know enough about the qualification route of insolvency practitioners, but I believe that they have accountancy and law qualifications to do what they do. Make no mistake, it is a highly trained profession.

Andy Wightman: Lee Kilgallon and Bob Russell have spoken about protected trust deeds failing, and Anna Hamilton has spoken about picking up the pieces. In responding to Colin Beattie's question, Lee gave an example of somebody who should never have been in a protected trust deed. In general terms, where is the advice to enter protected trust deeds coming from in cases where those concerned should never have done so? Do you not know about that when people come to you? Do you ask them where they got their advice from? Do you have any picture of that?

Lee Kilgallon: We will obviously endeavour to find out where the advice has come from, but our primary concern is to try and fix the mess that the client is in. We would concentrate on that as a priority. However, it is important for us, as money advisers, to know where that dangerous advice is coming from. It is not just poor advice; it is dangerous.

Mike Holmyard mentioned lead generation and cold calls. That is happening. People are getting called when they are at their lowest point. They can be told, "I can give you this magic cure that will make your debt go away. Just sign this document, and you can go." In some cases, that may well fix the situation. In the cases that I have mentioned, however, it is making the situation abundantly worse. It is impossible for us to tell exactly where the calls are coming from or how people have gone down that road—they may have made a phone call themselves—but the lead generation of cold calling and the advertising across the media are highly prevalent.

Andy Wightman: I want to follow up on that point. The lead generators themselves do not provide any advice; they are generating a lead for insolvency practitioners.

Lee Kilgallon: Yes.

Andy Wightman: So, although someone may be persuaded from the cold calling that a solution is in their best interests, the advice that they get as to whether they proceed with it will come from a professional in many instances.

Carrington Dean, which gave us evidence last week, noted in its written submission that, from the 40,000 inquiries that it takes from consumers, 93 per cent of the people it speaks to

"are advised that a Trust Deed is not in their best interests".

It told us that people are talked through all the options. Are you basically saying that, although that may be the case on paper, it is evidently not happening in practice? Otherwise, people would not be entering protected trust deeds.

Lee Kilgallon: I am certainly not going to question individual insolvency practitioners' practices, because I do not have any facts on that, but the clients I see in my surgery tell me that they have been contacted by lead generators and have been given false hopes and told what are clearly untruths or lies regarding the figures and the debt involved. They might be told, "You're a home owner, but don't worry—it'll be okay." I would like to think that it is the fact that people are approaching an established insolvency practitioner that is the reason why 93 per cent of people are rejected, and that it is the lead generators who are not doing their job properly to get the right people into that category. They are sending so many people down, because they are getting the money for them. That is the primary concern. They will pass people on, whether that is the right thing to do or not, because they will get £1,000 for it.

Without knowing the facts, it will be difficult for me to question that. I can comment only on what clients have told me directly—and they have said that they have been promised that certain things will happen, but they do not happen.

Mike Holmyard: On the point about lead generation, the follow-up advice and the insolvency practitioner, the impression of what the protected trust deed will do is often set at the outset. That is the problem. That is why those guys are not adding any value to the process.

Last week, you heard from Michelle Thorp, who said that the Insolvency Practitioners Association, as a recognised professional body is now recommending the use of FCA-authorised companies. There are people who are on trust deeds now who have been advised by one person with a phone. Anybody could have set up as a lead generator prior to the IPA going down the regulatory route. We do not know what advice has been given to consumers.

I have also come across an example of somebody on a guarantor loan. They were told by the lead generator that the guarantor loan would be dealt with by the protected trust deed. Of course, it was not. The protected trust deed went through, and the guarantor was called on to cover the payments. The guarantor was a friend of the borrower, so it caused difficulty in their friendship. They came to us together to seek advice on what they could do. Citizens Advice took that complaint as far as it could on behalf of the client. We received a recording of the follow-up phone call. The IP can be heard telling the lady that the guarantor loan was not going to be sorted out. However, it was a follow-up phone call after the advice had already been given. A child can be heard crying in the background. The lady is trying to carry out domestic duties and is not taking anything in. She had already been given the impression that the guarantor loan would be dealt with.

