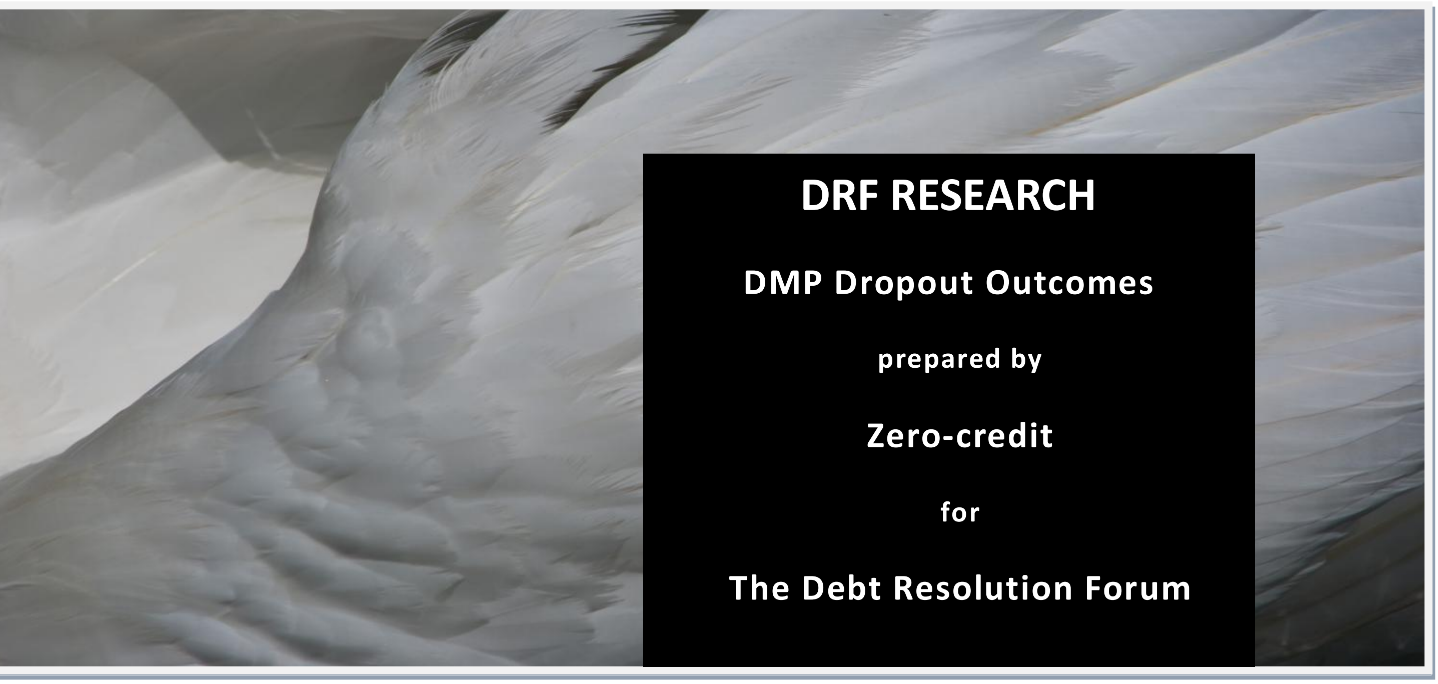
THE DEBT RESOLUTION FORUM
Promoting Professional Standards



DRF RESEARCH

DMP Dropout Outcomes

prepared by

Zero-credit

for

The Debt Resolution Forum

CONTENTS

1	ABOUT THIS REPORT	2
2	INTRODUCTION	3
3	EXECUTIVE SUMMARY	4
4	WHERE ARE THEY NOW?	8
5	REASONS FOR LEAVING	20
6	ACTIVE ADVICE SEEKING	25
7	KPIs FOR DRF MEMBERS	28
8	CREDITOR ACTIONS	34
9	OTHER SIGNIFICANT DEMOGRAPHICS	41
10	CONCLUSIONS & RECOMMENATIONS	42
	APPENDIX 1 – Questionnaire	44

1) ABOUT THIS REPORT

In the end of August 2012, the Debt Resolution Forum commissioned Zero-credit to complete a survey of members' clients, who had dropped out of a debt management plan within the last 12 months. This report compares the experiences of clients dropping out of plans with the client population as a whole (recorded by research conducted in March 2012), as well as exploring the reasons for leaving a debt management plan. It was compiled by Emma Bryn-Jones.

Debt Resolution Forum

The Debt Resolution Forum promotes professional standards for resolving debtors' financial problems and focuses on the quality and appropriateness of advice provided to consumers. The DRF represents a membership that offers the full range of debt solutions and is committed to raising standards, irrespective of solution or professional specialism.

DRF members approach debt resolution by identifying the solution and outcome which are the most compatible and appropriate to the financial and personal position of the debtor. This approach also takes into account the interests of creditors and seeks to demonstrate that any proposal made on behalf of the debtor is reasonable in the circumstances and is achievable.

Zero-credit

Zero-credit Members believe that experiences of debt should inform debt prevention and that all borrowers have something of value to share. The co-operative aims to end debt stigma by creating a strong consumer voice for borrowers through:

- helping people to make informed choices about their finances through digital tools and signposts
- promoting a culture of self-advocacy, irrespective of financial circumstance
- encouraging participation in its research, development and decision making
- celebrating best practice and challenging consumer protection issues
- striving to build people's confidence, skills and experience through voluntary and employment opportunities and training

To finance the above and more particularly, to influence the provision and regulation of personal finance, Zero-credit trades in information, gathered through participatory techniques that:

- encourage borrowers to own a share in the business as Members of its co-operative
- ask professionals and organisations to engage with its co-operative as Subscribers
- publish resources that distinguish between best and poor practice from the consumer perspective
- contribute to the forums where financial services design, delivery and regulation are discussed
- conduct research and development for clients who share its co-operative principles and values

2) INTRODUCTION

Throughout September and early October 2012, 259 telephone interviews were conducted with clients of DRF members who had ceased to pay into a debt management plan over the 12 month period of August 2011 to August 2012. Average interview length was 12 minutes, although some lasted longer than this.

Interviewers were briefed to speak to the named contact only, respecting the potential vulnerability of clients and the sensitivity of information shared. Respondents had the opportunity to decline a response at all times. To achieve 259 interviews, 349 former DMP clients of DRF members were contacted. Of these, 86 declined to take part and 4 completed the interview in part only. The latter are not included in the datasets analysed for this report. When conducting fieldwork, we also encountered a further 121 deadlines or wrong numbers and respected the preference of two former clients, who were TPS registered.

It is important to note that the conditions for completing this survey were challenging. Around a third of DRF Members contributed to the sample base; fewer than for the research conducted earlier in the year. Reasons included changed contact details for a significant proportion of clients, a tendency for smaller providers (often with high satisfaction ratings) not to have clients who had recently dropped out of plans, and several firms' prior commitments within this very tight research schedule.

It is easy to be cynical about the smaller sample frame and size achieved for this survey. However, under a protocol, many of the service attributes recorded for this research could become key performance indicators for debt management plans. Accordingly, this report suggests several pertinent characteristics for monitoring the achievement of appropriate outcomes.

From a sample for which confidence levels are necessarily unknown, it is important to recognise that this report is a precursor to establishing a baseline to which all providers may subscribe and that this is a commitment for client satisfaction research in 2013.

In the interim, there are several uncomfortable findings, which demand further investigation, and there should be no shame in proving a possibility of consumer detriment wrong. We find it reasonable to assume that all professionals reading this report are committed to raising standards. The role of debt management is to mediate between debtor and creditor, such that appropriate repayments are made. It is therefore imperative that professionals approach this research with absolute integrity, a commitment to frank discussion and the recognition that Zero-credit, as research agency is as open to constructive criticism, as any other relevant party should be.

3) EXECUTIVE SUMMARY

It is important to recognise that the statistical reliability of this sample is unknown and that only findings reflecting those of the entire DRF Research Programme and other recognised, published sources are reported as relevant. In 2012, the Programme focused on outcomes and comprised:

- *The UK Market for Debt Solutions 2007-2011* (secondary research, conducted in March 2012)
- *Provider KPIs* (telephone survey, base 601 DRF clients, conducted in March 2012)
- *Outcomes Case Studies* (depth interviews, base 12 DRF clients, conducted in March 2012)
- *Demographics & Financial Circumstances* (telephone survey, base 601 DRF clients, March 2012)
- *From Free to Fee* (depth interviews, 14 DRF clients, conducted in May 2012)
- *Free-to-client Advice Outcomes* (depth interviews, 9 DRF clients, conducted in October 2012)
- *DMP Dropout Outcomes* (telephone survey, base 259 former DRF clients, conducted in October 2012)

Perhaps the most noteworthy finding of the DMP Dropout survey was than more than 97% of respondents were aware of free debt advice and solutions, yet fewer than one in ten opted to use these in the first instance. This was far lower than the 19.1% of DMP clients reported in *Provider KPIs*.

Overall, clients who had dropped out of DMPs were more likely to seek advice (55.2%) than DMP clients as a whole (41.9%). However, where the former tended to favour the internet, friends / family or other debt management firms, DMP clients as whole were more inclined to seek free advice or to speak to banks and creditors.

The subsequent uptake of free advice and solutions after a debt management plan had failed was also quite low. Only 17.5% of respondents sought free help on leaving a plan with a DRF member, and it was apparent that not all of this contact resulted in a free debt solution. Taking findings from all seven of the 2012 studies into consideration, there is strong evidence to suggest that a significant proportion of debtors want to pay for a debt solution.

Just under a third of respondents who had dropped out of a debt management plan opted to DIY, by making repayments themselves. This may be a positive indicator of the potential to support increased financial capability and we should expect the relevant expertise of the Money Advice Service to inform this aspect of debtor rehabilitation.

A similar proportion of clients left a DMP with a DRF member to start another plan. Whilst we did not record whether new plans were free or fee charging, it was apparent that in most cases the latter applied because so few respondents sought free help despite almost all being aware of it.

Around a fifth of clients dropping out of DMPs entered an insolvency procedure of some kind. We should expect R3 to inform debate on the significance of this, given their substantial work mapping debtors' apparent progress through solutions.

This survey replicated some of the findings from a recent survey by YouGov for the Money Advice Service, in that advice seeking seemed to be driven by debt level, often prompted by creditor actions to elicit repayment. This emphasizes the scope to promote earlier intervention that was a recommendation of the qualitative studies.

Whilst creditor actions undoubtedly serve as a catalyst to seek help and advice, there was some evidence to suggest that they may influence the extent to which clients drop out of plans. For instance, clients who self-managed after dropping out of a DMP were least likely to report continued creditor action after entering the original plan.

The possibility of unintended consequences from the standardised treatment of debtors arose in our analysis of client *Demographics & Financial Circumstances*, and in all three qualitative studies, when some creditors' actions were seen as excessive. This is neither a positive nor a sustainable outcome and requires further research amongst clients of free and fee-charging providers to gauge its extent.

Younger clients seemed more inclined to opt for self-managed repayments after dropping out of a DMP, and there was evidence of a changing client profile in *Demographics & Financial Circumstances.* This may be an early indication that "generation Y" is better suited to technological debt solutions and further research into this may inform channel strategy.

Alarmingly, respondents from poorer households were more likely to leave a DMP, with no other solution in place, than respondents from higher household incomes were. Since low awareness of alternatives was a characteristic of participants in *Free-to-client Advice Outcomes*, it is clear that the issue of vulnerability is complex. Some clients are reluctant to accept low income as sufficient reason to make low or token repayments, for instance, and the resulting stasis needs to be addressed.

Homeowners were most likely to switch from one DMP to another and from both this survey and our analysis of *Demographics & Financial Circumstances,* it seemed plausible that continued creditor action had a bearing on this. Particularly where debtors switch from one fee-charging plan to another, there is potential for consumer detriment because set-up fees may be charged twice.

However, the qualitative studies revealed some aggressive practices from debt collection and debt management professionals that participants found difficult to distinguish. For this reason, comparative research with other fee-chargers and free solutions providers is essential to understanding homeowners' perceptions of pressure to switch provider.

Creating official records of the numbers of debt management plans started and in progress should help to inform the appropriateness of advice into, between and out of solutions for managing debt. Our analysis of the *UK Market for Debt Solutions* revealed that this is prone to subjective bias, in which parties with vested interests may charge others with unfair and improper practice, simply to deflect from their own weaknesses. This is not in consumers' best interests.

Clients, who had entered a DMP more than a year ago, were more likely to DIY, or to opt for insolvency than those who had started and left a plan within 12 months. The progression from DMPs into insolvency procedures requires careful monitoring to ensure that appropriate advice is both given, and taken. Often, our qualitative research indicated debtors' fear of bankruptcy to be the primary determinant of solution entered.

The results of this survey would tend to indicate that in the interests of working towards earlier intervention in advice seeking and achieving sustainable outcomes, professionals should set targets for the number of debtors exercising personal preference over best advice when entering a solution.

There is some evidence in both this and *Demographics & Financial Circumstances* to suggest that some clients perceive DMPs as a stopgap to manage a temporary problem. Further research to establish the extent of DMP use that fits this reason will help to ensure that resources to provide relief are focused appropriately on those who need, or are prepared to pay for, the highest levels of support.

Debt professionals should make greater distinction between sole and joint solution clients because the findings of both this survey and *Demographics & Financial Circumstances* suggest that couples exercise higher levels of discernment in advice seeking than single debtors do, and that women experience higher levels of creditor action than men. It is essential that any potential for prejudice, perceived or otherwise, is eliminated from the pursuit of debt relief.

Overall, just over a fifth of DRF members' clients who dropped out of a DMP experienced a reduction in the number of creditors, compared to when their plan had started. Just over two-fifths reported that the amount they owed to creditors had decreased since starting the plan. Around a quarter of respondents stated that their household income had decreased between the start and the end of the plan. These outcomes were not as positive as those reported in *Demographics & Financial Circumstances.*

Since performance ratings given by DMP clients who had ceased working with DRF members tended to be above average (although below those recorded in *Provider KPIs)*, this would tend to indicate that not all clients dropped out as a result of poor standards. Perceptions of continued creditor action across all of the quantitative studies, coupled with some of the aggressive sales tactics reported in the qualitative studies point to unscrupulous opportunists exploiting debtors' vulnerabilities. This increases the urgency for quality minded professionals from all sectors working together to place clients' wellbeing at the heart of debt resolution.

Reasons for leaving a debt management plan were most often that the original plan was "unrealistic", receiving a "better offer" from another provider, or that the "situation got worse". Each of these was in the range of a quarter to a fifth of all respondents, and considered in relation to the professionalism of advice sought, these outcomes tended to indicate that clients who dropped out of DMPs may not have pursued an informed decision as carefully as retained clients did. DRF members must therefore consider the ease with they acquire new clients, not least because both *Provider KPIs* and *Demographics & Financial Circumstances* reported some signs of an increase in clients acting in haste.

Slightly less than a tenth of respondents stated that they used their plan to model their own DIY arrangement, so whilst self-management was an outcome for approaching a third of clients who dropped out of DMPs, this did not always seem to have been planned. This was another indicator that some clients may act first and think later. Ideally, progression from a DMP to a self-managed plan should be a sign that the client has gained the confidence and capability to repay debts independently and in full.

Less than 1% of respondents gave "creditor action did not stop" as a reason for leaving a plan, yet this finding contradicted client outcomes in relation to creditor actions. The qualitative studies revealed that some debtors experience a range of emotions in the course of a debt solution, transferring guilt between their creditors, solutions providers and themselves. It was also clear that participants often suffered low self-esteem and lacked confidence in some of their decisions. It was common to witness anger at the original lending decisions, yet fear of what creditors might do, if the debtor did not comply. The psychology of debt is complex and often exasperated by recollections of multiple debt collection and sales calls - some even pitched as creditor referrals. A conclusion of *Demographics & Financial Circumstances* was that creditors may very well under-estimate their influence, irrespective of activity.

More than half of respondents, who switched from one DMP to another stated their reason for dropping out as receiving a "better offer". Since it was apparent that many respondents were leaving a paid plan for another paid plan, one has to question the financial sense of this and the potential for consumer detriment. This was particularly pertinent in relation to reports of sales calls in the qualitative studies, when some providers saw fit to undermine the authority of an existing solution provider with claims that they were not authorised or regulated, or that the provider calling was authorised to do so by a creditor. Such practices are entirely unethical and need to stop.

