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OFFICE OF FAIR TRADING

**FRDRF**  
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**David Mond**

Chairman DRF



# Welcome



- Today's meeting



- Housekeeping





# Welcome

- Money Advice Service
- Office of Fair Trading
- DRF Research Project



# Welcome



- Members



- Creditors





**David Mond**

Chairman, DRF



# The Money Advice Service Debt Advice Programme

**Melissa Wadams**  
**Money Advice Service**

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[moneyadviceservice.org.uk](http://moneyadviceservice.org.uk)

# Background

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- the Money Advice Service will perform a central role in the coordination of debt advice across the UK from April 2012.
- The announcement followed the Government's response to the Consumer Credit and Personal Insolvency Review.



# Background

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- coordinate effective, efficient, fair and consistent multi-channel debt advice services across the UK.
- research programme to measure demand, and improve the delivery and funding of debt advice
- consulting with consumers, creditors, regulators and advice services so that any changes we recommend are fair and provide long term stability.

# Background

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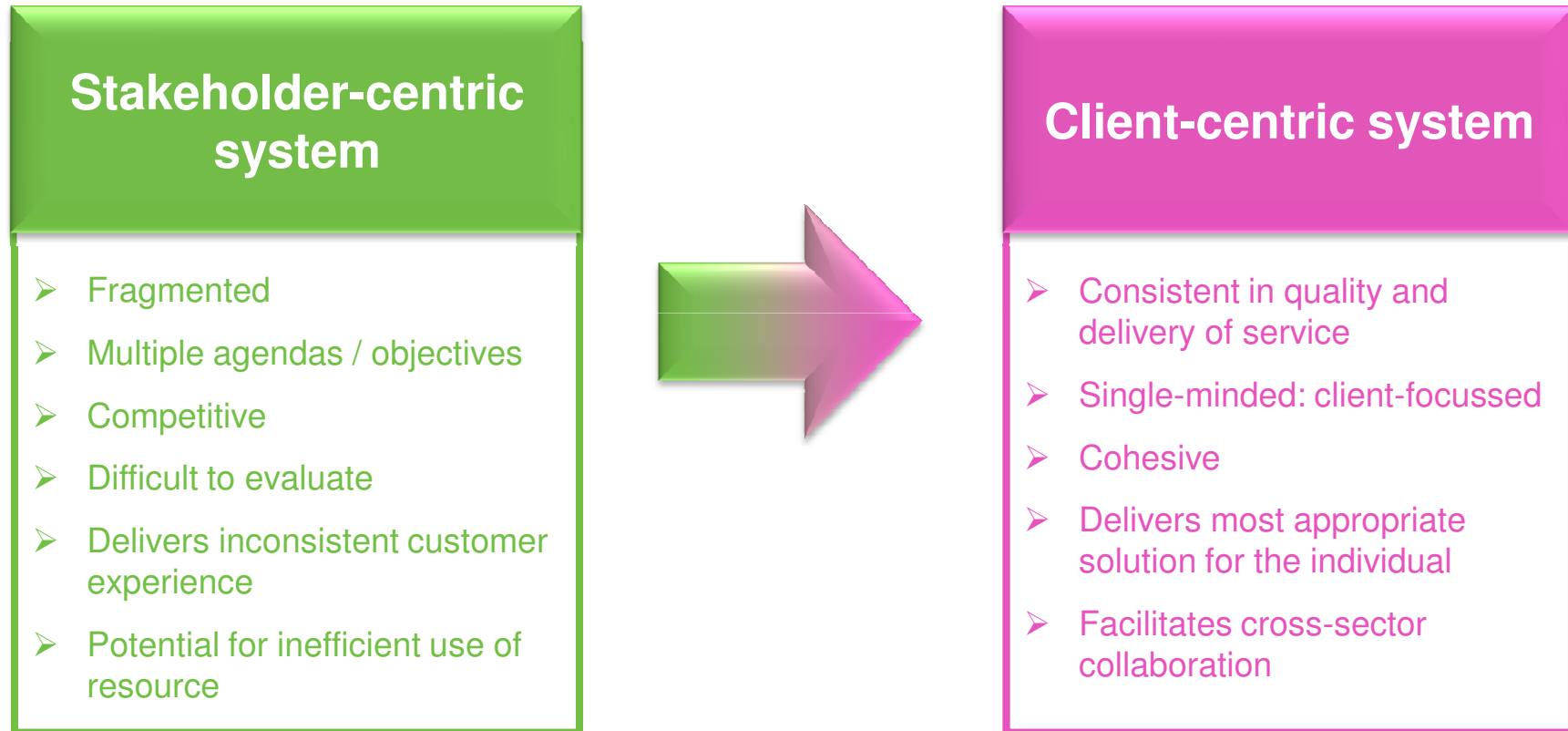
- our priority is to ensure quality debt advice services continue to be available from April 2012
- working with stakeholders to identify and share best practice
- In the future, the Money Advice Service's preventive work will be aligned with debt advice services to ensure earlier intervention, rehabilitation, and greater individual empowerment.