Carrington Dean, which you mentioned, is unique because it is regulated both by the FCA and as an RPB. Not all IPs are FCA regulated. What is meant by “advice” needs to be defined, because if a firm is not FCA regulated, it is not able to give advice on other debt options. Aside from Carrington Dean, which is the biggest provider of PTDs in Scotland, there are firms that cannot offer a full breadth of advice because they are not regulated to do so. When it is said that people receive advice about their options before they enter into a PTD, what is meant by that? Is it advice about their insolvency options, because that is all that those firms are allowed to give advice on, or is it about all of the options that are available?

The regulation issue is important. The CAB network is FCA regulated. It has to give advice on all options and explain why some options are not appropriate. It has to be prepared to back that up if the FCA investigates. The client has the right to complain, and they can go to the financial ombudsman service if we get it wrong. That is not the case if an organisation is not FCA regulated. Where could a person go with their complaint?

Andy Wightman: That is an important point.

Anna Hamilton: On the point about where advice comes from. I will reiterate some of what has been said in previous evidence hearings.

There is something cloaked about the advertising and the way that people are entering PTDs—for example, as a result of pushed adverts on Facebook. Before coming to the committee meeting, I looked at a client case that related to a website called Mumsoutofdebt. The entire website is geared towards emotional bargaining before a person has even signed up to a PTD. It says that children will get more from their mum and that they will be a better parent, if they take out a PTD. There is also a website called Dadsoutofdebt.

One of Citizens Advice Edinburgh’s clients entered into the PTD process through the Big Debt Payoff competition. The prize was that all of a person’s debts would be paid off, which was pretty unrealistic. Fortunately, people sometimes come to us before they sign up to things like that.

People are being targeted because of what are, frankly, protected characteristics. They are being targeted not because they are in debt but because they are a mum or dad who is in debt. Strange things are happening that allow people to be targeted through advertising in that fashion. People are not being asked whether they need support to deal with their debts and then being made aware of all the options that are available to them.

I agree with Mike Holmyard. If a firm wants to give advice on debt in Scotland, it should be giving advice on all of the solutions that are open to debtors, not only the options that are available through legislation. There should be other options. Citizens Advice can take other approaches with clients that do not take them down the legislative route. All of the options should be open. I understand that IPs are not going to provide the other options to debtors, but they should be able to discuss them and direct people to the appropriate places to seek support.

Through some of my work, I have found that there is some evidence to show that advertising directly relates to inappropriate access to PTDs.

Andy Wightman: In evidence last week, we heard the clear message that the failure of a trust deed—if someone does not complete it and does not get a discharge—tends to be the result of non-co-operation. Do you have any comments on that?

12:00

Anna Hamilton: I will happily take that question. We see people who are going through a process that is quite stressful, as they have agreed to pay off their debts over a period of four years. They are usually protecting something; that is the purpose of entering a trust deed. It might be their career—for example, they may be a member of a professional body, which means that they cannot become bankrupt where bankruptcy would be another solution. Alternatively, they might be protecting an asset such as their home. There are a number of reasons why people might go into a trust deed when they do not have access to bankruptcy, which is a similar product in terms of duration and contribution.

When people enter a trust deed and something happens, and they are dealing with something so major that they can no longer make their contribution, they are expected at that point to jump through hoops for a trustee. A number of debtors will back off from the process at that stage, when they would probably benefit from engaging more. All the cards are in the trustee's hands, and the debtor has nothing but answers to give; they are on the back foot throughout the process.

I would like an automatic discharge to occur if the trustee cannot prove, through some audited process, that the debtor has not co-operated—that would work in the same way as it does for bankruptcy. There is an onus on the debtor to supply evidence to prove that their situation has changed to a degree that they can no longer continue with the process. They are often strapped for cash in the first place—they are giving every single penny of their disposable income to a trust deed—so a slight change of circumstances can knock things off course dramatically.

When we see clients, they are often too far down the line. They cannot apply to the sheriff for an appeal, and they cannot go through the insolvency process. When we support people to make a complaint, we tend to tell them how to do it—that is the approach that we usually take. More recently, we have started to support people with the complaints process. There are not a lot of complaints going in—we certainly see more people than we see complaints being registered. We are now supporting individuals to see whether we can engage more people in that process, but that is difficult when they are feeling a bit beat-up.