Almost three quarters of respondents reported that they had told their provider they were leaving the DMP. However, of the 472 contacts attempted for this survey around 26% were to numbers that were no longer obtainable. It is also worth nothing that one of the main reasons given by DRF members who found it hard to submit contacts for sampling was that too many were no longer valid. Potentially, this is highly relevant to the extent of DMP switching recorded by this research.

Across the sample as a whole, clients who had dropped out of plans rated DRF members above average for pre-contract aspects of service. The biggest difference between clients who stayed and clients who left plans with DRF members were perceptions of client care and involvement in the plan. The lowest pre-contract ratings by sub-group came from clients who had subsequently opted to DIY, whereas the highest came from the wealthiest respondents. Post-contract ratings were also above average, the lowest being for “keeping me up to date with feedback from my creditors”. Respondents who had started and ended plans within 12 months gave lower post-contract ratings than those who had started plans over a year ago. Overall, the lowest post-contract ratings came from clients who had switched from one DMP to another and the highest from respondents who had not sought other advice before starting their plan. This raises serious questions about whether debtors are truly exercising informed choice.

A written proposal was reported as being received by 79.9% of clients who dropped out of plans compared to 86.5% of the DRF members’ DMP clients interviewed earlier in 2012. Creditor actions before plans had started were broadly similar between the two survey samples, with the exception of “calls or visits at unreasonable times”. Clients who dropped out of DMPs were far more likely to report this as occurring before the plan had started. “Calls or visits at unreasonable times” were more often cited as occurring before the DMP was in place by clients who started and left within 12 months, compared to those who started a plan longer ago than this. Similarly, “calls or visits” before the plan were more common amongst clients who had sought other help. By income, clients in the £20-30,000 household income bracket were most likely to report “the same or increased interest penalties and charges” before entering a plan.

The most worrying finding of this research was the extent to which clients who dropped out of DMPs continued to experience creditor actions after a plan was in place. 79.2% of clients in the March survey reported an end to creditor actions, compared to only 45.9% of clients who dropped out. It was particularly worrying to see more clients who moved from DMP to DMP experiencing notices of legal action than those entering insolvency because this tended to indicate a lack of acceptance of the severity of their circumstances. Those who had initially sought a range of advice were also more likely to experience notices of legal action. Taken together, these findings tend to indicate that the act of advice seeking creates a verifiable contact for unscrupulous creditors and solutions providers to pursue.

There were other anomalies, such as younger debtors and those with dependent children experiencing continued actions after a plan was in place, both of which run contrary to financial education strategy. Furthermore, it was disconcerting to see that respondents on lower incomes were far more likely to experience “the same or increased interest penalties and charges” after starting a plan than wealthier households were. Clients of minority ethnic origin, and women of all ethnicities were also groups who reported continued creditor action after a DMP was in place. *Demographics & Financial Circumstances* revealed similarly different experiences between respondents’ with different demographic profiles, so further research is essential to understanding the gap between actual and perceived creditor actions.

4) WHERE ARE THEY NOW?

a) Solution Since Dropping Out of a Debt Management Plan

Overall, just under two thirds of respondents who had dropped out of a debt management plan had chosen either to manage repayments themselves or to enter a debt management plan with another provider. Those dropping out of a plan in the first year were least likely to self-manage, whereas approaching half of clients who had entered the plan in the last one to two years opted to do so.

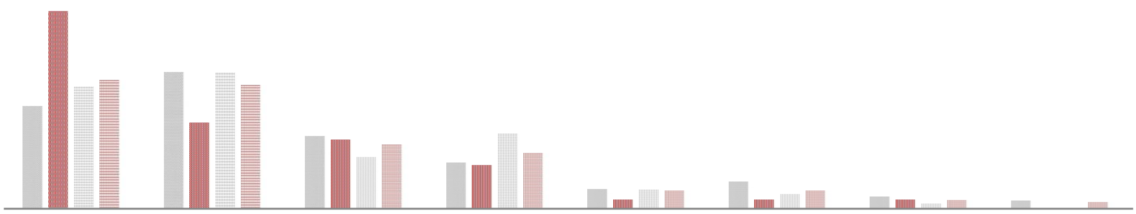
Switching from a managed to a DIY solution is an important change to monitor across all DMP providers, because it could indicate a critical shift in clients' capacity to exercise financial capability. This trend is particularly worth noting in the context of research by Professor Stephen Lea at Exeter University into identification with, and inability to leave, the debtor population. The Money Advice Service would seem a particularly appropriate agency to lead on research into debtor rehabilitation and financial capability.

Around a fifth of clients dropping out of a DMP had entered some form of insolvency. However, this dipped amongst those who had started their original plan one to two years ago. The higher proportion of DMP clients leaving to enter insolvency in the first 12 months as opposed to later in their solution may be because some clients underestimate their initial debt level. In theory, a significant change in circumstances should be the driver to those becoming insolvent later in the course of a debt management plan.

Establishing the reasons for entering insolvency was beyond the remit of this research. Nevertheless, our qualitative interviews have indicated that some providers accept informal payments before an IVA is agreed and that their clients understand these funds to be contributing to an ultimate IVA. Respondents reported this to us as being transparent, and perceived it as helpful.

It is critical that professionals convene to establish acceptable levels and practices for conversion from informal to formal solutions and that these become key performance indicators in the relevant protocols. We note that, in the absence of DMP records, R3 has often attempted to map the journey from informal to formal solution, and we therefore recommend their lead in this discussion.

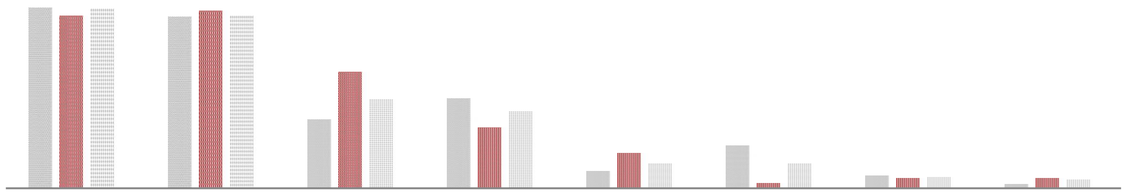
4.1 New debt solution, by DMP start date



	I manage repayments myself	another Debt Management Plan	none	IVA	Bankruptcy	Debt Relief Order	anything else?	prefer not to say
<1 year	24.3%	32.4%	17.1%	10.8%	4.5%	6.3%	2.7%	1.8%
1-2 years	46.9%	20.4%	16.3%	10.2%	2.0%	2.0%	2.0%	0.0%
>2 years	28.9%	32.2%	12.2%	17.8%	4.4%	3.3%	1.1%	0.0%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Echoing recent findings from research conducted by YouGov for the Money Advice Service, this survey also seemed to indicate that higher debt levels are a driver to active advice seeking. Just over a quarter of those who had sought a range of advice before entering a debt management plan ultimately pursued insolvency, compared to well under a fifth of those who did not seek other advice before entering a solution that ultimately led into insolvency.

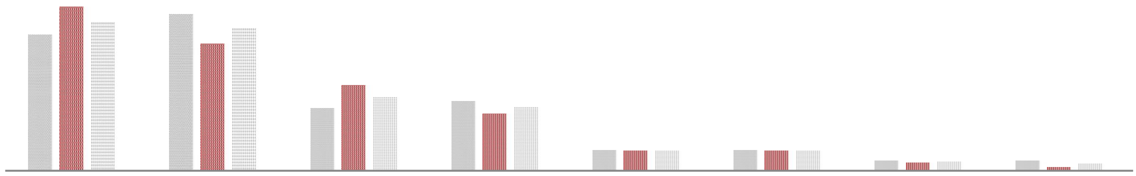
4.2 New debt solution, by help sought



	I manage repayments myself	another Debt Management Plan	none	IVA	Bankruptcy	Debt Relief Order	anything else?	prefer not to say
sought	30.7%	29.2%	11.7%	15.3%	2.9%	7.3%	2.2%	0.7%
not sought	29.3%	30.2%	19.8%	10.3%	6.0%	0.9%	1.7%	1.7%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Continued action by creditors seemed to be another significant factor in the solution that clients pursued after dropping out of a debt management plan. This appeared to result in fewer clients opting to manage their own repayments. Further research is essential to understanding whether continued action by creditors reduces clients' capacity to self-manage and / or become financially capable.

4.3 New debt solution, by whether creditor action stopped

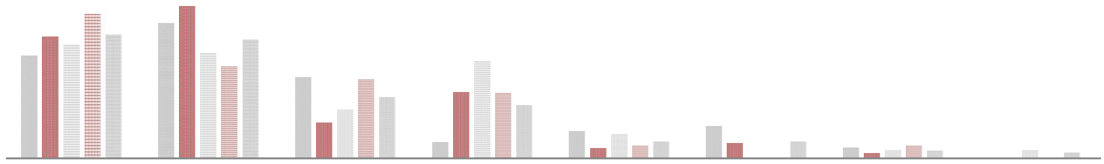


	I manage repayments myself	another Debt Management Plan	none	IVA	Bankruptcy	Debt Relief Order	anything else?	prefer not to say
continued	27.9%	32.1%	12.9%	14.3%	4.3%	4.3%	2.1%	2.1%
stopped	33.6%	26.1%	17.6%	11.8%	4.2%	4.2%	1.7%	0.8%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Compared to 30.5% switching from a DMP to DIY across the sample as a whole, by age, younger clients were most likely to self-manage: 47.5% of 18-24 year olds and 38.5% of 25-39 year olds answered "I manage repayments myself" when asked which debt solution they have now. This may help to inform much of the significant research and development around debt advice and solutions channels, and again, we should expect the Money Advice Service to take an active lead in harnessing new technologies.

By income, the poorest households were least likely self-manage and the most likely to be without any solution for managing their debt since dropping out of a DMP. Incidence of insolvency since leaving a DMP seemed to increase by income level also. Further research is essential to establishing whether the costs and criteria for some insolvency procedures are preventing debt relief amongst some of the most vulnerable people in our society and it would be pertinent to have input on this from agencies delivering services under the Financial Inclusion Fund.

4.4 New debt solution, by income



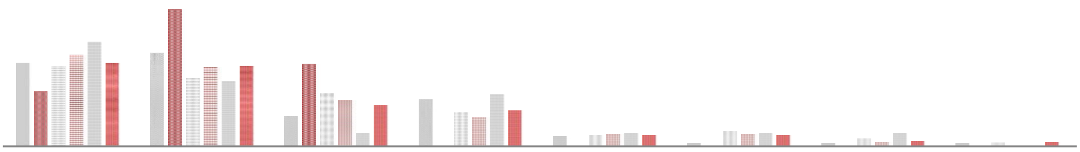
	I manage repayments myself	another Debt Management Plan	none	IVA	Bankruptcy	Debt Relief Order	anything else?	prefer not to say
<£10,000	25.3%	33.3%	20.0%	4.0%	6.7%	8.0%	2.7%	0.0%
£10 - <£20,000	30.0%	37.5%	8.8%	16.3%	2.5%	3.8%	1.3%	0.0%
£20 - <£30,000	28.0%	26.0%	12.0%	24.0%	6.0%	0.0%	2.0%	2.0%
>£30,000	35.5%	22.6%	19.4%	16.1%	3.2%	0.0%	3.2%	0.0%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Both mortgaged and unmortgaged homeowners were the most likely to enter another debt management plan after dropping out of their original plan with a DRF member. This is significant because our research throughout 2012 has tended to indicate that creditor action continues when the debtor has an asset, such as a home.

Our qualitative interviews have identified some uncomfortable examples of debtors being encouraged to switch provider (and often repayment level), both within and between free to client and fee-charging sectors. The pressure of perceived creditor action may fuel insecurities that prolong unmanageable debt, also creating unnecessary opportunities for unethical providers to exploit this.

Further research into the outcomes for debtors who drop out of solutions is essential to ensuring that any risk of consumer detriment is minimised and it is worth noting that one respondent to this survey remained without a debt solution because *I am too frightened*. Professionals from creditor, collections, free to client and fee charging debt advice and solutions sectors need to work with debtors to agree zones of tolerance for achieving constructive outcomes.

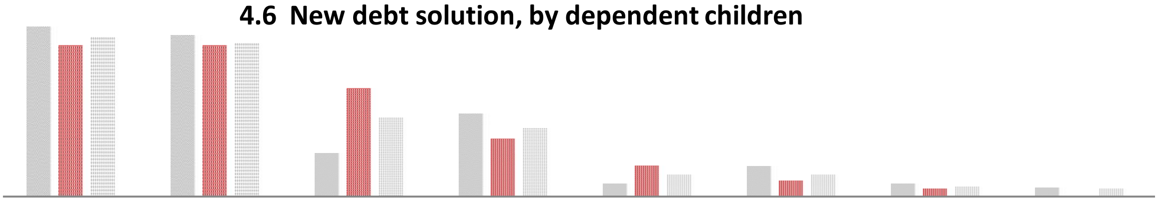
4.5 New debt solution, by tenure



	I manage repayments myself	another Debt Management Plan	none	IVA	Bankruptcy	Debt Relief Order	anything else?	prefer not to say
mortgaged	30.5%	34.1%	11.0%	17.1%	3.7%	1.2%	1.2%	1.2%
unmortgaged	20.0%	50.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%
private tenant	29.2%	25.0%	19.4%	12.5%	4.2%	5.6%	2.8%	1.4%
social tenant	33.3%	28.8%	16.7%	10.6%	4.5%	4.5%	1.5%	0.0%
with friends / family	38.1%	23.8%	4.8%	19.0%	4.8%	4.8%	4.8%	0.0%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Respondents with dependent children were more likely to self-manage than those without children, and the latter were more likely to have no solution in place after dropping out of a debt management plan. There was insufficiently robust evidence to explain this finding, although some childless respondents stated that their circumstances had changed for the better, so their need for a solution had ended.

4.6 New debt solution, by dependent children



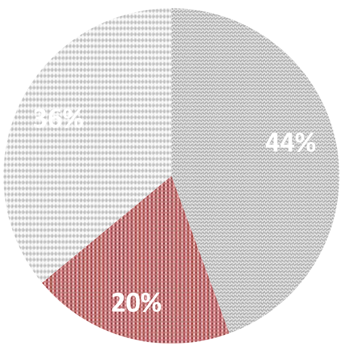
	I manage repayments myself	another Debt Management Plan	none	IVA	Debt Relief Order	Bankruptcy	anything else?	prefer not to say
kids	32.5%	30.8%	8.3%	15.8%	2.5%	5.8%	2.5%	1.7%
none	28.9%	28.9%	20.7%	11.1%	5.9%	3.0%	1.5%	0.0%
TOTAL	30.5%	29.3%	15.1%	13.1%	4.2%	4.2%	1.9%	1.5%

Since there are no formal records of the numbers of debt management plans in the UK, it is difficult to be precise about the appropriateness of solutions entered since dropping out of a plan. Clearly, the relationship between entering another managed plan or managing repayments oneself is an important ratio to observe because it may have considerable significance regarding the capacity of debtors to move from unmanageable to manageable debt. It is also a critical indicator for monitoring the effectiveness of initial advice and the solution subsequently entered.

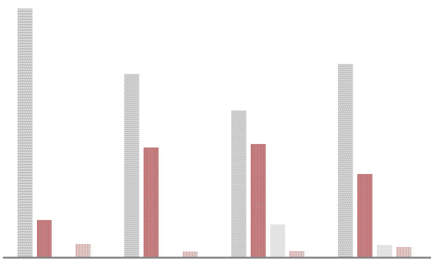
b) Dropping Out of a Debt Management Plan within 12 Months

Of the 259 respondents who had dropped out of a debt management plan with a DRF member, 111 had entered it in the last 12 months, 49 in the last one to two years and 90 had started it more than two years ago. Among those entering and leaving a plan within the space of a year, there seemed to be some evidence of using the plan for around 6 months before dropping out of it.