*“People in financial difficulties know where and how to access effective, multi-channel debt advice services, that deliver consistent and fair outcomes for them and their creditors”*

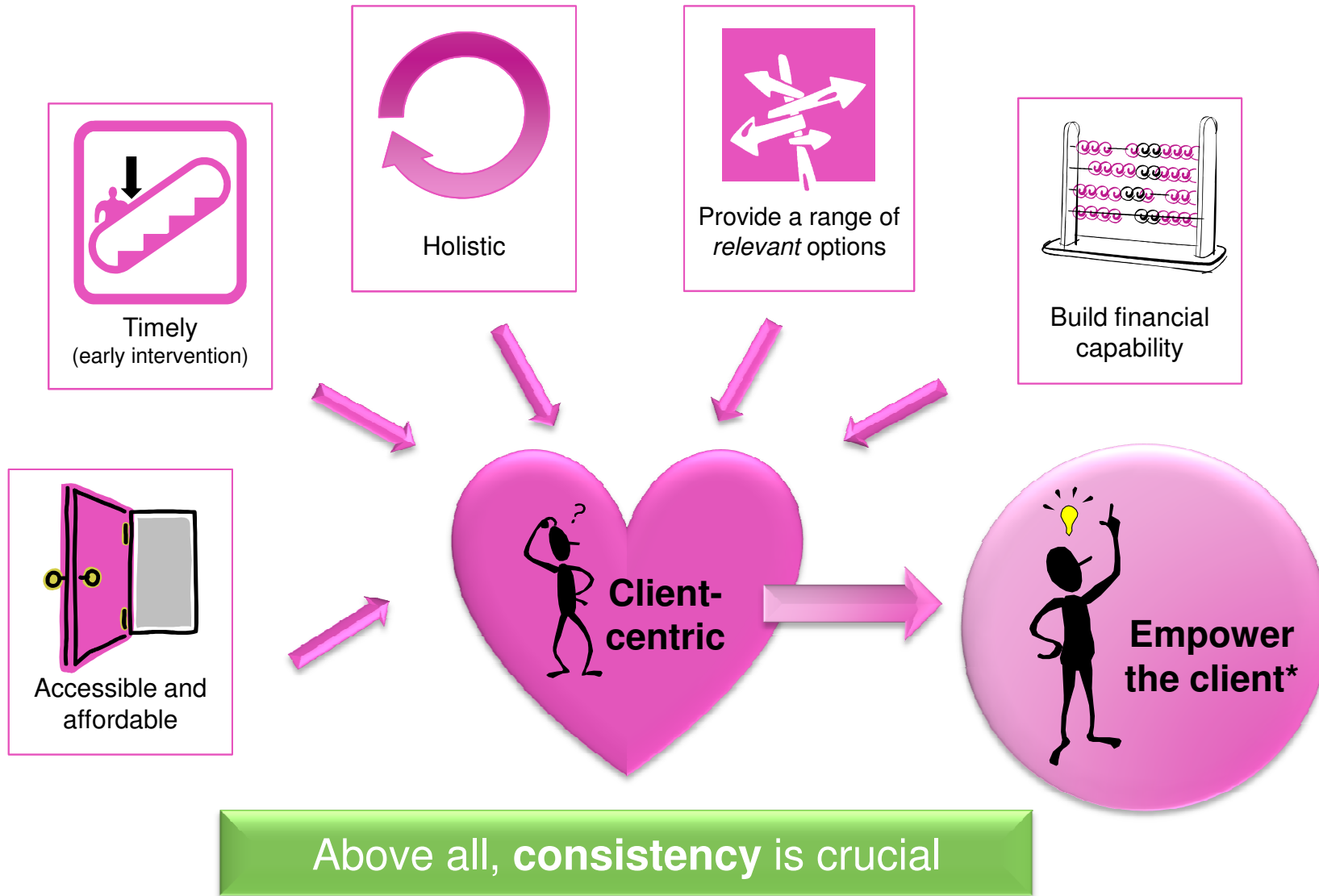
# Key Messages

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- Our approach will always put the needs of the consumer first.
- We do not underestimate both the challenge and opportunity our new coordination role presents.
- Our approach will be informed by all interested stakeholders.
- We will be taking a measured approach to implementing change (and in the short term our focus will be on maintaining existing services).



# An effective debt advice service should (be)...



- our entire funding will come via the FSA levy
- we will fund the existing face-to-face Financial Inclusion Fund projects (England and Wales) and relevant provision in Scotland/ Northern Ireland
- testing and evaluating services to inform potential procurement
- further work on future funding model



## Key dates

| Milestone   | Date                 |
|---|----------------------|
| Three research strands completed: funding model, landscape and consumer/stakeholder   | February 2012        |
| FSA publishes fees consultation paper, including budget for MAS Debt Advice   | February 2012        |
| Money Advice Service takes responsibility for coordination of debt advice   | April 2012           |
| Money Advice Service to commission F2F debt advice services in England and Wales (extension of BIS grant agreements) and complementary services in Scotland and Northern Ireland (all subject to funding being granted) | April 2012           |
| Testing and evaluation of new delivery concepts emerging from research strands  | Jan – Sep 2012 (tbc) |
| Potential procurement process commences   | July 2012            |
| Implement Target Operating Model  | Late 2013            |

# Questions



**David Mond**

Chaiman, DRF

# Update on OFT enforcement

**Debt Resolution Forum (DRF)  
Money Advice Service Meeting  
3 February 2012**

**Rosie Aujla, Head & Lesley Kenny, Team Leader  
Debt Management Enforcement Team**