Mike Holmyard: We experience a lack of co-operation with our clients, too. In some cases, after a while, people no longer get in touch with us, and they do not re-engage. They simply stop making their arrangements. We accept that a significant number of people will be in that situation.

I invite members to look back at the failure rates in the annual reports for the Accountant in Bankruptcy. Back in 2015-16, one firm had a failure rate of 88 per cent, while another had a rate of 87 per cent. The following year, the same two firms had failure rates of 63 per cent and 74 per cent respectively. That points to a lot of people who are not co-operating. I would suggest that there was something wrong there, either with the sales process at the outset or with taking a blanket approach to people who were struggling, which was to simply shut the process down.

The RPBs, from which the committee took evidence last week, do not understand why people are failing to complete their protected trust deeds. That is where we need to go. David Hilferty suggested in evidence last week that, although the trust deed process should be happening, there should be an understanding of why people are not completing them.

There is now a better approach, but it is almost a case of closing the stable door after the horse has bolted. There has been an issue for a significant number of years. Those failure rates were highlighted to the AIB as a problem, but until now nothing has been done. Looking at the issue now, we still do not know anything. We knew that there was a problem in 2015-16, but we still do not understand what the problem is.

Andy Wightman: I have one final question. The Money Advice Service published a report in July 2018 looking at the supply and demand of debt advice across the UK. It found that the unmet demand in Scotland as a percentage of the supply was 88 per cent, which was the highest of any region of the UK—the West Midlands was 42 per cent, the north-east of England was 32 per cent and Yorkshire and Humber was 55 per cent. What is going on in Scotland? Is that difference due to more indebtedness or to undersupply of debt advice in Scotland? It is probably both.

The Convener: Who would like to take that for the team? I am conscious of time.

Mike Holmyard: I will take it for the team. Much of the debt advice in Scotland is funded by local authorities. As debt advice is not a statutory function, when local authorities are strapped for cash, it is an area that they can cut back on. That is the issue. We have seen something like a 40 per cent reduction in Scotland—

Andy Wightman: That is the case for budgets in England, too, so why is the situation different in Scotland?

Mike Holmyard: It is down to choices. The local authority debt advice presence is not as great in England and Wales, where much of the debt advice is funded directly by the Money and Pensions Service—previously the Money Advice Service. We have £4 million of levy funding coming to Scotland, but that is only part of the picture. The vast majority of services come through the local authorities, so when the local authorities cut back on debt advice funding, it has a more significant effect in Scotland than elsewhere.

Andy Wightman: Thank you.

Willie Coffey: I want to stay with the failure issue raised by Andy Wightman. Who decides that a PTD has failed? It sounds obvious, but is it a person failing to pay once, twice or three times, or is it when a person fails to engage? What constitutes failure and who decides whether a PTD has failed?

Anna Hamilton: There are various things. It can be different in every case, but my understanding is that usually the trustee will be looking for something from the debtor and either the debtor will not be able to provide that or will provide information that does not satisfy the trustee, so the relationship breaks down and the debtor stops engaging. At that point, the trustee may move to be discharged, if they cannot see any further remuneration for themselves—if they cannot see that there will be any further ingathering of funds and there will be no completion at the full level of the trust deed. At that stage, instead of going back to the first issue and understanding what the problem is and why there cannot be a conclusion, it is easier to discharge. The trustee makes the determination about whether they want that discharge.

Willie Coffey: Can the debtor appeal that decision?

Anna Hamilton: They can; they have 21 days to appeal to a sheriff against a decision to not discharge them from the trust deed but to fail the deed instead. There is also an opportunity to make a complaint to the Insolvency Practitioners Association.

Willie Coffey: We heard last week—and I think that Andy Wightman mentioned it just now—that someone can be discharged from a PTD by co-operating, even if that meant that they did not pay anything. Is that true?

Anna Hamilton: A debtor can be discharged from a protected trust deed if they have satisfied all the conditions that they entered into. That does not mean that they have to have paid all of the contributions, but it means that, in good faith, they have to have done all that they can to complete the promise that they made at the outset of the trust deed.

Willie Coffey: Who determines that?

Anna Hamilton: The trustee.

Mike Holmyard: I have to say that I have never seen a case in which someone has made no payments to a protected trust deed and has been discharged from their debts. That is highly unlikely.