4.7 DMP started



4.8 End of original plan, by start date

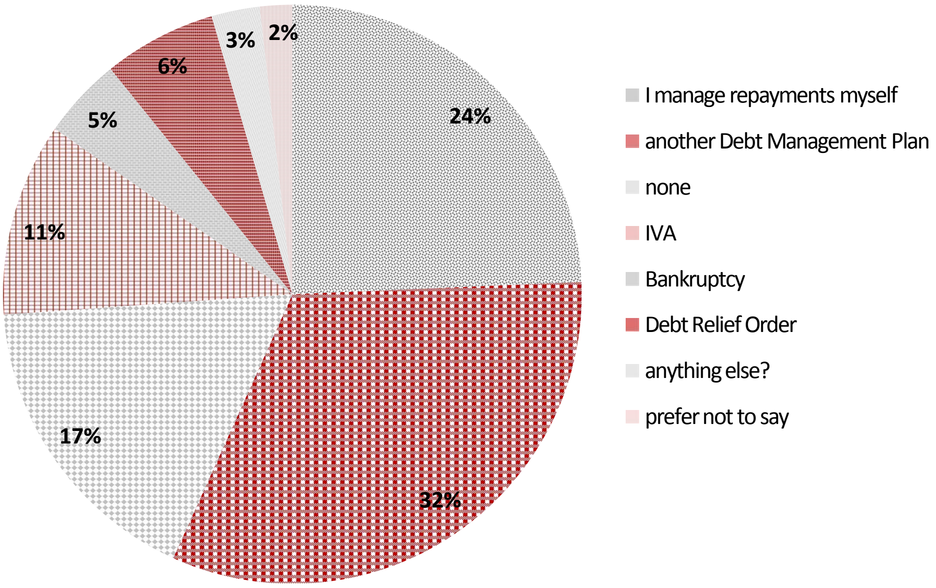


	<1 year	1-2 years	>2 years	TOTAL
within the last 6 months	82.9%	61.2%	48.9%	64.5%
6 to 12 months ago	12.6%	36.7%	37.8%	27.8%
longer than this	0.0%	0.0%	11.1%	4.2%
prefer not to say	4.5%	2.0%	2.2%	3.5%

Around a third of those starting and dropping out of a DMP within a 12 month period entered another debt management plan, a quarter chose to self-manage and just over a fifth entered some form of insolvency. Just under a fifth had no solution and although there was insufficiently robust evidence to explain this, several respondents cited an improvement in circumstances. Just under a tenth of those entering and leaving a debt management plan within 12 months stated that “it was a stop gap until my situation improved”.

Further research to explore the extent to which debtors use debt management plans to support themselves through short-term circumstances is essential to planning provision. Understanding how debtors may appoint an intermediary to address a temporary financial setback, or to shoulder the responsibility of repayments whilst personal wellbeing is a priority, will create greater scope to focus long-term support on those most in need. It is also essential from both commercial and non-commercial perspectives to managing the unit costs of delivering services. Again, there needs to be frank discussion between professionals about acceptable client outcomes.

4.9 New solutions among clients who started and dropped out of a debt management plan within 12 months



c) Account Holder During and After Debt Management Plan

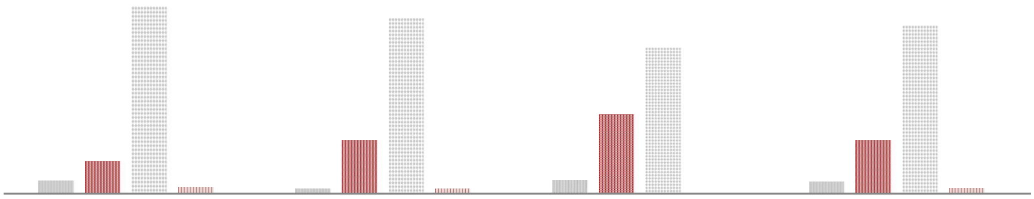
It was difficult to ascertain any trends in movement from sole to joint debt solutions because a significant minority of respondents preferred not to answer these questions. It would be helpful to explore approaches to collecting this information because our survey of DRF members' clients earlier in the year tended to indicate that couples and households with dependent children were more active as advice seekers.

It is likely that the lack of differentiation between personal and household debt masks significant trends in the effectiveness of outcomes and with the advent of Universal Credit payments to households, rather than individuals, it is imperative that we address this. There is some evidence that lone debtors are less discerning in selecting appropriate solutions and providers, and more research is essential to establishing this robustly.

d) Number of Creditors on Leaving Debt Management Plan

In many respects, the significance of this research is difficult to assess because there are few benchmarks against which to assess performance. Around 5% of the respondents interviewed for this survey reported an increase in the number of creditors at the end of their abandoned debt management plan, compared to just under a quarter with fewer creditors and around seven out of ten reporting the same number of creditors. On this basis, the following data are a starting point for discussions about effectiveness.

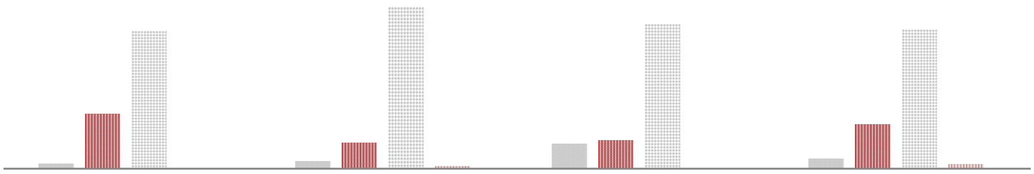
4.10 Creditors after original plan, by dropout date



	<1 year	1-2 years	>2 years	TOTAL
higher	5.4%	2.0%	5.6%	5.0%
lower	13.5%	22.4%	33.3%	22.4%
about the same	78.4%	73.5%	61.1%	70.3%
prefer not to say	2.7%	2.0%	0.0%	2.3%

It was interesting to note that those who opted to self-manage were more likely to report fewer creditors at the end of their abandoned plan.

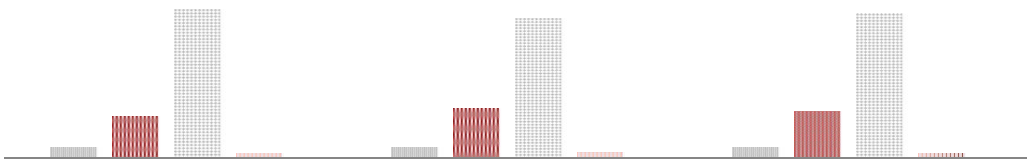
4.11 Creditors after original plan, by new solution



	DIY	DMP	insolvent	TOTAL
higher	2.5%	3.9%	12.5%	5.0%
lower	27.8%	13.2%	14.3%	22.4%
about the same	69.6%	81.6%	73.2%	70.3%
prefer not to say	0.0%	1.3%	0.0%	2.3%

Sadly, respondents who had sought a range of advice before entering their original debt management plan were less likely than those who had not sought advice to report a reduction in the number of creditors, when leaving it.

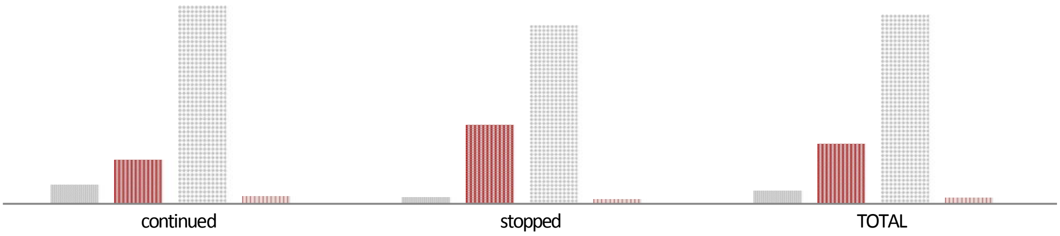
4.12 Creditors after original plan, by help sought



	sought	not sought	TOTAL
higher	5.1%	5.2%	5.0%
lower	20.4%	24.1%	22.4%
about the same	72.3%	68.1%	70.3%
prefer not to say	2.2%	2.6%	2.3%

Respondents who reported that creditor action had stopped after they entered their original debt management plan were also more likely to report having fewer creditors when they dropped out of the plan.

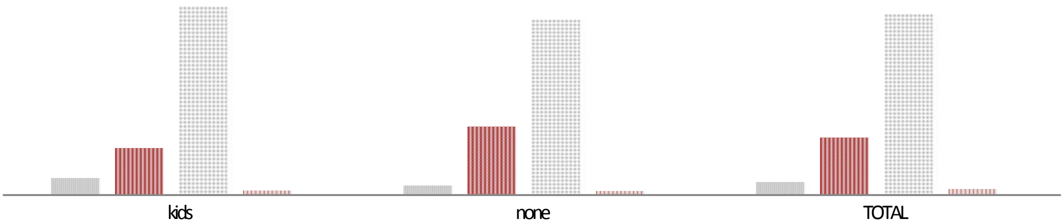
4.13 Creditors after original plan, by whether creditor action stopped



	continued	stopped	TOTAL
higher	7.1%	2.5%	5.0%
lower	16.4%	29.4%	22.4%
about the same	73.6%	66.4%	70.3%
prefer not to say	2.9%	1.7%	2.3%

Over a third of respondents over 60 reported having fewer creditors at the end of their abandoned plan, compared to just over one in ten of those aged 18 to 24. Respondents from households with higher incomes were also more likely to report having fewer creditors when leaving their original debt management plan. However, this may also be due to the likelihood that they had more creditors when the plan started than lower income households. This would seem to be supported by the fact that, by tenure, social tenants (18.2%) were least likely to report a drop in the number of creditors at the end of their abandoned debt management plan. It is also worth considering why respondents with dependent children were less likely to report a drop in the number of creditors at the end of their abandoned plan, than those with no children.

4.14 Creditors after original plan, by dependent children

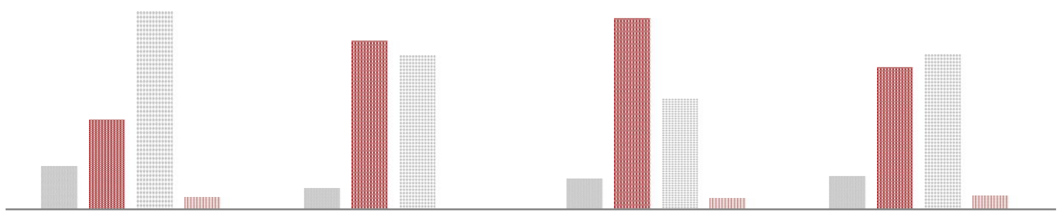


	kids	none	TOTAL
higher	6.7%	3.7%	5.0%
lower	18.3%	26.7%	22.4%
about the same	73.3%	68.1%	70.3%
prefer not to say	1.7%	1.5%	2.3%

e) Amount Owed on Leaving Debt Management Plan

Again, the significance of the amount owed when dropping out of a debt management plan needs benchmarks against which to assess performance. Across the sample as a whole, just under 10% of respondents reported a higher amount owed at the end of their abandoned debt management plan, compared to just over 40% who owed a lower amount and just over 45% who owed the same amount of money. It was reassuring to see a reduction in the amount of money owed, relative to the length of time respondents had been in a debt management plan with a DRF member.

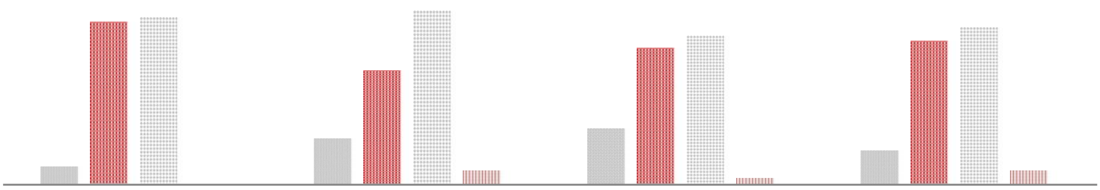
4.15 Amount owed after original plan, by dropout date



	<1 year	1-2 years	>2 years	TOTAL
higher	12.6%	6.1%	8.9%	9.7%
lower	26.1%	49.0%	55.6%	41.3%
about the same	57.7%	44.9%	32.2%	45.2%
prefer not to say	3.6%	0.0%	3.3%	3.9%

It was also pertinent that respondents, who had opted to self-manage, reported owing a lower amount of money at the end of their original plan, than those entering other solutions. Clearly, debt reduction was an incentive to resume responsibility for one's own finances

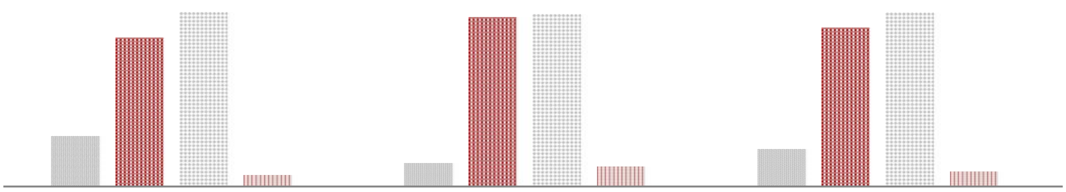
4.16 Amount owed after original plan, by new solution



	DIY	DMP	insolvent	TOTAL
higher	5.1%	13.2%	16.1%	9.7%
lower	46.8%	32.9%	39.3%	41.3%
about the same	48.1%	50.0%	42.8%	45.2%
prefer not to say	0.0%	3.9%	1.8%	3.9%

However, it was apparent again that respondents, who had sought a range of advice before entering their original debt management plan, were less likely than those who had not sought advice to report a reduction in the amount owed, when leaving it. This is disconcerting when the OFT has emphasized the need for informed choice to improve outcomes for debtors.

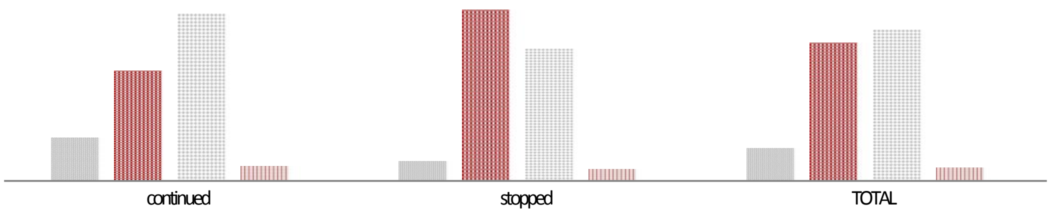
4.17 Amount owed after original plan, by help sought



	sought	not sought	TOTAL
higher	13.1%	6.0%	9.7%
lower	38.7%	44.0%	41.3%
about the same	45.3%	44.8%	45.2%
prefer not to say	2.9%	5.2%	3.9%

Similarly, respondents who reported that creditor action had stopped after entering their original debt management plan were more likely to report owing a lower amount when they dropped out of it. There did seem to be some potential for there being a core group of debtors, who felt pressured into seeking advice by creditor actions, only to find that on seeking it, the pressure continued. This most certainly demands further investigation because it could be creating an impediment to prompt intervention and resolution.

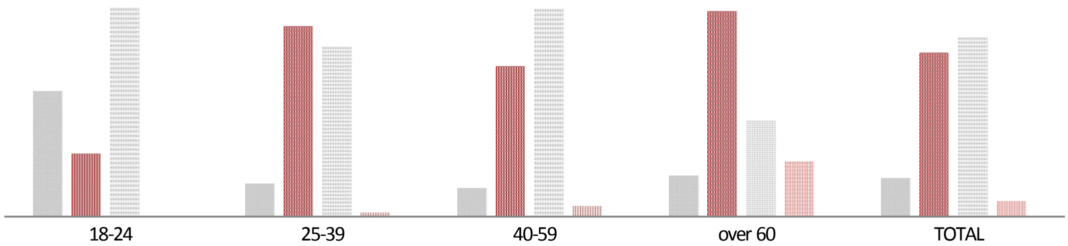
4.18 Amount owed after original plan, by whether creditor action stopped



	continued	stopped	TOTAL
higher	12.9%	5.9%	9.7%
lower	32.9%	51.3%	41.3%
about the same	50.0%	39.5%	45.2%
prefer not to say	4.3%	3.4%	3.9%

Younger respondents were most likely to report an increase in the amount owed at the end of the abandoned debt management plan, whereas those in the over 60 age range tended to report a reduction in the amount owed.