# Debt Management Compliance Review

- **Published in September 2010**
- **Use findings to inform OFT's future enforcement strategy, and inform subsequent revision of the guidance**
- **Clear warnings to the industry on key areas of non-compliance**
  - misleading advertising
  - many frontline advisers lacked sufficient competence and were providing poor advice
  - low awareness by standard licence holders of Financial Ombudsman Service rules for resolving complaints

# Enforcement

- **No doubt about the standards OFT expects**
- **Following OFT intervention 88 firms have exited the debt management market**
  - 56 as a result of the compliance review
  - 32 firms as a result of ongoing action outside the review
- **We have issued 180 ‘warning letters’**
  - 67 further warnings to firms in the compliance review
  - 53 resulting from OFT investigations
  - 60 following increased scrutiny on new applicants

(Enforcement action since September 2010)

## **Debt Management Guidance – overarching principles of fair business practice**

- **Transparency – marketing, advertising, promotion should accurately reflect the services actually offered and the cost**
- **Fairness – licensees must act honestly and treat consumers fairly**
- **Redress – respond appropriately and promptly in accordance with Financial Ombudsman Service's rules**



## What you need to do

- **Not the role of the OFT to continually advise on non-compliances**
- **This is your opportunity to fully review practices and procedures to ensure compliance**
- **OFT will monitor compliance – potential for on-site visit or spot check on advertising material**

# OFT Debt Management Enforcement Team – Contact

[debtmanagementenforcement@oft.gsi.gov.uk](mailto:debtmanagementenforcement@oft.gsi.gov.uk)

**Any Questions?**



**David Mond**

Chairman, DRF



# Zero-credit

 **Carrots, not Sticks** 

DRF Outcomes Research





# Personal borrowing at £1.5 trillion

- indebtedness reaches the mainstream
- cultural dependence on credit
- austerity restricts funding
- OFT, MAS, FCA etc. = search for new solutions