Anna Hamilton: I would not say that we have seen a case where someone has made no contribution, but we have seen cases where the trustee has elected to discharge a debtor from the trust deed when the situation has changed to such a degree that the debtor would not be able to honour the obligations of the PTD.

However, we have seen many more instances in which that has not been the case, even when we have tried to argue on behalf of the debtor, but it has not worked.

Willie Coffey: When a PTD fails, can it be restarted if, for example, someone says that they can afford to pay it because their circumstances have changed, or is it the case that, once it has failed, it is gone?

Mike Holmyard: It is gone. Once the trustee has discharged themselves from the process, it is finished.

The equivalent situation in a bankruptcy is that the person would not be discharged if they failed to co-operate. People are stuck in a bankruptcy until they contact the trustee and start dealing with them again. The ultimate aim of bankruptcy is that everybody is discharged from their debts.

If a protected trust deed fails, the person gets their debt back. From an advice point of view, if someone cannot guarantee what their income will be or what will happen to them over the next four years, it is safer for us to recommend that they look at an option in which there is a definite outcome, such as a bankruptcy. In a bankruptcy, they will be discharged from their debt if they co-operate and make their payments. If their circumstances change, the sequestration can cope with that and will allow them to make lower payments.

That is not the case in the protected trust deed market. When a failure happens because somebody has not made their payments or their circumstances have changed, it is difficult to find the flexibility that is needed to allow them to extend or end the trust deed.

Willie Coffey: Would you support that kind of flexibility being introduced to the PTD system?

Mike Holmyard: Absolutely.

Richard Lyle: We have a financial system that does not support debtors. Debt advice is an art; I used to do it. There are people who cannot pay because they enter into an agreement to pay £50 a month, but that £50 goes on something else—their kids need shoes or they need to buy this or that. Debtors are people who are continually put upon.

There is a problem with trust deeds. Thousands and thousands of pounds in fees are being made by trust deed suppliers—I make no apologies in saying that. The supplier can walk away, but the debtor cannot walk away and the creditor gets nada—nothing—so why are we doing it? We really need to change the situation. I am sorry, but I have to come back—

The Convener: Mr Lyle, do you have a question for the witnesses or were you answering your own question?

Richard Lyle: I have a question.

We need to change the situation. Lee Kilgallon said earlier that we need more debt advisers, which I agree with. I used to be a local authority councillor. Why can local authorities not go into trust deeds and charge a decent, reasonable fee that people could live with? Why can you not give them the advice that such things are not for them? You have that experience, so please tell me.

Lee Kilgallon: The challenge is that we would then not be giving free and impartial advice. However, if the local authority were to gain from my advice to somebody to enter into a trust deed that we would sign them up to, it would be fine if that was the right decision. I would have no issues with that.

I enjoy working in the free sector, ensuring that the client is at the heart of what we do and giving advice to clients when they need that advice about the best options for them, whether that is a bankruptcy, a trust deed or an informal payment plan for the short term because they have a significant change coming in three to six months. That is a common problem with trust deeds, if people do not look ahead by three to six months to when their kids leave school and their benefits change, for example. We are aware of that, so we advise that something else is put in place and that they come back with a statutory protection later when their situation is stable.

We are there for the long term and what is best for the client, rather than the short term and what is best for the insolvency practitioner or whoever is selling it.

Richard Lyle: In North Lanarkshire Council, there are money advice centres. There are also a couple of council officials who give money advice.

Do you contact companies and make payment arrangements with them on behalf of clients who walk through your door?

12:15

Lee Kilgallon: Yes, absolutely. That is the bread and butter of what we do. If somebody comes through the door, we first gather the information and we go from there.

Richard Lyle: In the vast experience of all of you, compared to trust deed failures, how many of your arrangements with companies fail? The failure rate for trust deeds is 88 per cent. How many failures do you have in setting up a regular payment? That regular payment could be varied from week to week and month to month. You could phone up the company and say, "Jeannie McShoogle has come in to tell me that she cannae pay £20 this week, but she can pay £10. Will you take it?" "Yes, we will." Most companies want their money. They want their payment back. I am sure that you do that.

Bob Russell: I have no statistics on it and I could not give you a figure, but the failure rate is substantially lower than 88 per cent.