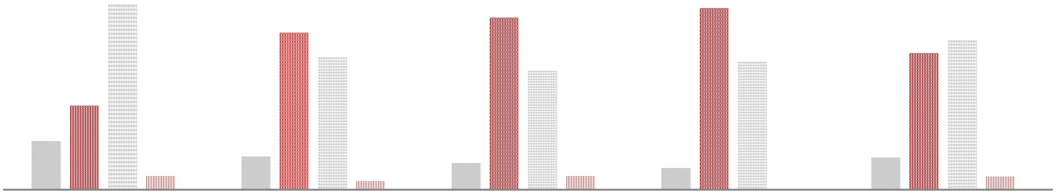
4.19 Amount owed after original plan, by age



	18-24	25-39	40-59	over 60	TOTAL
higher	31.6%	8.3%	7.2%	10.3%	9.7%
lower	15.8%	47.9%	37.8%	51.7%	41.3%
about the same	52.6%	42.7%	52.3%	24.1%	45.2%
prefer not to say	0.0%	1.0%	2.7%	13.8%	3.9%

Respondents from the lowest household income band were least likely to experience a reduction in the amount owed and most likely to experience an increase in their debt value. This supports evidence from the client survey and qualitative research conducted earlier in the year that the definition and handling of vulnerable clients need careful consideration. Our evidence that some debtors on very low incomes reject advice to make token payments demands frank, cross sector discussion about how best to support these clients. At present, there does not appear to be an acceptable debtor centric compromise.

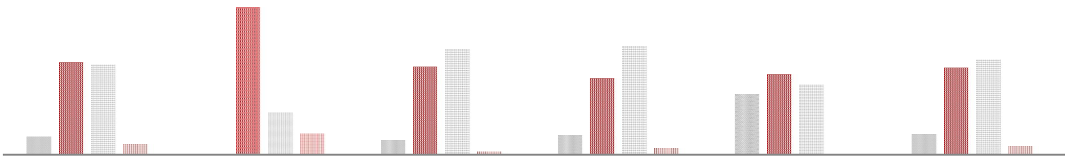
4.20 Amount owed after original plan, by income



	<£10,000	£10 - <£20,000	£20 - <£30,000	>£30,000	TOTAL
higher	14.7%	10.0%	8.0%	6.5%	9.7%
lower	25.3%	47.5%	52.0%	54.8%	41.3%
about the same	56.0%	40.0%	36.0%	38.7%	45.2%
prefer not to say	4.0%	2.5%	4.0%	0.0%	3.9%

By tenure, respondents, who stated that they were homeowners with a mortgage or social tenants, were most likely to indicate that they owed more money at the end of their abandoned debt management plan than when it started. Homeowners without a mortgage were the most likely to report significant debt reduction. This tends to indicate that there are two types of debtor who are under-served by current provision: vulnerable low-income social tenants, who for whatever reason avoid free advice or token solutions, and a squeezed home-owning middle, trapped by costs of living that are beyond their means.

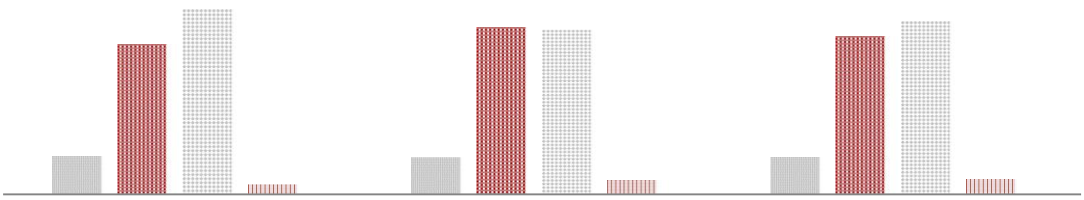
4.21 Amount owed after original plan, by tenure



	mortgaged	unmortgaged	private tenant	social tenant	with friends / family	TOTAL
higher	8.5%	0.0%	6.9%	9.1%	28.6%	9.7%
lower	43.9%	70.0%	41.7%	36.4%	38.1%	41.3%
about the same	42.7%	20.0%	50.0%	51.5%	33.3%	45.2%
prefer not to say	4.9%	10.0%	1.4%	3.0%	0.0%	3.9%

The issue of a squeezed middle warrants further consideration, due to the smaller number of respondents with dependent children reporting debt reduction than those without children. Further research to profile the demographic of households with mortgages is essential to ensure that children are not placed at risk through poor debt relief practices.

4.23 Amount owed after original plan, by dependent children



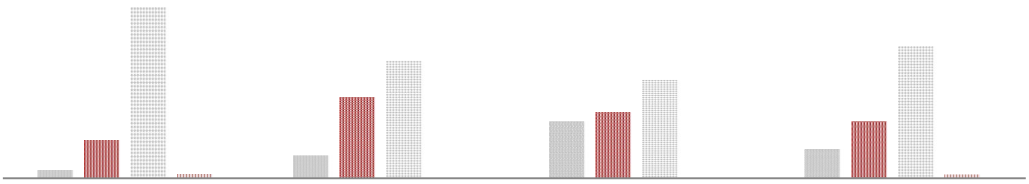
	kids	none	TOTAL
higher	10.0%	9.6%	9.7%
lower	39.2%	43.7%	41.3%
about the same	48.3%	43.0%	45.2%
prefer not to say	2.5%	3.7%	3.9%

f) Income On Leaving The Debt Management Plan

The longer it was since a respondent had entered a debt management plan before dropping out of it, the more likely it was that the household income had become higher. This would tend to indicate that increased income is another reason for dropping out of a plan. However, it is also worth noting that respondents who had dropped out of a plan, entered one to two years ago, were more likely to report a drop in household income.

The small and relatively limited sample taken for this survey makes it difficult to understand these findings, other than making a general observation that in the current economic climate, many households are experiencing a change in circumstances that affects their income. Given the impact of uncertainty at present, it seems essential that professionals should monitor this aspect of debtors' entering and exiting informal solutions.

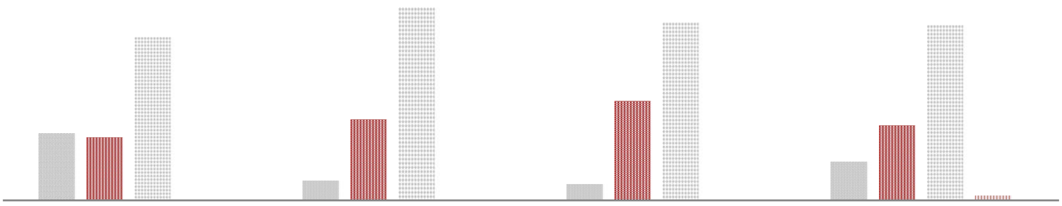
4.24 Income after original plan, by DMP start date



	<1 year	1-2 years	>2 years	TOTAL
higher	3.6%	10.2%	25.6%	13.1%
lower	17.1%	36.7%	30.0%	25.5%
about the same	77.5%	53.1%	44.4%	59.8%
prefer not to say	1.8%	0.0%	0.0%	1.5%

The fact that respondents opting to self-manage were most likely to report an increase in household income when leaving their plan tends to support this.

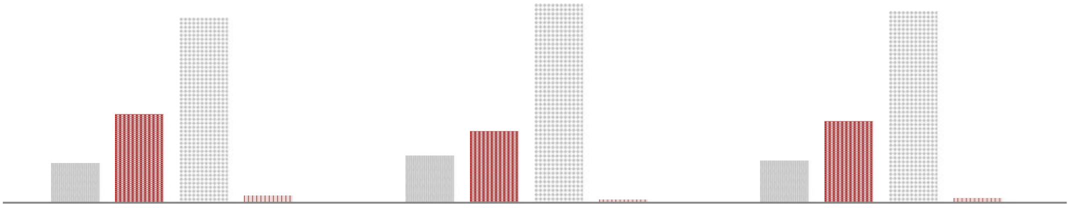
4.25 Income after original plan, by new solution



	DIY	DMP	insolvent	TOTAL
higher	22.8%	6.6%	5.4%	13.1%
lower	21.5%	27.6%	33.9%	25.5%
about the same	55.7%	65.8%	60.7%	59.8%
prefer not to say	0.0%	0.0%	0.0%	1.5%

There was limited difference in the income levels reported at the end of a plan between those who had or had not sought other help before starting it. Those who had sought help were slightly more likely to report a drop in income. However, the lack of substantive difference reinforces the likelihood that other factors have a more significant impact on effective outcomes for active advice seekers.

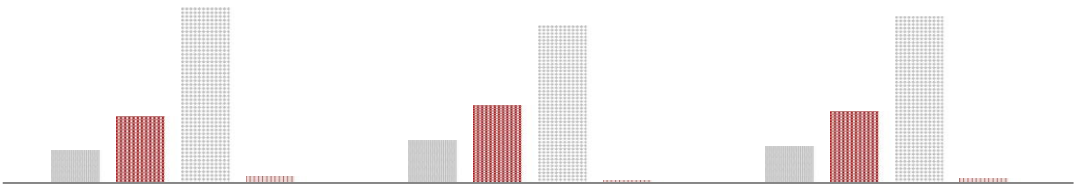
4.26 Income after original plan, by help sought



	sought	not sought	TOTAL
higher	12.4%	14.7%	13.1%
lower	27.7%	22.4%	25.5%
about the same	57.7%	62.1%	59.8%
prefer not to say	2.2%	0.9%	1.5%

It was reassuring to see that creditor action was more likely to stop when there had been a drop in household income.

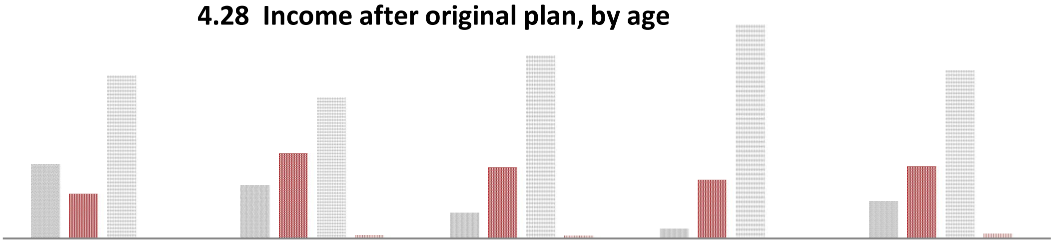
4.27 Income after original plan, by whether creditor action stopped



	continued	stopped	TOTAL
higher	11.4%	15.1%	13.1%
lower	23.6%	27.7%	25.5%
about the same	62.9%	56.3%	59.8%
prefer not to say	2.1%	0.8%	1.5%

It was also worth noting that younger respondents were more likely to report an increase in household income than older respondents were.

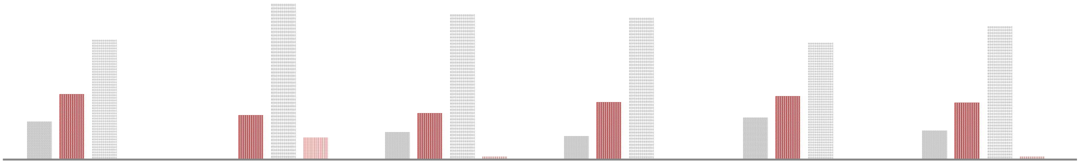
4.28 Income after original plan, by age



	18-24	25-39	40-59	over 60	TOTAL
higher	26.3%	18.8%	9.0%	3.4%	13.1%
lower	15.8%	30.2%	25.2%	20.7%	25.5%
about the same	57.9%	50.0%	64.9%	75.9%	59.8%
prefer not to say	0.0%	1.0%	0.9%	0.0%	1.5%

Whilst social tenants were the least likely to report increased household income, homeowners with mortgages were the most likely to report reduced household income, on dropping out of their plan.

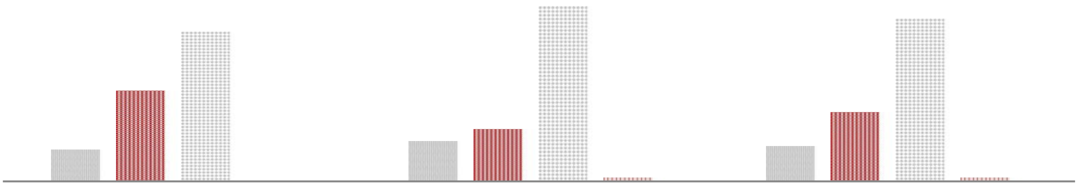
4.29 Income after original plan, by tenure



	mortgaged	unmortgaged	private tenant	social tenant	with friends / family	TOTAL
higher	17.1%	0.0%	12.5%	10.6%	19.0%	13.1%
lower	29.3%	20.0%	20.8%	25.8%	28.6%	25.5%
about the same	53.7%	70.0%	65.3%	63.6%	52.4%	59.8%
prefer not to say	0.0%	10.0%	1.4%	0.0%	0.0%	1.5%

This was particularly pertinent because a significant proportion of DRF members' clients, who are homeowners with mortgages, also have dependent children. It was therefore uncomfortable to see respondents with children reporting a reduction in household income before dropping out of their original debt management plan. It is important that families at risk of increasingly unmanageable debts are adequately supported, because insolvency that leads to the loss of a home can affect children's education and wellbeing adversely. It is critical that professionals consider a "whole household" approach to supporting debtors.

4.30 Income after original plan, by dependent children



	kids	none	TOTAL
higher	11.7%	14.8%	13.1%
lower	33.3%	19.3%	25.5%
about the same	55.0%	64.4%	59.8%
prefer not to say	0.0%	1.5%	1.5%

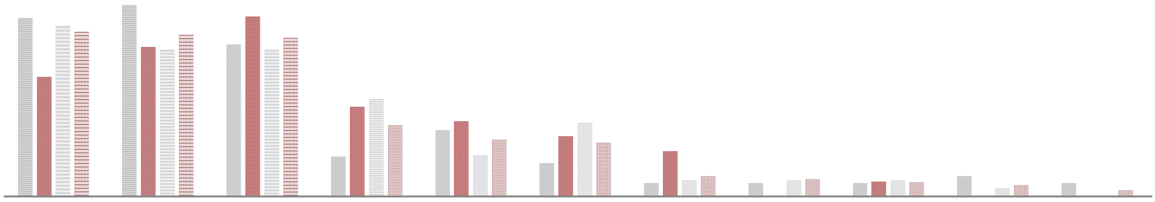
5) REASONS FOR LEAVING

a. Reasons for Dropping Out of a Debt Management Plan

We asked respondents to select from a number of statements read to them by our interviewers, which reflected reasons why they may have dropped out of their debt management plan. Overall, the most common reason was that "another provider made me a better offer" – just over one in five gave this answer. However, among those who had entered and left a plan within 12 months, "I felt it was unrealistic" was most often cited, with just under a quarter giving this reason. Those who had been in a debt management plan for longer were more likely to state "I used it to model a DIY plan" and overall, this reason was given by just under a tenth of respondents. "Other" reasons for dropping out tended to be a positive change in circumstances, such as a new job, or direct repayment help from family.

It was interesting to note that, "I was not aware of free help" was reported by fewer than 3% of all respondents participating in this survey. This is clear evidence that despite a significant minority taking no other advice besides that given by their original DMP provider, the vast majority of clients dropping out of debt management plans with DRF members were aware of charitable and not-forprofit advice and solutions before entering their fee-charging plan. This being the case, it seems entirely plausible that these clients have made a conscious decision to pay for debt help. In the interests of supporting informed choice, further research is undoubtedly necessary to explore the reasons for paying for a debt solution in preference to accepting free help.

