



THE DEBT RESOLUTION FORUM NEWS

DEBT RESOLUTION FORUM NEWSLETTER JULY 2009

DRF Annual Conference

The date for your diaries is Thursday 19 November. As last year we will have a great line-up of speakers from government and elsewhere – to give members, and the creditor community the latest on developments that will shape the future of our business. Such as...

“A Better Deal for Consumers - Delivering Real Help Now and Change for the Future – The Consumer White Paper”

We are still digesting the very recently released Consumer White Paper, which coincided with announcements of the publication of a new guide for debtors and that the Money Advice Trust would be publishing a self help guide for people struggling with debt.

We welcome the debtor's guide which, through the IVA Standing Committee, we have helped create. This document has been the subject of hundreds of hours of work by the Insolvency Service and representatives of professional bodies, the banking community and the debt industry. Providing clarity for debt-ridden consumers about their debt management options, it is exactly what we've been calling for.

DRF is particularly pleased that the role played by the fee charging debt resolution companies is recognised in this guide.

As to Money Advice Trust's self help guide – We think this is very unlikely to work; our experience of people with debt problems is that a large proportion of them are in debt because they can't help themselves. This initiative is a response to the fact that the charitable and creditor-funded debt help bodies admit they fail to meet demand for debt services (2 million case capacity against an estimate of a 4 million plus need). Self help also fails to support debtors in making distributions to creditors, again making them often an inadequate solution to the indebted consumer's needs.

The White Paper also announced an “Internet enforcement team”. DRF agrees with this absolutely: Debt resolution and associated areas are rife with internet scams which hurt our industry's reputation and make it difficult for us to establish trust. DRF membership is now a good quality mark for avoiding scammers and DRF constantly plays its part in reporting and driving out these firms.

Statutory Debt Management Schemes...

The Ministry of Justice/Insolvency Service recently held a Stakeholder Event about their thinking on Statutory Debt Management Schemes. If these come to pass – which currently looks highly likely – they will radically change the nature of our industry, not least because only authorised organisations will be able to offer them. The present intention is to issue a consultation paper on Tuesday 14 July, for which there is likely to be the minimum 12 weeks for responses before proceeding, should Ministers agree, to putting the Scheme(s) in place in April 2010. Stakeholder consultation meetings are planned in London and Manchester in the week commencing 14 September.

It is important that members get involved in providing feedback for this consultation. The Debt Resolution Forum will be contributing to the consultation and urges members to do the same on their own behalf.

Our aim will be to see a statutory Debt Management Scheme approved which provides:-

- Protection from creditor action
- Automatic freezing of interest and charges
- Statutory acceptance of income and expenditure guidelines which are reasonable and allow an element for contingencies and to motivate the client to perform
- Protection for client funds
- Protection for clients in terms of excessive fees being charged, allied to a commercial approach that allows reasonable fees and promotes competition
- Pragmatic accreditation and regulation

It is likely that the price for this will include transparency on performance and distributions to creditors.



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TDX takes over HBOS DMP approvals

The DRF Board met on 13 May and on 7 July – and much time was spent discussing the TDX proposal. Our worries were centred around a few areas which TDX kindly responded to. Copies of the response from TDX have been sent to all DRF members. A further meeting has been held with TDX to discuss our members' serious concerns about the impact their practices could have on their DMP clients. The meeting was cordial and we are awaiting a final response, which we will circulate and seek views on. In the meantime, we urge members to continue to send DMP proposals to TDX in exactly the same format, and by the same means, as they did to HBOS.

Changes to creditor attitudes in IVAs

We believe the IVA Protocol has had an effect on the relationship between creditors and IVA providers. Creditors are voting more frequently and are generally providing reasons for rejections and are prepared to liaise.

There are still a minority of creditors who randomly reject IVAs thus thwarting the purpose of the Protocol, but the hope is that these creditors' so called criteria decisions will change so that those debtors who need help can get access to IVAs. We have already succeeded in changing Northern Rock's attitude to IVAs and a number of members are also involved in steps being taken to persuade other major creditors to be more realistic about IVAs.

Those of our members who are Protocol compliant in relation to dividend distributions have had the "HSBC" hurdle rate cancelled, so some members need to get up to speed which will help debtors in the long run – more news soon.

Certificate in Debt Resolution

Recognition of the Certificate in Debt Resolution (Cert.DR) continues to grow across the country which has resulted in an increased interest in registering.

Doran Scott Williams tell us that more and more enquiries are also being received from organisations outside of the debt management sector as they explore the benefits of the qualification for their staff as well as for the organisation itself.

Since the last newsletter almost 40 new learners have started working towards the Certificate in Debt Resolution from firms such as ClearDebt, Debt Free Direct, Tenon and The Debt Advisor. There have also been candidates from a number of small firms with individual learners. We urge members to take up this initiative.

The latest statistics:

Number of interested organisations	74
Number of larger organisations included in the above number:	16
Number of expected learners from organisations expressing an interest:	165
Number of firms with current learners:	19
Number of current learners:	Certificate: 104 Award: 16

65% of individuals who took module one back in April 2009 achieved a pass. Registrations for Module 2 commenced on 1st May with the first examination taking place at the end of July 2009.

OFT Code of Approval

Following their informal review of our standards, DRF is working closely with the Office of Fair Trading to obtain full code approval. We will shortly be submitting our revised consumer complaints procedure for review – more news on progress as it happens.





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OFT refuses credit licence to Lancashire debt management firm

The OFT has refused an application for a consumer credit licence from a debt management business based in Ormskirk, Lancashire.

A & H Debt Dissolvers Ltd (A & H) had committed an offence by offering debt management services whilst unlicensed. As well as engaging in unlicensed trading, the OFT found A & H had failed to demonstrate the competence necessary to carry on a debt management business and failed to comply with the OFT's debt management guidance, including by making a number of misleading website statements and by not being transparent regarding fees.

A & H had misleadingly advertised 'free help and advice' and 'expert advice' to consumers with serious debt problems through its own website www.ahdebt-dissolvers.co.uk, and the website of an associated company, www.crunchyourcredit.co.uk. These websites have now been closed down.

An OFT adjudicator decided that the company was not fit or competent to hold a consumer credit licence and therefore the application was refused.

Ray Watson, OFT Director of Consumer Credit, said:

'Where businesses show themselves to be unwilling to comply with their legal obligations and to lack competence to engage in credit activities we will take all necessary action to ensure consumers are protected. Unlicensed trading is not acceptable. It poses real risks of harm to consumers and denies them effective protection under the law.'

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