Mike Holmyard: The more important issue is the consequences of a failure. With a trust deed, the debtor gets all their debt back. With other debt options, such as a bankruptcy, the payment can be changed and it does not affect the discharge. If they are in a debt arrangement scheme, their payment can be varied. If they can no longer sustain the debt arrangement scheme, at least every month, 78 per cent of their payment has been made to their creditors. Therefore, when the debt arrangement scheme fails, they are further forward with their debt than they were at the start.

Richard Lyle: With regard to the arrangements that you are sending in, you or the debtor are making payments. They might be from a company. They might get a payment book or they might do a standing order. That whole payment goes to the creditor. The creditor gets £10. The arrangement has made it £10 and the creditor gets £10. With the trust deed, the creditor does not even get the £10. For 18 months, they get nothing. Why should we defend trust deeds? I know that we need something. My view has always been that people need debt advice and debt relief. If we write off their debts, that is recorded and they cannot get into debt again, because if they know that they can get their debts written off, everyone will run out and buy something, not pay for it and get it written off. We cannot advocate that.

I suggested that the Accountant in Bankruptcy should become more involved and set up a system that is better for debtors and creditors. In all the time that I have been a member of this committee, the system has not worked; it has to be reviewed. Last week, I smiled when one of the witnesses suggested that it was the Parliament's fault and, since it was the Parliament's fault, we would fix it. To finish my question, how would you fix it?

Mike Holmyard: I agree with David Menzies. As has been said before, we need a review of all the statutory debt solutions—the debt arrangement scheme, bankruptcy and protected trust deeds—to work out what they are for. The committee has had evidence that one tweak changes everything. In the first week of evidence, Richard Dennis talked about the change to the length of bankruptcy and how that aligned with protected trust deeds. Suddenly, the protected trust deed market took off again. If we make little tweaks such as that around the edges, they always have a knock-on effect somewhere else. As in the case of protected trust deeds, somebody sees an opportunity.

As the past four years since the alignment of the period of payment have shown, people will always step in when they see a gap and an opportunity. Rather than simply creating more gaps and opportunities, let us look at everything in the round. We should ask what a protected trust deed is for and whether it is still suitable. In evidence last week, David Menzies said that it is not suitable for what it is currently being used for, and I agree with him on that.

Let us look at what a bankruptcy should achieve. Should it be about funding the Accountant in Bankruptcy? Should people have to make contributions? Should people get debt relief when they enter into bankruptcy? Those are all fundamental questions.

Should people be allowed to leave a DAS once they have paid a certain amount of pennies in the pound? There is currently a limit set on that. If people have paid off 70 per cent of their debt over 12 years under a DAS, they can, with their creditors' permission, potentially be let off paying the rest, but that period is far too long.

There are a number of issues that we can look at and change, but we need to look at everything and not just keep on changing little bits or finding a solution in only one area.

Richard Lyle: If someone owes a company £1,000, should they be able to negotiate a part payment?

Mike Holmyard: Yes, absolutely.

The Convener: They can already do so, can they not?

Mike Holmyard: Yes, they can. They can create a full and final settlement of a particular debt if they come into a bit of money.

The Convener: I will give Lee Kilgallon the opportunity to comment on how the system should be changed for the better.

Lee Kilgallon: I would not disagree with anything that Mike Holmyard said. For as long as I have been a debt adviser, we have tweaked and changed the statutory options. Any insolvency practitioner, and any money or debt adviser or counsellor, will tell you that what we are doing just now—especially in the areas that we have talked about with regard to failures and what is not working—is not good enough. People are not getting the right service, and they are not getting the product that they want.

Is it fair to keep someone on the hook? Last week, David Hilferty talked about keeping people on a tight rein for four, five or six years. That is a long time for someone not to have any disposable income, with no option to take their family on holiday or to buy the kids some extra wee bits as people want to do. I see the mental health impact of that situation daily. It is vital that we recognise that issue. The Government has to look at that area, and I hope that we can come up with something that will give people debt relief more quickly when there is no sustainable reason why they should be in a plan for longer. That is what I would like to happen.

The Convener: Our time is up, so we will finish there. I thank you all for coming in today. We now move into private session.

12:23

Meeting continued in private until 12:57.

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