5.1 Reason for ending original plan, by DMP start date

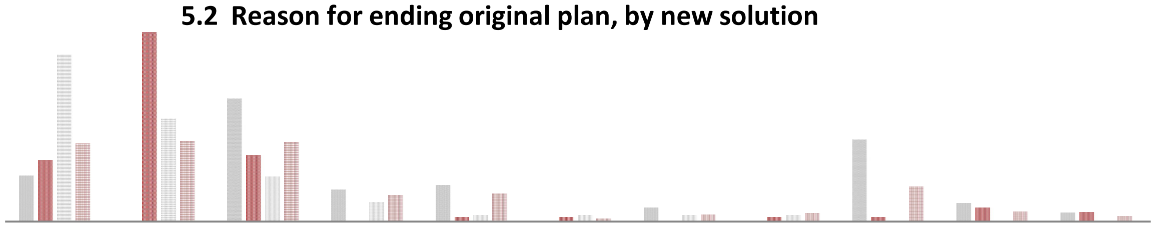


	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
<1 year	24.3%	26.1%	20.7%	5.4%	9.0%	4.5%	1.8%	1.8%	1.8%	2.7%	1.8%
1-2 years	16.3%	20.4%	24.5%	12.2%	10.2%	8.2%	6.1%	0.0%	2.0%	0.0%	0.0%
>2 years	23.3%	20.0%	20.0%	13.3%	5.6%	10.0%	2.2%	2.2%	2.2%	1.1%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

By new solution, those most likely to consider their original plan unrealistic were respondents who stated that they were now managing their own repayments. As noted during our observations about token payments, some debtors are extremely keen to repay as much as possible as quickly as possible. Attention needs to be paid to the progress of debtors who self-manage, especially when motivated by the security of a managed plan that has paid down a lot of debt for them. It is important that self-management is a realistic and achievable outcome for debtors.

Just under half of those, who had entered insolvency procedures since ending their plan, recognised that “my situation got worse and I needed another solution”.

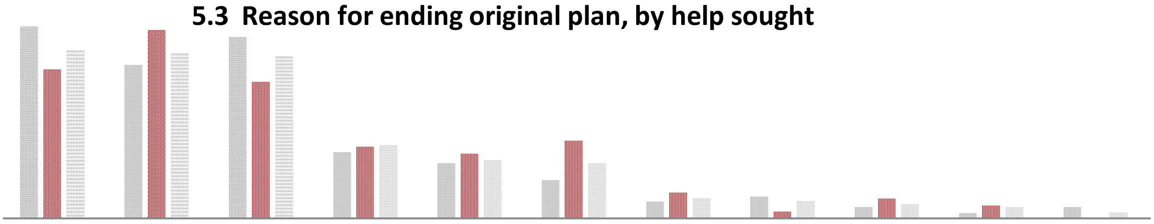
5.2 Reason for ending original plan, by new solution



	my situation got worse and I needed another solution	another provider made me a better offer	I felt it was unrealistic	anything else	it was a stop gap until my situation improved	creditor action did not stop	friends / family recommended other help	prefer not to say	I used it to model a DIY plan	I was not aware of free help	my creditors suggested other help
DIY	12.7%	0.0%	34.2%	8.9%	10.1%	0.0%	3.8%	0.0%	22.8%	5.1%	2.5%
DMP	17.1%	52.6%	18.4%	0.0%	1.3%	1.3%	0.0%	1.3%	1.3%	3.9%	2.6%
insolvent	46.4%	28.6%	12.5%	5.4%	1.8%	1.8%	1.8%	1.8%	0.0%	0.0%	0.0%
TOTAL	21.6%	22.4%	22.0%	7.3%	7.7%	0.8%	1.9%	2.3%	9.7%	2.7%	1.5%

Reflecting the possibility that active advice seeking was often fuelled by higher debt levels made apparent by creditor actions, around a quarter of those who had sought a range of advice before entering a debt management plan found that their situation got worse. A similar proportion reported that “another provider made me a better offer” and this rose to over half of those entering a DMP with another provider. Thus, the potential for the unscrupulous to abuse pressure to repay debts was apparent. Clearly, the reasons for dropping out of a debt management plan require continuous monitoring to ensure that they are informed and appropriate.

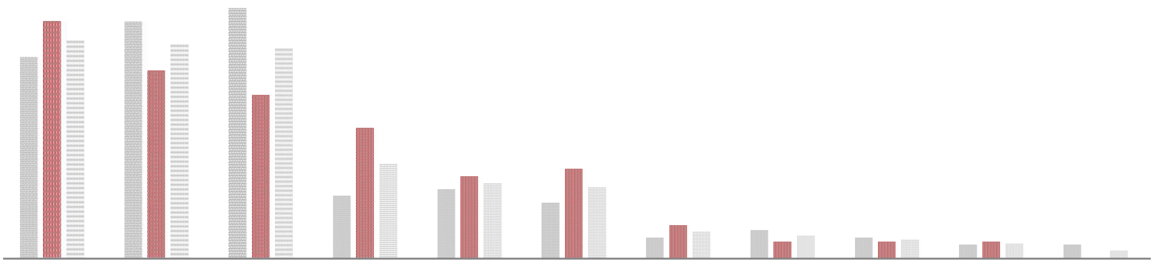
5.3 Reason for ending original plan, by help sought



	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends/family recommended other help	my creditors suggested other help	creditor action did not stop
sought	25.5%	20.4%	24.1%	8.8%	7.3%	5.1%	2.2%	2.9%	1.5%	0.7%	1.5%
not sought	19.8%	25.0%	18.1%	9.5%	8.6%	10.3%	3.4%	0.9%	2.6%	1.7%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

There was also evidence to suggest that whilst continued creditor action meant that “my situation got worse and I needed another solution”, it also led respondents to feel that their original plan was “unrealistic”. However, it is worth noting that “creditor action did not stop” was given as a reason for dropping out of a plan by less than 1% of respondents.

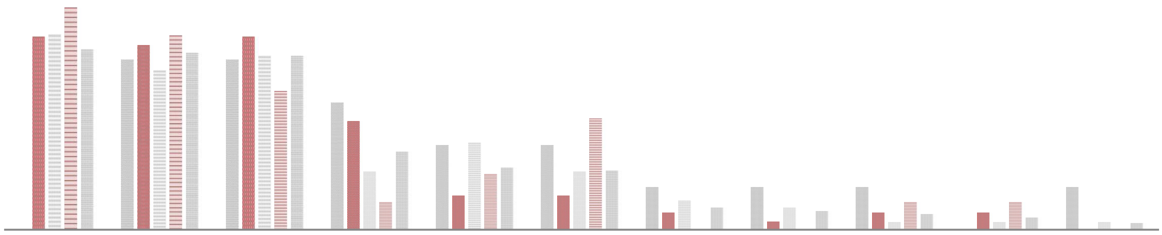
5.4 Reason for ending original plan, by whether creditor action stopped



	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
continued	20.7%	24.3%	25.7%	6.4%	7.1%	5.7%	2.1%	2.9%	2.1%	1.4%	1.4%
stopped	24.4%	19.3%	16.8%	13.4%	8.4%	9.2%	3.4%	1.7%	1.7%	1.7%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

Interestingly, no respondents in the 18-24 age range suggested that “another provider made me a better offer”. As mentioned previously, younger respondents seemed more inclined to opt for self-help.

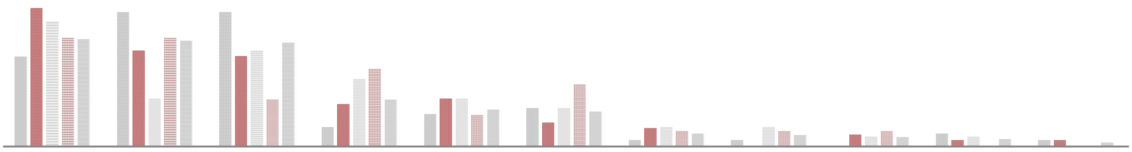
5.5 Reason for ending original plan, by age



	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
18-24	0.0%	21.1%	21.1%	15.8%	10.5%	10.5%	5.3%	5.3%	5.3%	0.0%	5.3%
25-39	24.0%	22.9%	24.0%	13.5%	4.2%	4.2%	2.1%	1.0%	2.1%	2.1%	0.0%
40-59	24.3%	19.8%	21.6%	7.2%	10.8%	7.2%	3.6%	2.7%	0.9%	0.9%	0.9%
over 60	27.6%	24.1%	17.2%	3.4%	6.9%	13.8%	0.0%	0.0%	3.4%	3.4%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

However, "a better offer" was a common reason for dropping out of a plan amongst respondents from middle income households. Reinforcing the need to consider vulnerability carefully, respondents from the lowest income households were most likely to consider their abandoned plan "unrealistic". They were also most likely to report that their "situation got worse", and to leave a DMP with no other solution in place.

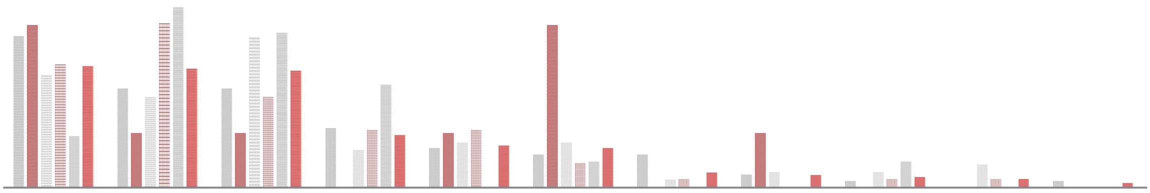
5.6 Reason for ending original plan, by income



	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
<£10,000	18.7%	28.0%	28.0%	4.0%	6.7%	8.0%	1.3%	1.3%	0.0%	2.7%	1.3%
£10-<£20,000	28.8%	20.0%	18.8%	8.8%	10.0%	5.0%	3.8%	0.0%	2.5%	1.3%	1.3%
£20-<£30,000	26.0%	10.0%	20.0%	14.0%	10.0%	8.0%	4.0%	4.0%	2.0%	2.0%	0.0%
>£30,000	22.6%	22.6%	9.7%	16.1%	6.5%	12.9%	3.2%	3.2%	3.2%	0.0%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

Homeowners with and without mortgages were significantly more likely to report "a better offer", whereas private tenants were most likely to report "my situation got worse" and social tenants or those living with friends or family that their abandoned plan was "unrealistic".

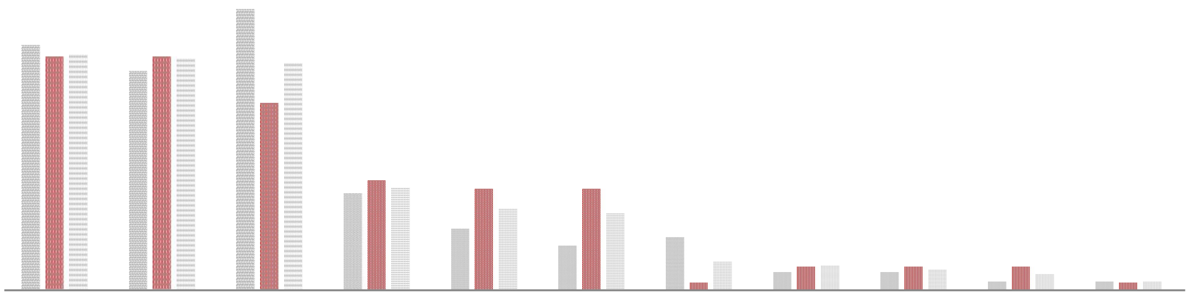
5.7 Reason for ending original plan, by tenure



	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
mortgaged	28.0%	18.3%	18.3%	11.0%	7.3%	6.1%	6.1%	2.4%	1.2%	0.0%	1.2%
unmortgaged	30.0%	10.0%	10.0%	0.0%	10.0%	30.0%	0.0%	10.0%	0.0%	0.0%	0.0%
private tenant	20.8%	16.7%	27.8%	6.9%	8.3%	8.3%	1.4%	2.8%	2.8%	4.2%	0.0%
social tenant	22.7%	30.3%	16.7%	10.6%	10.6%	4.5%	1.5%	0.0%	1.5%	1.5%	0.0%
with friends / family	9.5%	33.3%	28.6%	19.0%	0.0%	4.8%	0.0%	0.0%	4.8%	0.0%	0.0%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

It was uncomfortable to learn that respondents with dependent children were most likely to report, “my situation got worse”.

5.8 Reason for ending original plan, by dependent children

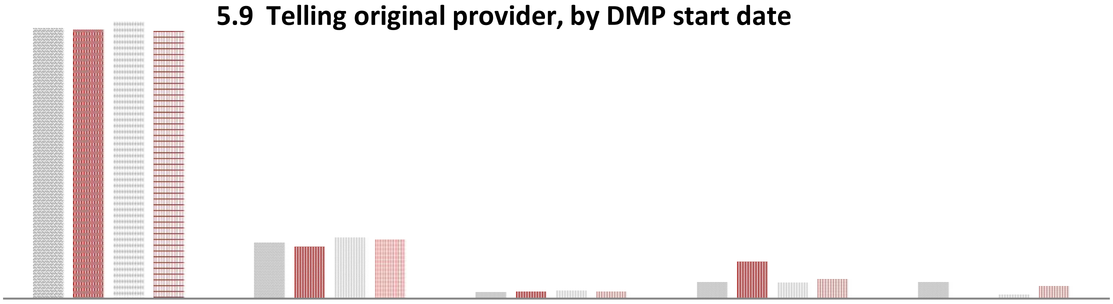


	another provider made me a better offer	I felt it was unrealistic	my situation got worse and I needed another solution	I used it to model a DIY plan	it was a stop gap until my situation improved	anything else	I was not aware of free help	prefer not to say	friends / family recommended other help	my creditors suggested other help	creditor action did not stop
kids	23.3%	20.8%	26.7%	9.2%	5.8%	4.2%	5.0%	1.7%	1.7%	0.8%	0.8%
none	22.2%	22.2%	17.8%	10.4%	9.6%	9.6%	0.7%	2.2%	2.2%	2.2%	0.7%
TOTAL	22.4%	22.0%	21.6%	9.7%	7.7%	7.3%	2.7%	2.3%	1.9%	1.5%	0.8%

b) Informing the Provider of the Decision to Leave the Debt Management Plan

Almost three-quarters of respondents to this survey stated that they told their provider they were leaving the plan. However, it is important to remember that the majority of contact details provided for conducting this research were for clients known to have remained in touch with the provider. Several DRF members reported clients dropping out of plans at the same time as changing contact details, making it very difficult to assess the true extent of reasons for leaving plans. Of the 472 contact numbers attempted for this survey, 26% were no longer in use, so, it is essential that research similar to this survey becomes part of an ongoing commitment to quality control.

5.9 Telling original provider, by DMP start date

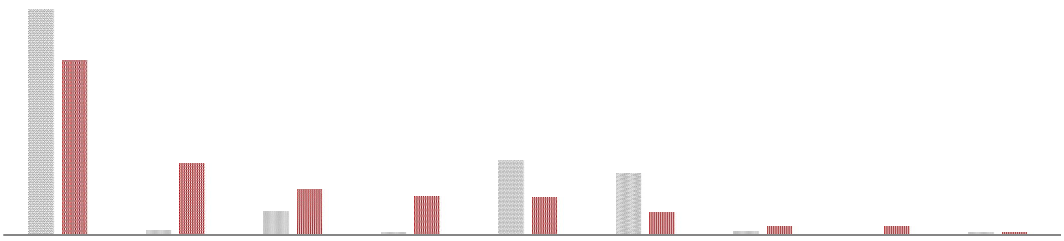


	yes, I contacted them	yes, they contacted me	no, I was advised not to	no (other reasons)	prefer not to say
<1 year	73.9%	15.3%	1.8%	4.5%	4.5%
1-2 years	73.5%	14.2%	2.0%	10.2%	0.0%
>2 years	75.6%	16.7%	2.2%	4.4%	1.1%
TOTAL	73.0%	16.2%	1.9%	5.4%	3.5%

6) ACTIVE ADVICE SEEKING

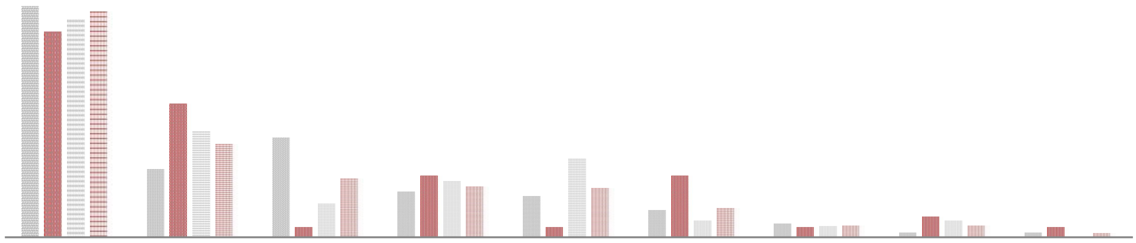
It was interesting to note that the prevalence of advice seeking was higher among clients who had dropped out of a debt management plan than those from the entire client base of DRF members. 58.1% of DMP clients (from the March 2012 survey) did not seek other help before entering a debt management plan with a DRF member, compared with 44.8% of DMP clients, who subsequently dropped out of plans. The sources of help used were very different between these groups too. For instance, just under a fifth of DMP clients from the survey earlier this year sought initial help from a free provider, compared to fewer than 10% of this sample. Clients who dropped out of plans were also far more likely to use the internet, another company, or friends or family as a source of help and advice. With these differences in mind, it will be important to track outcomes by the range of help sought before entering a debt solution. It may well be that professionals need to consider models of effective advice seeking to guide clients.