# Informed choice

## FUNDING SOURCES FOR DEBT ADVICE AND SOLUTIONS

|   | Creditors  | Fees  | Government  | Donations  | Consumer   |
|---|--|---|---|--|--|
|   | e.g. fair share contribution or levy                       | e.g. reassigned from formal procedures                                | e.g. strategic funds, budgets or grants                               | e.g. charitable fundraising or grants                              | e.g. fee bearing for which the consumer pays               |
| + | creditors take action to address failed credit agreements  | insolvency profits are applied to finance earlier intervention        | policy determines appropriate levels of support for vulnerable people | social values and philanthropy offer support for vulnerable people | consumer takes action to address failed credit agreements  |
| - | longer term repayments may be preferable to debt write-off | costly procedures may prohibit debt write-off for the most vulnerable | voters may not support taxation to intervene in over-indebtedness     | benefactors may not perceive debtors as a worthy cause             | debt write-off may be preferable to longer term repayments |



# **In the market for delivering recovery**

**evidence of outcomes is key...**

**for the policy makers**

**for the regulators**

**for the professional associations**

**for the providers**

**for the consumer**



# Why Zero-credit?

- **consumer co-op = mutually accountable**
- **professional membership & code of conduct**
- **specialist market knowledge**
- **experienced research team**



# **Our contract with you**

- **mapping provision to estimate market size**
- **customer feedback to evaluate benefits**
- **case studies to explore longer term outcomes**



# Market Size – argh!

| Personal Debt Settlement in 2011<br><i>(in millions)</i> |   | DMPs    |         |           |       | IVA     |         |           |       | Debt Repayment |         |           |       | DRO     |         |           |       |
|--|---|---------|---------|-----------|-------|---------|---------|-----------|-------|----------------|---------|-----------|-------|---------|---------|-----------|-------|
|  |   | granted | refused | estimated | total | granted | refused | estimated | total | granted        | refused | estimated | total | granted | refused | estimated | total |
| <b>A. Geographic Profile of Customers</b>                |   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>Total</b>   | number of customers of ukis/kuas/akta between \$1,000,000 and \$1,000,000 |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Age</b>  | under 25  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | 25-30   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | 31-35   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | 36 and over   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Gender</b>   | female  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | male  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>Vital Status</b>                                      | single female   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | single male   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | single  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Children</b>                                       | with  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | without   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Tenure</b>   | owner   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | renter  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | other   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Income</b>   | under \$10,000  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | \$10,000-\$19,999   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | \$20,000-\$29,999   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | \$30,000-\$39,999   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | \$40,000-\$49,999   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | \$50,000 and over   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Description</b>                                    | skilled bankrupt  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | skilled loan servicer   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | disability living allowance   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | insolvency bankrupt   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | insurer support   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | jobseeker allowance   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | working loan servicer   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | other bankrupt  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | total claiming bankrupt   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Debt Type</b>                                      | salvage   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | secured loan  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | loan servicer   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | mortgage  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | secured   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | personal loan   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | other loan  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | loan  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | utility   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | other   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>Reasons</b>   | disposal pending or arising responsibilities                              |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | insured priority responsibilities   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | irregular income or failed business                                       |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | over-off expense  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | over-committed or over-bid  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | personal injury, illness, incapacity or disability                        |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | reduced income, bankrupt or previous                                      |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | separation or loss of marital   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | unemployment  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | other   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
| <b>By Region</b>   | East Anglia   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | East Midlands   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | London  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | North East  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | North West  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | North East London   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | South East  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | South West  |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | Wales   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | West Midlands   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |
|  | Yorkshire   |         |         |           |       |         |         |           |       |                |         |           |       |         |         |           |       |

# Market Size – phew!

|   |   | DMPs     |   |   |           |   |   |
|---|---|----------|---|---|-----------|---|---|
|   |   | recorded |   |   | estimated |   |   |
|   |   | #        | £ | % | #         | £ | % |
| <b>A Demographic Profile of Customers</b> |   |          |   |   |           |   |   |
| Total                                     | number of customers                               |          |   |   |           |   |   |
|   | of which new starts between 01.01.11 and 31.12.11 |          |   |   |           |   |   |
| by Age                                    | under 25  |          |   |   |           |   |   |
|   | 25-39   |          |   |   |           |   |   |
|   | 40-59   |          |   |   |           |   |   |
|   | 60 and over                                       |          |   |   |           |   |   |
| by Gender                                 | female  |          |   |   |           |   |   |
|   | male  |          |   |   |           |   |   |
| by Marital Status                         | single female                                     |          |   |   |           |   |   |
|   | single male                                       |          |   |   |           |   |   |
|   | couple  |          |   |   |           |   |   |
| by Children                               | with  |          |   |   |           |   |   |
|   | without   |          |   |   |           |   |   |
| by Tenure                                 | owner   |          |   |   |           |   |   |
|   | renter  |          |   |   |           |   |   |
|   | other   |          |   |   |           |   |   |

