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Released on 05 November 2013 10:45

05 November 2013 10:45

Consumers protected as 22 companies sign debt management plan protocol

More than half of those turning to commercial debt management companies will now be protected from upfront fees, Consumer Minister Jo Swinson announced today.

This is a result of 22 companies, who control more than half of the commercial market, signing up to the voluntary Debt Management Plan Protocol which went live on 1 October 2013.

The firms have also agreed to spread the recovery of their set up fees evenly over at least the first six months, ensuring that plans are affordable and sustainable for the consumer.

They will also have to tell consumers about other debt relief options available, including free debt advice and management services. Creditors will further benefit from the protocol as they will have more reassurance over repayment of their debts.

The protocol commits companies to:

- No upfront fees for consumers
- Spread the cost of setting up a debt management plan over six months.
- Make consumers aware that free debt advice is available to them - and point to the Money Advice Service website.
- Payments to creditors from the first month – to address concerns of creditor representatives that they didn't always know when a customer was in a plan.
- An assurance for creditors that only sustainable plans would be put forward for them to consider – i.e. where there was a realistic commitment to repayment.
- Pro-rata payments – to ensure that creditors do not receive less than they should as the pot of money will be fairly divided among all creditors.
- Access for creditors to full financial information about customers (subject to compliance with Data Protection Act principles).

Consumer Minister Jo Swinson said:

“This is a major step forward for people using commercial companies to manage their debt problems. They will now have the reassurance of added protections when using firms signed up to the debt management plan protocol.

“It is important that they should also know that free advice is available to consumers with debt worries. They can contact the National Debtline on 0808 808 4000 for free and confidential advice. The Money Advice Service also signposts people to appropriate and free debt advice services and can be contacted via: <https://www.moneyadviceservice.org.uk/en>

“The Government is committed to leading the debt management industry towards improved standards including transparency for creditors and a better deal for consumers.”

Caroline Siarkiewicz, Head of the UK Debt Advice Programme, at the Money Advice Service, said

“We welcome the launch of the Debt Management Protocol and are delighted to have been able to work together with creditors, consumer groups and debt advice providers to develop it. The Protocol is a significant step in raising the quality of advice provided by debt management companies, and we are also pleased that the FCA have incorporated elements of the protocol into their proposals for tougher regulation of consumer credit. Our vision is to make debt advice easier and quicker for people to access, and also to continually improve – the already high - standard and quality of advice delivered in the UK. The Protocol, together with our own work around standards in the industry, is part of helping to achieve that ambition”.

David Mond, chair of the Debt Resolution Forum (DRF), said:

“Debt Resolution Forum welcomes the new Debt Management Plan Protocol and believes it has a long term future in promoting standards in debt management, not least because organisations with the protocol badge will be independently monitored and assessed. We hope it will build trust between debt resolution companies, creditors and consumer representatives.”

Melanie Taylor, Director of External Relations at the Debt Managers Standards Association (DEMSA) said:

“We are very pleased with all the hard work member firms have put in to meeting the higher standards required to be Protocol compliant. This marks a big change for the sector and a significant step forward in improving the quality of service consumers can confidently expect to receive; when dealing with an accredited provider”.

## Notes To Editors

1. The Debt Management Plan (DMP) Protocol is a voluntary scheme and came into force on 1 October 2013.
2. A debt management plan (DMP) is a non-statutory form of debt repayment, whereby a third party provider holding a Consumer Credit Licence will deal with creditors on behalf of a debtor. The debtor is normally required to make payments towards their debts over a period of time, with a view to paying them off in full.
3. DMPs can also be used as a means of gaining temporary respite from creditor pressure, enabling a debtor to look at ways of improving their means of repayment.
4. Many DMPs are operated via debt charities, some of which are funded by creditors through the fairshare scheme. Others by commercial providers who charge the consumer a fee.
5. The Approvals Committee comprises the Insolvency Service, Money Advice Service, Institute of Credit Management and Anthony Sharp (an independent consultant in the consumer credit market).
6. DMP Protocol compliant companies are listed at: [www.moneyadviceservice.org.uk/freedebtadvice](http://www.moneyadviceservice.org.uk/freedebtadvice). The information on this webpage aims to help fee charging debt advice organisations keep their clients as well informed as possible about the availability of free debt advice.

## About the Insolvency Service

1. The Insolvency Service administers the insolvency regime, investigating all compulsory liquidations and individual insolvencies (bankruptcies) through the Official Receiver to establish why they became insolvent. It may also use powers under the Companies Act 1985 to conduct confidential fact-finding investigations into the activities of live limited companies in the UK. In addition, the agency authorises and regulates the insolvency profession, deals with disqualification of directors in corporate failures, assesses and pays statutory entitlement to redundancy payments when an employer cannot or will not pay employees, provides banking and investment services for bankruptcy and liquidation estate funds and advises ministers and other government departments on insolvency law and practice.
2. Further information about the work of the Insolvency Service is available from: <http://www.bis.gov.uk/insolvency>.

**9. Media enquiries only should be directed to: Kathryn Montague, Media Relations Manager on 0207 674 6910 or Ade Daramy, Press Officer on 0207 596 6187.**

10. You can now subscribe to get e-mail alerts from the Insolvency Service. To subscribe, go to our website [www.bis.gov.uk/insolvency](http://www.bis.gov.uk/insolvency) and you will see a button to "sign up for email alerts and newsletters", or click on the following link: <https://public.govdelivery.com/accounts/UKBIS/subscriber/new>.

11. The Insolvency Service is now on twitter, you can follow us at [@insolvencygovuk](https://twitter.com/insolvencygovuk).

## About the Money Advice Service

The Money Advice Service is an independent organisation. It gives free, unbiased money advice online at: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk) over the phone on 0300 500 5000, and face-to-face right across the UK. The Service was set up by Government and is paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority. Its statutory objectives are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system); and to enhance the ability of members of the public to manage their own financial affairs. The Service has an independent Chairman and board appointed by the Financial Conduct Authority.

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