6.1 Comparison of help sought by DMP clients and dropouts



	did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
399 DMP clients	58.1%	1.3%	6.0%	0.8%	19.1%	15.8%	1.0%	0.0%	0.8%
259 DMP dropouts	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

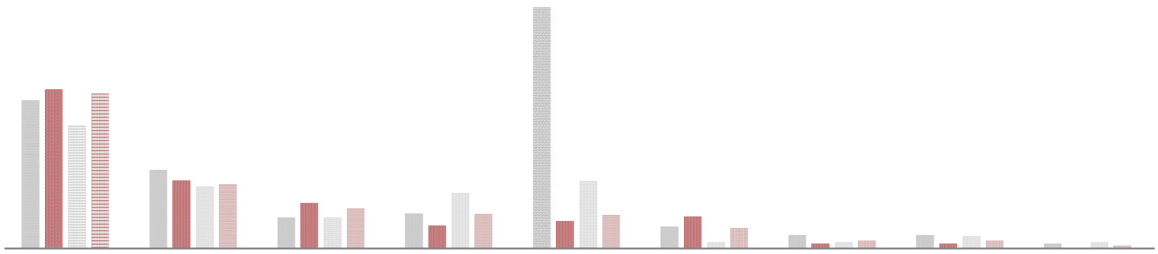
6.2 Other help before starting a plan, by dropout date



	none of these / did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
<1 year	45.9%	13.5%	19.8%	9.0%	8.1%	5.4%	2.7%	0.9%	0.9%
1-2 years	40.8%	26.5%	2.0%	12.2%	2.0%	12.2%	2.0%	4.1%	2.0%
>2 years	43.3%	21.1%	6.7%	11.1%	15.6%	3.3%	2.2%	3.3%	0.0%
TOTAL	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

Clients who dropped out of a plan in order to self-manage were most likely to have sought free advice before starting their original plan. Those who ultimately opted for insolvency procedures were the most likely to have sought a range of advice before entering a plan.

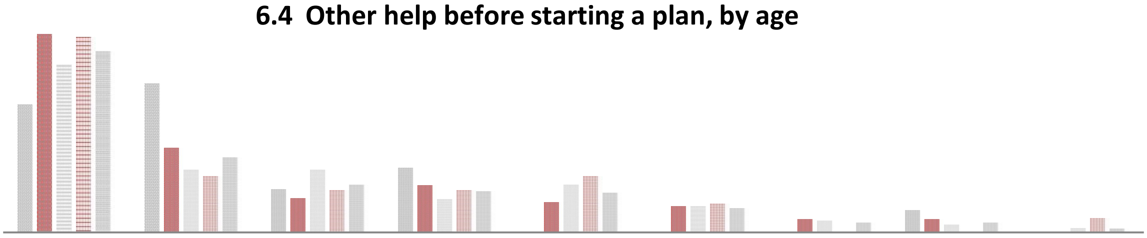
6.3 Other help before starting a plan, by new solution



	none of these / did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
DIY	43.0%	22.8%	8.9%	10.1%	70.0%	6.3%	3.8%	3.8%	1.3%
DMP	46.1%	19.7%	13.2%	6.6%	7.9%	9.2%	1.3%	1.3%	0.0%
insolvent	35.7%	17.9%	8.9%	16.1%	19.6%	1.8%	1.8%	3.6%	1.8%
TOTAL	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

There were few differences in response by whether creditor action had continued after entering the plan. However, by age, there were some significant differences, with those aged 25-39 and over 60 less likely to seek a range of help before entering a plan. Younger respondents were also significantly more likely to search on the internet for debt help.

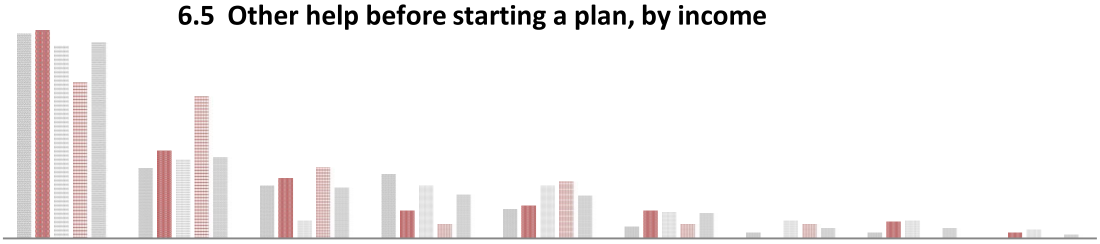
6.4 Other help before starting a plan, by age



	did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
18-24	31.6%	36.8%	10.5%	15.8%	0.0%	0.0%	0.0%	5.3%	0.0%
25-39	49.0%	20.8%	8.3%	11.5%	7.3%	6.3%	3.1%	3.1%	0.0%
40-59	41.4%	15.3%	15.3%	8.1%	11.7%	6.3%	2.7%	1.8%	0.9%
over 60	48.3%	13.8%	10.3%	10.3%	13.8%	6.9%	0.0%	0.0%	3.4%
TOTAL	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

Wealthier households tended to be more inclined to seek debt help before entering a plan, and the use of free debt help was significantly more prevalent among higher than lower income households. The highest income households were also significantly more likely to use the internet as a source of help, which may account for this.

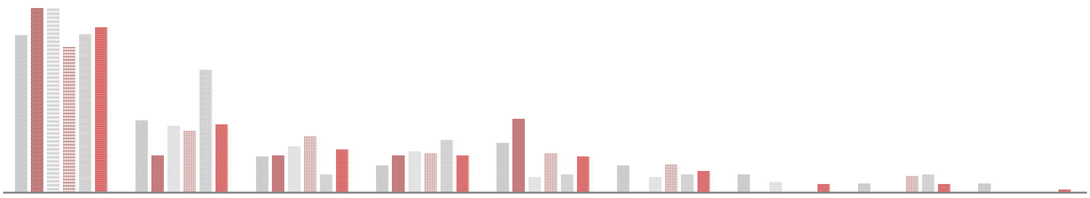
6.5 Other help before starting a plan, by income



	none of these / did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
<£10,000	46.7%	16.0%	12.0%	14.7%	6.7%	2.7%	1.3%	1.3%	0.0%
£10 - <£20,000	47.5%	20.0%	13.8%	6.3%	7.5%	6.3%	0.0%	3.8%	1.3%
£20 - <£30,000	44.0%	18.0%	4.0%	12.0%	12.0%	6.0%	4.0%	4.0%	2.0%
>£30,000	35.5%	32.3%	16.1%	3.2%	12.9%	3.2%	3.2%	0.0%	0.0%
TOTAL	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

Interestingly, by tenure, social tenants were the most likely to seek other help before entering a plan. However, they were less likely than homeowners to seek free help. Private tenants were the least likely to seek free help before entering a plan.

6.6 Other help before starting a plan, by by tenure

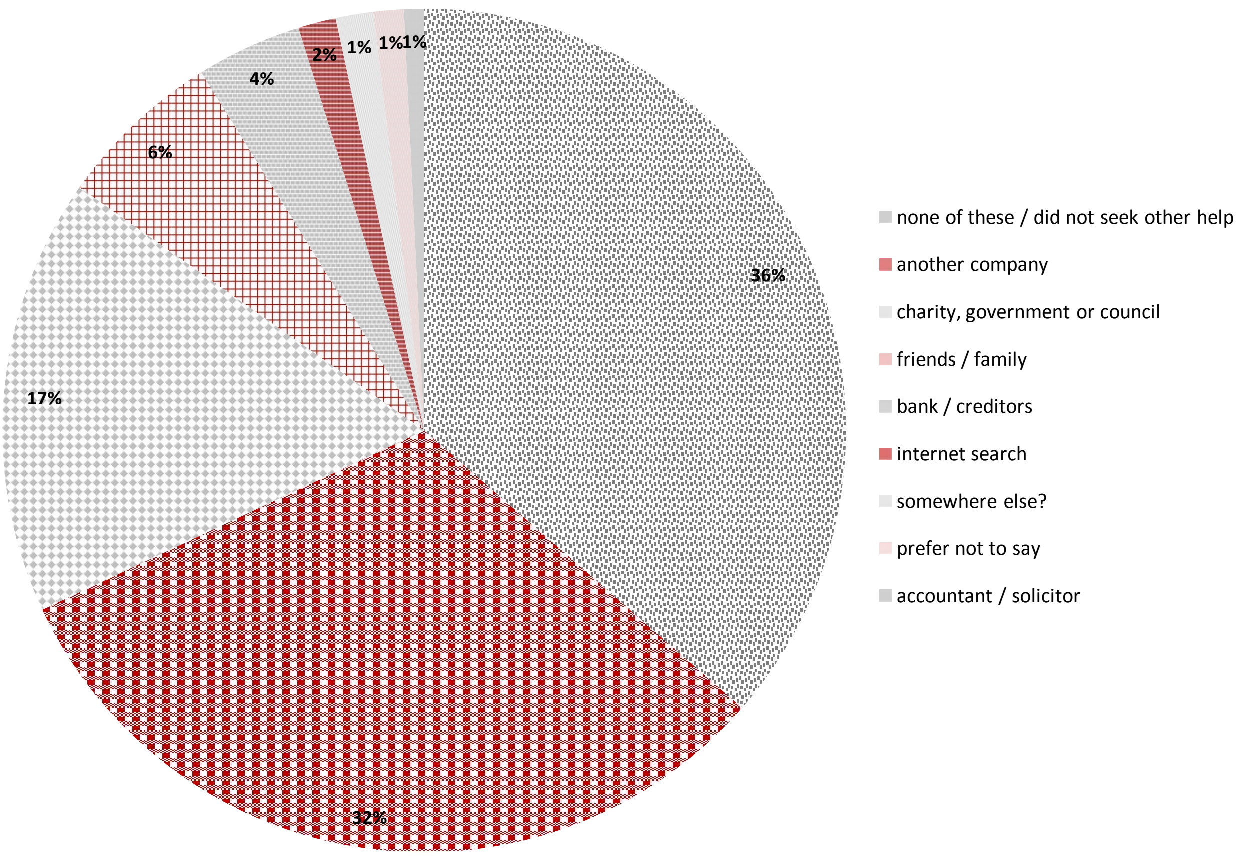


	none of these / did not seek other help	internet search	another company	friends / family	charity, government or council	bank / creditors	prefer not to say	somewhere else?	accountant / solicitor
mortgaged	42.7%	19.5%	9.8%	7.3%	13.4%	7.3%	4.9%	2.4%	2.4%
unmortgaged	50.0%	10.0%	10.0%	10.0%	20.0%	0.0%	0.0%	0.0%	0.0%
private tenant	50.0%	18.1%	12.5%	11.1%	4.2%	4.2%	2.8%	0.0%	0.0%
social tenant	39.4%	16.7%	15.2%	10.6%	10.6%	7.6%	0.0%	4.5%	0.0%
with friends / family	42.9%	33.3%	4.8%	14.3%	4.8%	4.8%	0.0%	4.8%	0.0%
TOTAL	44.8%	18.5%	11.6%	10.0%	9.7%	5.8%	2.3%	2.3%	0.8%

There were few major differences in the advice seeking behaviours of respondents with or without dependent children. The main exception to this was that those without dependent children (20.2%) were more likely to search the internet for help than those with children (15.0%).

Surprisingly, more than one-third of respondents reported that they did not seek help after dropping out of the debt management plan. Just under a third sought help from another company, which, given that fewer than 3% of respondents stated that "I was not aware of free help", seems clear indication that some debtors genuinely want to pay for a debt solution. The use of free help from such as a charity, government or council rose to 17.4% from 9.7% before entering a debt management plan and the use of internet searches dropped significantly from 18.5% to 1.5%.

6.7 Other help sought after dropping out of a plan



7) KPIs FOR DRF MEMBERS

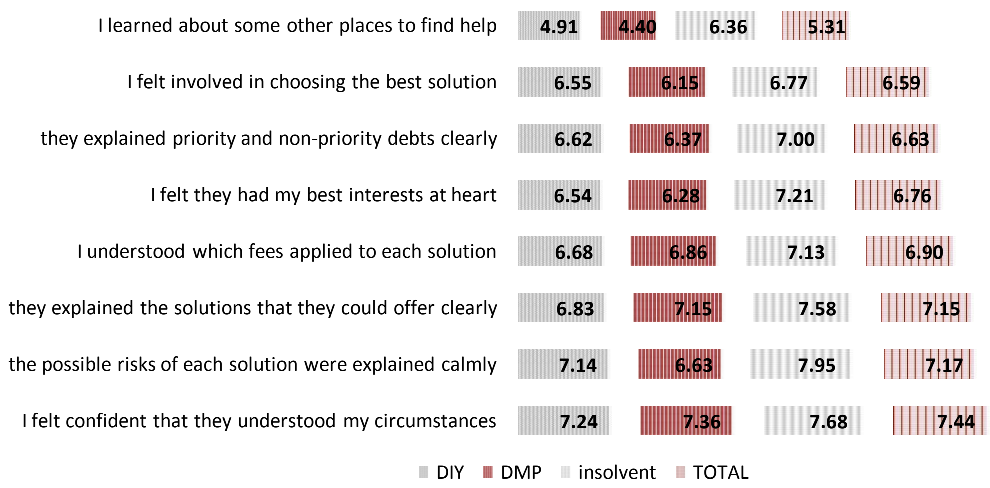
a) Pre-contract Ratings

As a rule, pre-contract ratings were above a mean score of five, giving a clear indication that service levels from DRF members were above average. Certainly, there were some individual respondents, who were unhappy with their experiences of the debt management plan and for this reason, pre-contract ratings from clients who dropped out of plans were lower than those given by the DMP clients interviewed earlier in 2012. The biggest differences seemed to be between subjective perceptions that "I felt they had my best interests at heart" and "I felt involved in choosing the best solution". There is no doubt that a debtor will feel let down by an unsatisfactory debt solution experience.

7.1 Comparison of Pre-contract Ratings	399 DMP clients	259 DMP dropouts
I learned about some other places to find help	5.25	5.31
I felt involved in choosing the best solution	8.26	6.59
They explained priority and non-priority debts clearly	8.09	6.63
I felt they had my best interests at heart	8.64	6.76
I understood which fees applied to each solution	8.33	6.90
They explained the solutions they could offer clearly	8.65	7.15
The possible risks of each solution were explained calmly	8.26	7.17
I felt confident that they understood my circumstances	8.89	7.44

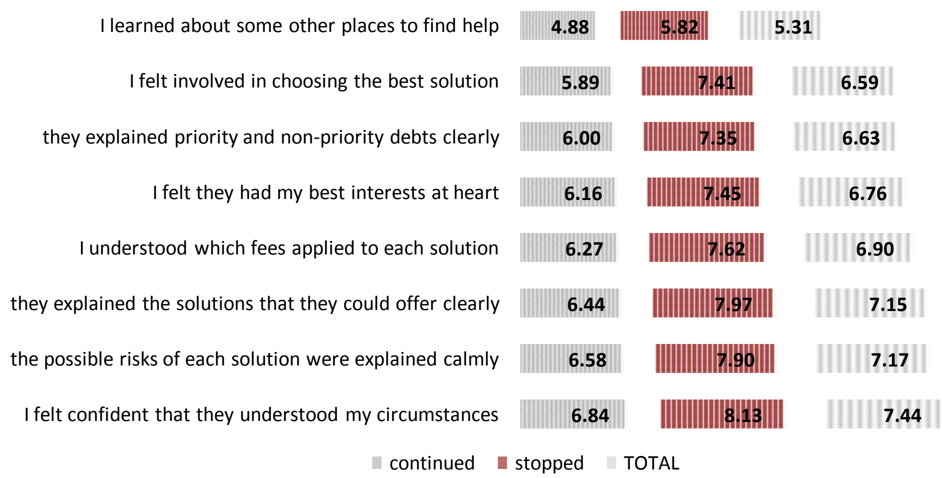
There were no significant differences between ratings given in relation to when the plan had started. However, by current debt solution, it was apparent that respondents, who had subsequently entered insolvency procedures, rated DRF members more highly than those, who opted to DIY their repayments or enter another DMP.