My job is to make sense of your estimates & fill the gaps





# Customer feedback – argh!

- They said... they haven't... I was told...
- I'm thinking of leaving them!
- We ALL have dissatisfied customers

Zero-credit's wanted free lemon curd ->





# Customer feedback – phew!

- All data are anonymised
- Repeat: **ALL DATA ARE ANONYMISED**
- You have the CCA, we have the DPA
- Your DRF code = our MRS code



# **Case Studies – ahhhhhhhhh!**

**harnessing OFT, MAS and DRF values  
to identify  
sustainable money management  
post debt solution**



# Need to know more?

- I'm here all morning!
- <http://www.debtresolutionforum.org.uk>
- e-mail me: [ebryn-jones@zero-credit.co.uk](mailto:ebryn-jones@zero-credit.co.uk)





**David Mond**

Chairman, DRF



**Gaynor Loughnane**

DRF Head of Administration



# OFT Debt Management Guidance Consultation June 2011

**Advice 3.17** examples of unfair business practice:

- *Failing to take proper account of and make appropriate adjustments to accommodate individual needs for example where a consumer may have mental health issues or mental capacity limitations*



# Mental Capacity

## OFT guidance for creditors

### Sep 2011

The guidance sets out steps that consumer credit businesses can take with a view to:

- identifying borrowers who might have mental capacity limitations
- assisting these customers to be able to understand explanations of credit agreements to enable them to make informed borrowing decisions
- reducing the risk of such consumers being granted unaffordable or clearly unsuitable credit.

The guidance focuses primarily on creditors **adopting appropriate practices and procedures to assist borrowers** who might not have the mental capacity to make informed decisions



## What is the relationship between debt and mental health?

- One in four people has a mental health problem.
- One in four people with a mental health problem is in debt.
- One in two people in debt have a mental health problem.
- Debt may be a cause *and* a consequence of mental health problems

*Research from the RC Psychiatrists*





## CertDR and DipDR



### How can DRF help members meet these standards?

In line with the vision to enhance CertDR to DipDR, we gained proposals from a number of organisations for face to face training for all DM staff.

We considered The Samaritans, Money Advice Trust, RC Psych, etc. based on various factors such as expertise, knowledge, price and location we have chosen to work with **MIND**.



# MIND



For better  
mental health

- Formed over 60 years ago
- National organisation for representing the views and needs of those affected by mental health issues
- Widely consulted on national policy, guidance and legislative changes
- Nationally recognised as “expert” organisation on mental health issues
- Operates a wide geographical spread of local Mind offices throughout the UK







# MIND CLIENTS



For better  
mental health

- Apple
- HBOS
- IPCC
- Office of Fair Trading
- Pepsico
- Price Waterhouse Cooper
- Royal Bank of Scotland
- The Financial Ombudsman Service
- The Home Office



## Mental Capacity limitations training for all staff

DRF hosted 2 x face to face full day Pilot training courses last week

30 staff attended from:

Bright Oak

Cleardebt

First Step Finance

Money Matcher

Release Money Group

A feedback report being published by MIND but overall great success.



## Next Stage

- The MIND training and other specialist modules currently being written will be presented to Edexcel for their accreditation for Diploma level.
- Fully qualified CertDR staff can then register for DipDR and attend this ‘Understanding Mental Capacity’ training.
- Prices to be confirmed



**Any Questions?**



**David Mond**

Chairman, DRF





## Thank you

- Between now and November...
- OFT Debt Management Guidance
- Regulated Debt Management Plan
- DRF Research Project
  
- And November 1...



# DRF Annual Conference

- November 1
- Renaissance Hotel, Manchester
- Conference
- Awards



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