7.2 Pre-contract ratings, by new solution



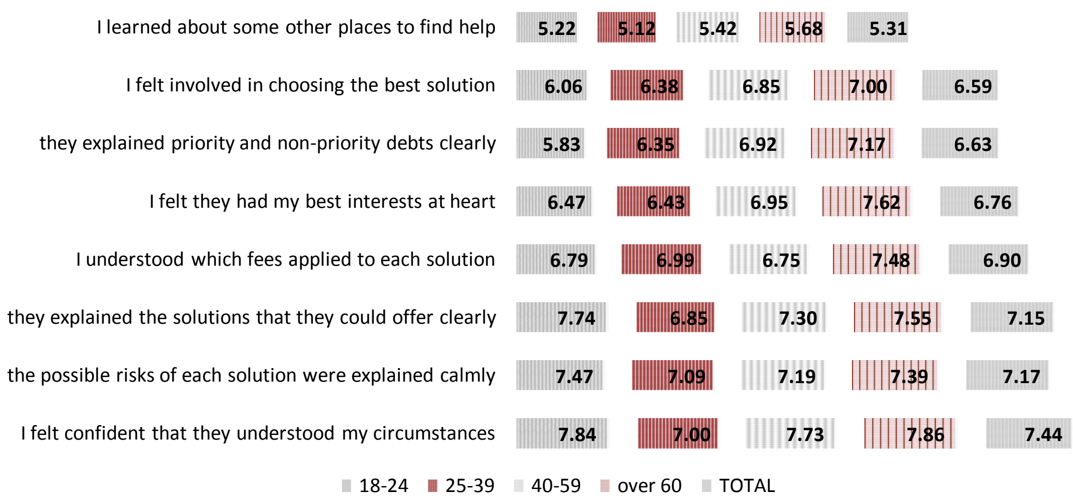
There were no significant variations by whether respondents had sought help before entering their plan. However, by continued creditor action after entering the plan, pre-contract ratings differed significantly. In all instances where creditor action continued, substantially lower performance ratings were given. This would tend to indicate a negative bias in the recollection of pre-contract service standards, which is entirely understandable, when clients are using an intermediary to effect relief by making repayments on their behalf.

7.3 Pre-contract ratings, by whether creditor action stopped



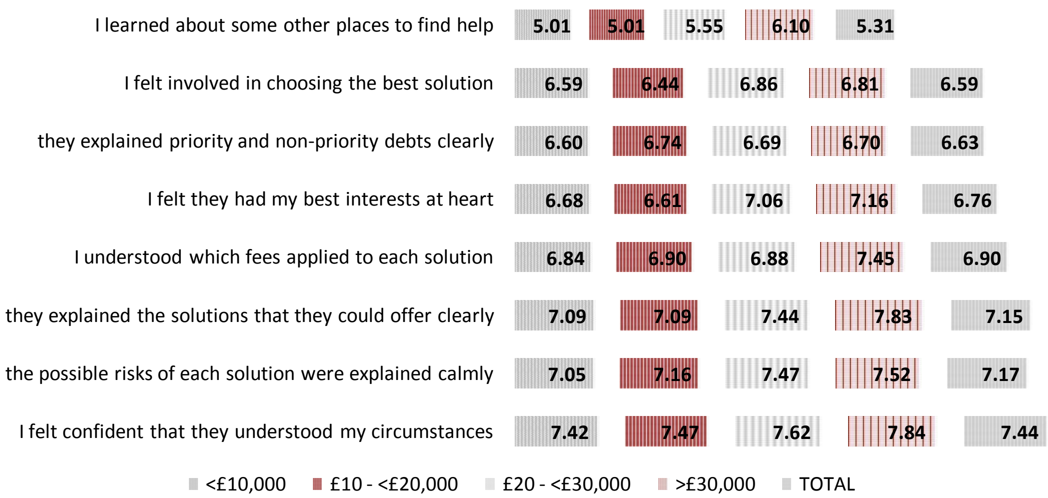
Older respondents gave the highest pre-contract performance ratings of clients who had dropped out of a DMP, which may be explained by their greater likelihood to experience an end to creditor action after entering a plan.

7.4 Pre-contract ratings, by age



As a rule, wealthier clients were slightly more inclined to give higher pre-contract ratings than those on lower incomes. This would tend to suggest that a minority of vulnerable clients are entering into plans with DRF members when they could be better suited to a free option. Our qualitative research in May 2012 suggested that the issue of dignity creating a barrier to making token payments requires further exploration and professionals from both free and fee charging sectors need to collaborate on a debtor centric solution to this problem.

7.5 Pre-contract ratings, by income



As a rule, homeowners without a mortgage tended to give slightly higher ratings than respondents of other tenure. These respondents also tended to be in the over 60 age range. Respondents without dependent children also tended to give higher pre-contract ratings, as they too tended to be older.

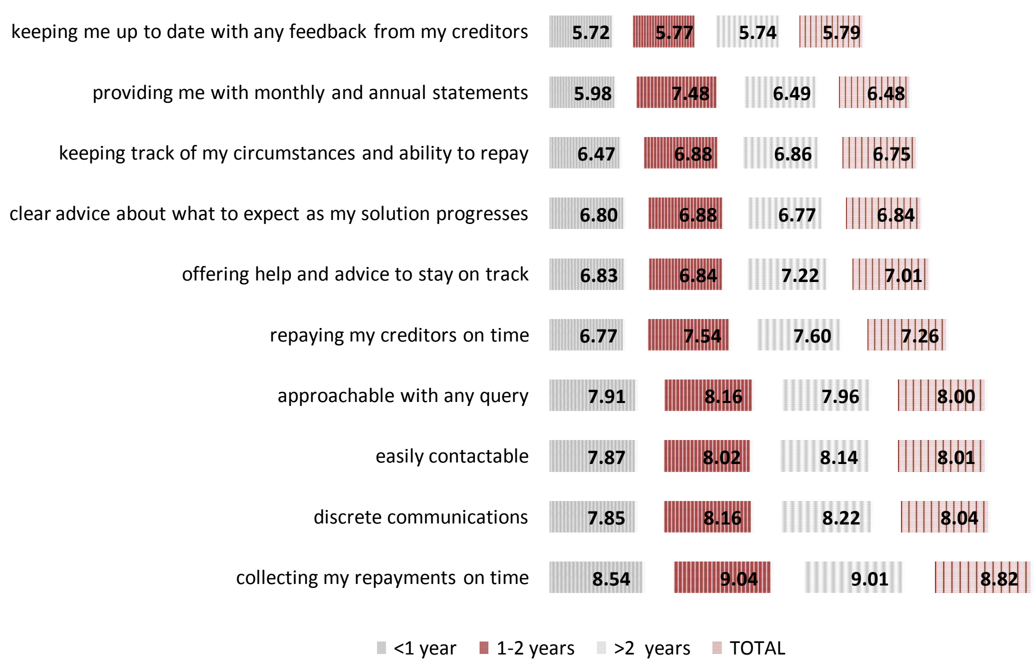
b) Post-contract Ratings

Post-contract ratings tended to be higher than pre-contract ratings and were, again, above a mean score of five, giving a clear indication that service levels from DRF members were above average. It was notable that the biggest difference between client and dropout ratings were for “Keeping me up to date with any feedback from my creditors” and “Keeping track of my circumstances and ability to repay” as these would tend to indicate a perception that when failures occurred, the DRF members concerned had not delivered an especially personalised service. This could be why the comparison of pre-contract ratings tended to show a shortfall for subjective perceptions relevant to client care and involvement.

7.8 Comparison of Post-contract ratings	399 DMP clients	259 DMP dropouts
Keeping me up to date with any feedback from my creditors	**7.92**	**5.79**
Providing me with monthly and annual statements	8.10	6.48
Keeping track of my circumstances and ability to repay	**8.73**	**6.75**
Clear advice about what to expect as my solution progresses	8.47	6.84
Offering help and advice to stay on track	8.84	7.01
Repaying my creditors on time	8.73	7.26
Approachable with any query	9.36	8.00
Easily contactable	9.34	8.01
Discreet communications	9.37	8.04
Collecting my payments on time	9.46	8.82

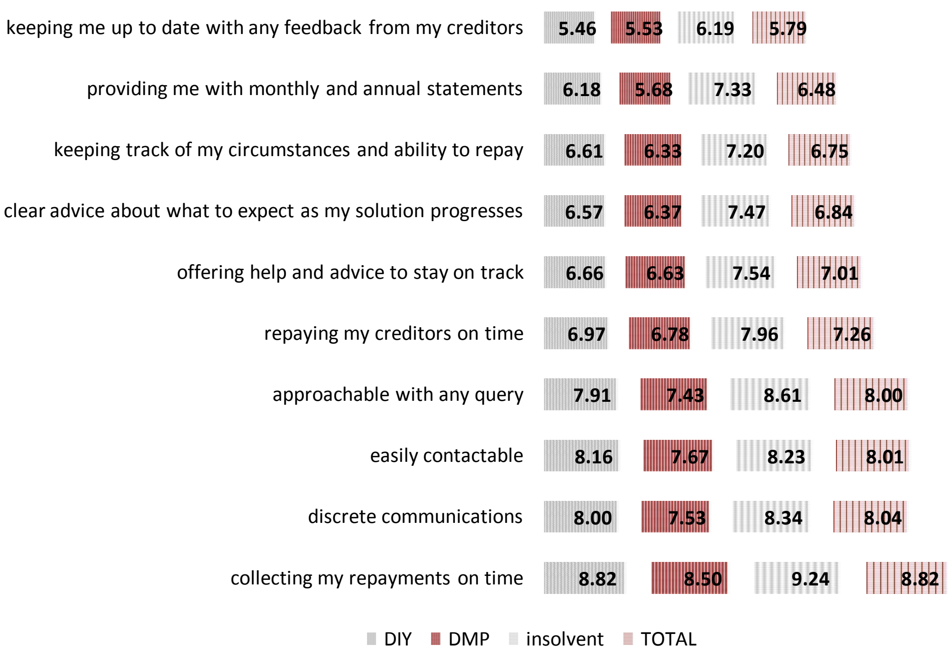
Respondents who had started their plan most recently tended to give the lowest post-contract ratings and this would tend to indicate that problems with the debt management plan had occurred since its inception. It may also indicate some debtors' unrealistic expectations of debt management plans, which only frank professional discussion, followed by continuous monitoring can track. In general, the prevalence of entering plans without seeking a range of help and advice is cause for concern, because it implies that consumer choices are not well informed. In as much as some debtors seem to downgrade pre-contract service ratings due to a poor customer experience, there is undoubtedly potential to upgrade ratings for service levels when the outcome is seen as desirable, despite its potential for being ineffective.

7.9 Post-contract ratings, by DMP start date



Nowhere was the potential for rose tinted spectacles more apparent than in the comparison of post-contract performance ratings by new solution. Whereas respondents who opted to DIY repayments tended to give the lowest pre-contract ratings, those in other DMPs tended to give the lowest post-contract ratings to DRF members, who had provided their original debt management plan. It is therefore essential that professionals convene to discuss and agree terms of reference for acceptable service levels and sustainable outcomes.

7.10 Post-contract ratings, by new solution

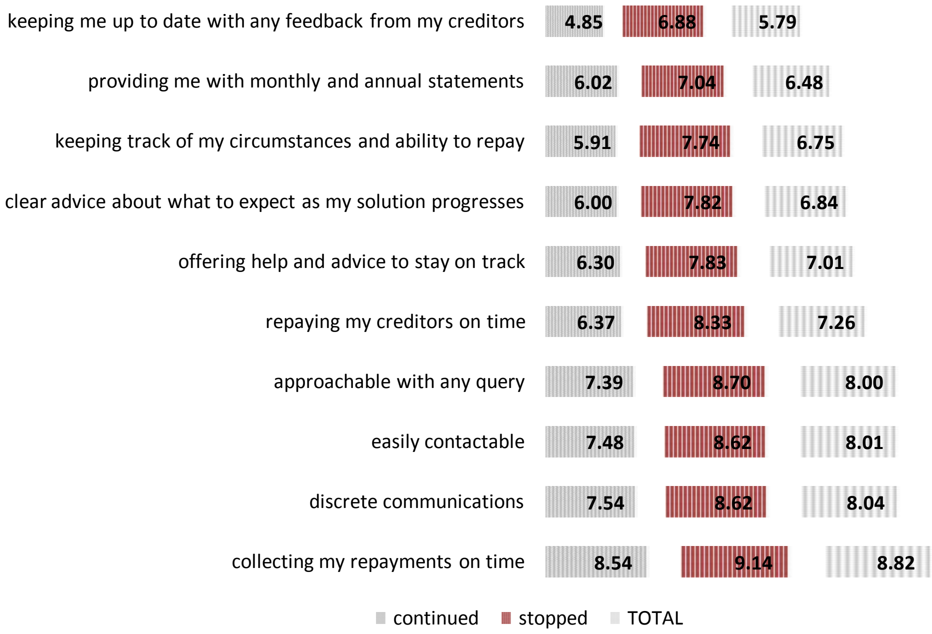


As a rule, respondents who did not seek other help before entering a debt management plan gave marginally higher post-contract performance ratings than those who sought other help. However, the differences were small, which would tend to indicate that, as yet, approaches to advice seeking are not particularly well informed.

Continued creditor action seemed a key determinant for clients giving DMP providers lower post-contract ratings and this again resulted in one of the very few mean scores by sub-set that was below five. The single most important issue when creditors continued actions against debtors, was that it resulted in a perception that the provider was not “Keeping me up to date with any feedback from my creditors”.

The OFT’s Irresponsible Lending Guidance is clear in its recommendation that creditors and debt collectors should respond constructively to debtors who appoint an intermediary to handle repayments on their behalf. Regrettably, our qualitative research in May and October 2012 has identified a small but significant number of creditors who seem to flout this consistently. Perhaps the most alarming evidence we found was during an interview with a vulnerable couple, who had sought help from a free advice centre, only for a creditor to insist that they dealt with their account through another charity. It is critical that creditors respect the relationships of trust that debtors forge with their advisers and solutions providers.

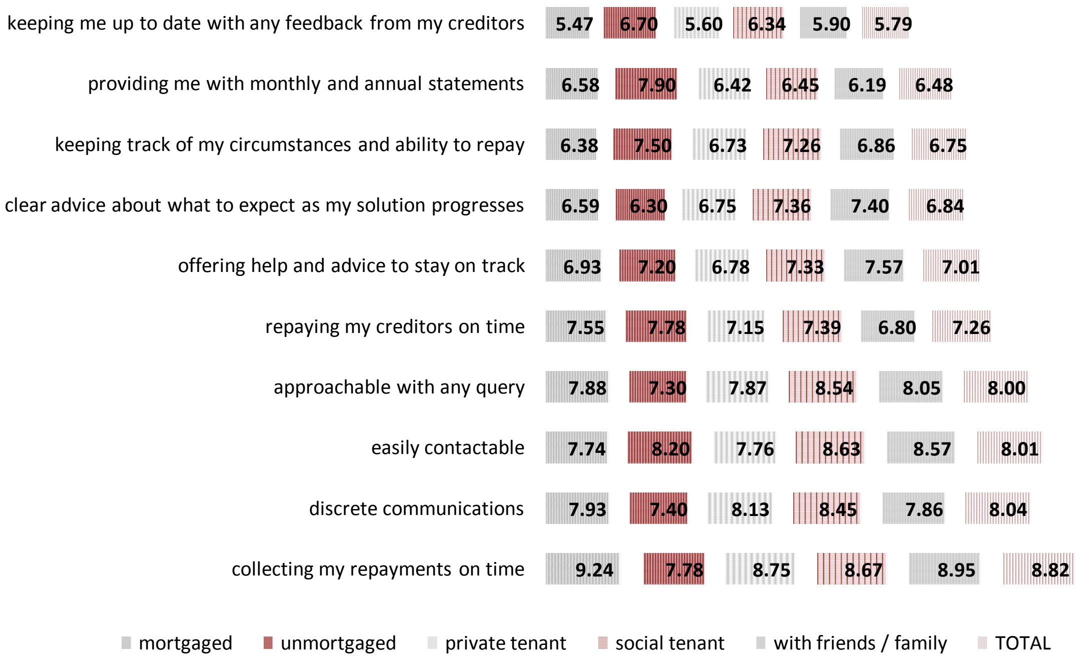
7.11 Post-contract ratings, by whether creditor actions stopped



As a rule, older respondents tended to give slightly higher post-contract ratings than younger clients did. Respondents in the £20-£30,000 household income bracket tended to give the highest post-contract ratings, although again the differences by income were small.

By tenure, post-contract ratings tended to be highest among homeowners without a mortgage and social tenants.

7.12 Post-contract ratings, by tenure

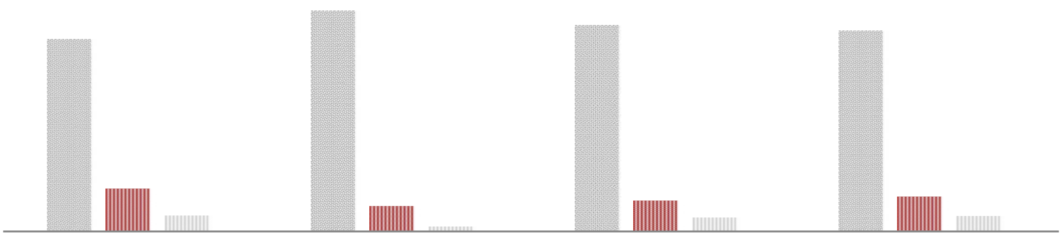


Respondents without children tended to give slightly higher post contract performance ratings than those with dependents, although the differences were small.

c) Written Proposal for Debt Management Plan

In total, 79.9% of respondents to this survey recalled receipt of a written proposal, compared to 86.5% of respondents to the client survey using DMPs earlier this year.

4.3 Written proposal, by DMP start date



	<1 year	1-2 years	>2 years	TOTAL
yes	76.6%	87.8%	82.2%	79.9%
no	17.1%	10.2%	12.2%	13.9%
prefer not to say	6.3%	2.0%	5.6%	6.2%

8) CREDITOR ACTIONS

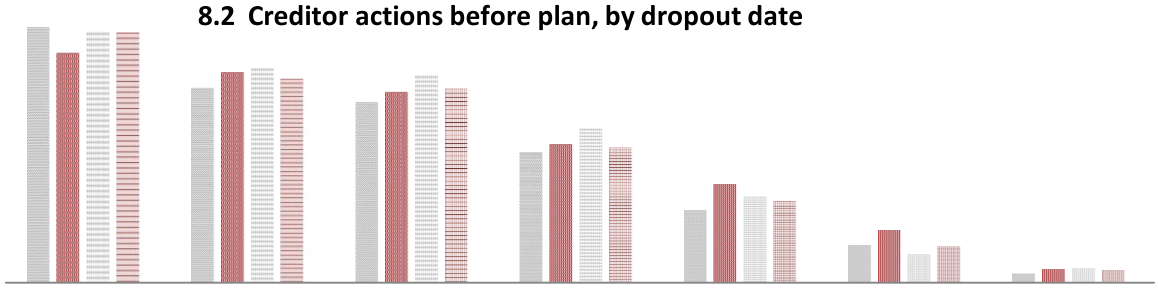
a) Actions Before Entering a Debt Management Plan

The most significant difference in experiences of creditor actions before entering a plan between DRF members' DMP clients (March 2012) and those who dropped out of debt management plans is that of "calls or visits at unreasonable times". Clients who dropped out of plans were significantly more likely to report unreasonable attempts at contact by their creditors. In all other respects, pre-solution actions by creditors were broadly similar.

8.1 Comparison of actions before entering a plan	399 DMP clients	259 DMP dropouts
Calls or visits at unreasonable times	68.7%	77.6%
The same or increased interest penalties and charges	60.2%	63.3%
Notices of legal action	64.2%	60.2%
Confusing communications	40.6%	42.1%
Token payments not accepted	29.1%	25.1%
None of these	11.0%	11.2%
Money withdrawn from another account	6.5%	3.9%

There was a higher prevalence of recent experience of "calls or visits at unreasonable times".

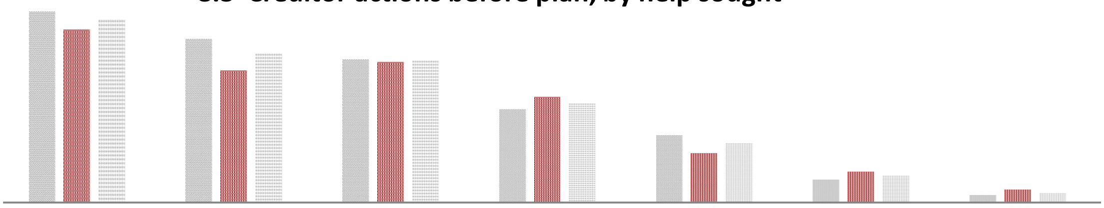
8.2 Creditor actions before plan, by dropout date



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
<1 year	79.3%	60.4%	55.9%	40.5%	22.5%	11.7%	2.7%
1-2 years	71.4%	65.3%	59.2%	42.9%	30.6%	16.3%	4.1%
>2 years	77.8%	66.7%	64.4%	47.8%	26.7%	8.9%	4.4%
TOTAL	77.6%	63.3%	60.2%	42.1%	25.1%	11.2%	3.9%

Clients who sought other help before entering a plan also reported higher incidence of "calls or visits at unreasonable times", as well as "the same or increased interest, penalties or charges". It was clear that creditor actions served as a catalyst to seeking help.

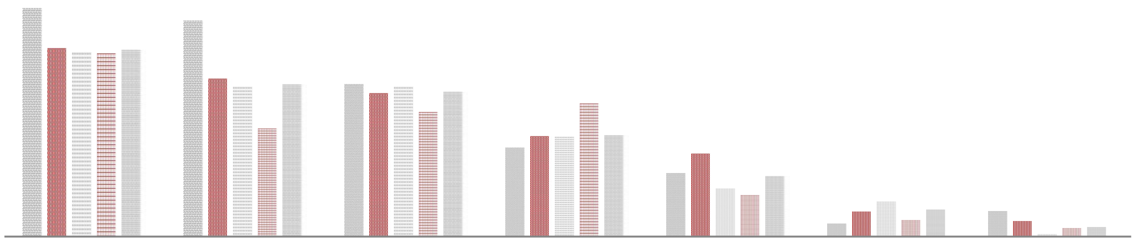
8.3 Creditor actions before plan, by help sought



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
sought	81.0%	69.3%	60.6%	39.4%	28.5%	9.5%	2.9%
not sought	73.3%	56.0%	59.5%	44.8%	20.7%	12.9%	5.2%
TOTAL	77.6%	63.3%	60.2%	42.1%	25.1%	11.2%	3.9%

Younger respondents, especially those in the 18-24 age range, were more likely to report unreasonable contact and increased costs to their debt than older clients were.

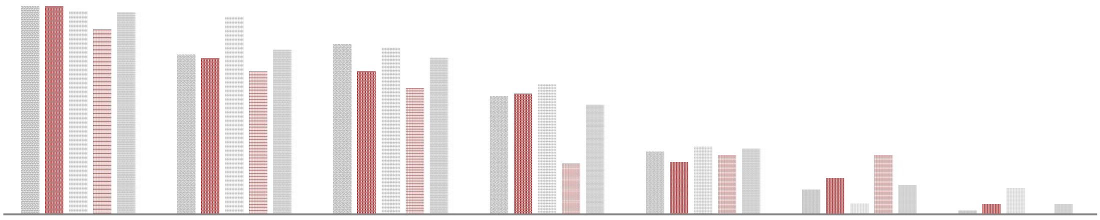
8.4 Creditor actions before plan, by age



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
18-24	94.7%	89.5%	63.2%	36.8%	26.3%	5.3%	10.5%
25-39	78.1%	65.6%	59.4%	41.7%	34.4%	10.4%	6.3%
40-59	76.6%	62.2%	62.2%	41.4%	19.8%	14.4%	0.9%
over 60	75.9%	44.8%	51.7%	55.2%	17.2%	6.9%	3.4%
TOTAL	77.6%	63.3%	60.2%	42.1%	25.1%	11.2%	3.9%

In the context of political concerns for the "squeezed middle", it was worrying that "the same or increased interest penalties and charges" seemed to afflict those with household incomes in the £20-£30,000 range most. It is also worth noting that "notices of legal action" were most often experienced by those on the lowest incomes, before a debt management plan started.

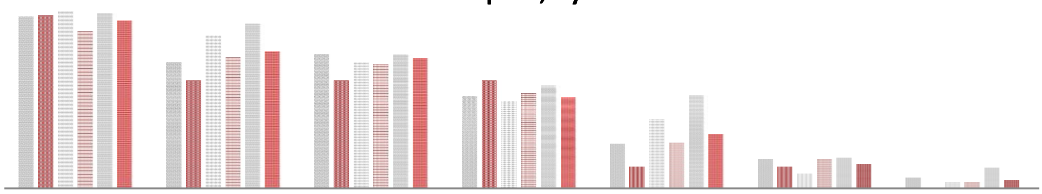
8.5 Creditor actions before plan, by income



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
<£10,000	80.0%	61.3%	65.3%	45.3%	24.0%	9.3%	1.3%
£10 - <£20,000	80.0%	60.0%	55.0%	46.3%	20.0%	13.8%	3.8%
£20 - <£30,000	78.0%	76.0%	64.0%	50.0%	26.0%	4.0%	10.0%
>£30,000	71.0%	54.8%	48.4%	19.4%	22.6%	22.6%	0.0%

Interestingly, "the same or increased interest, penalties or charges" were experienced more often by tenants (especially those in the private rented sector) than by homeowners, before a debt management plan had started.

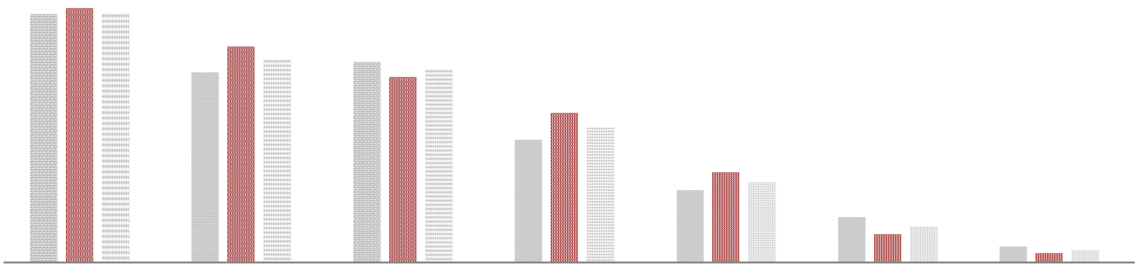
8.6 Creditor actions before plan, by tenure



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
mortgaged	79.3%	58.5%	62.2%	42.7%	20.7%	13.4%	4.9%
unmortgaged	80.0%	50.0%	50.0%	50.0%	10.0%	10.0%	0.0%
private tenant	81.9%	70.6%	58.3%	40.3%	31.9%	6.9%	2.8%
social tenant	72.7%	60.6%	57.6%	43.9%	21.2%	13.6%	3.0%
with friends / family	81.0%	76.2%	61.9%	47.6%	42.9%	14.3%	9.5%
TOTAL	77.6%	63.3%	60.2%	42.1%	25.1%	11.2%	3.9%

However, respondents with dependent children reported fewer incidents of creditor action before a plan started, which was interesting because they were more likely to drop out of a plan than those without children.

8.7 Creditor actions before plan, by dependent children



	calls or visits at unreasonable times	the same or increased interest, penalties and charges	notices of legal action	confusing communications	token payments not accepted	none of these	money withdrawn from another account
kids	77.5%	59.3%	62.5%	38.3%	22.5%	14.2%	5.0%
none	79.3%	67.4%	57.8%	46.7%	28.1%	8.9%	3.0%
TOTAL	77.6%	63.3%	60.2%	42.1%	25.1%	11.2%	3.9%

b. Actions after Entering a Debt Management Plan

There were stark differences between the experiences of creditor actions after entering a plan, reported by DMP clients, and those who had dropped out of a plan. Whereas almost eight out of ten DMP clients reported that creditor action stopped when they entered a plan, fewer than half of those who had dropped out of a plan experienced such relief. Given that a significant proportion of clients dropping out of plans chose either DIY repayment or another debt management plan, this seems an inordinately unconstructive treatment of debtors, who report as willing to repay.

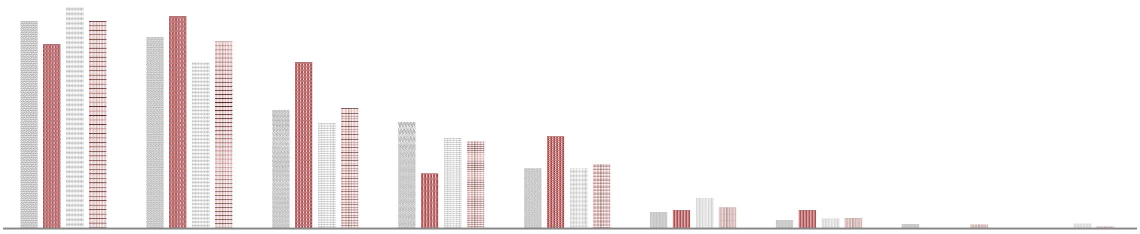
8.8 Comparison of actions after entering a plan	399 DMP clients	259 DMP dropouts
None of these	79.2%	45.9%
Calls or visits at unreasonable times	8.5%	41.3%
Notices of legal action	8.8%	26.6%
The same or increased interest penalties and charges	6.8%	19.3%
Confusing communications	8.0%	14.3%
Token payments not accepted	1.3%	4.6%
Money withdrawn from another account	0.8%	2.3%

Indeed the continuation of “calls or visits at unreasonable times” relates closely to the lower post-contract rating for “keeping me up to date with any feedback from my creditors”. Either DRF members were failing to communicate with particular creditors, or some creditors were not responding to members’ instructions to act on behalf of a client.

8.9 Comparison of actions before and after entering a plan	before	after
Calls or visits at unreasonable times	77.6%	41.3%
The same or increased interest penalties and charges	63.3%	19.3%
Notices of legal action	60.2%	26.6%
Confusing communications	42.1%	14.3%
Token payments not accepted	25.1%	4.6%
None of these	11.2%	45.9%
Money withdrawn from another account	3.9%	2.3%

There also seemed to have been a recent tendency to impose “the same or increased interest, penalties and charges”, because clients who had started and left a debt management plan within 12 months were more likely to report this than those who had been in plans for longer.

8.10 Creditor actions after plan, by DMP start date



	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
<1 year	45.9%	42.3%	26.1%	23.4%	13.3%	3.6%	1.8%	0.9%	0.0%
1-2 years	40.8%	46.9%	36.7%	12.2%	20.4%	4.1%	4.1%	0.0%	0.0%
>2 years	48.9%	36.7%	23.3%	20.0%	13.3%	6.7%	2.2%	0.0%	1.1%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

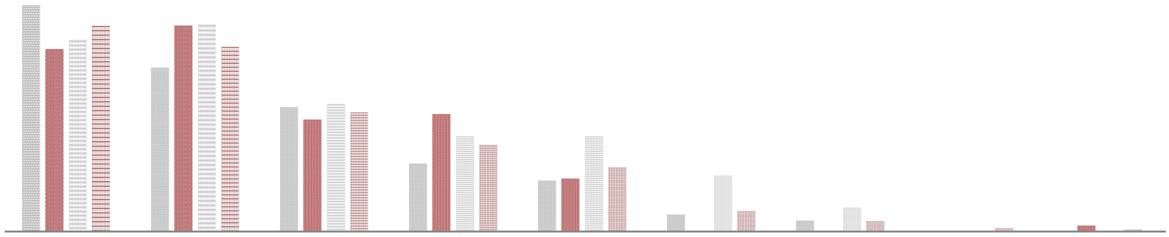
Logically, one might assume that clients who dropped out of a debt management plan after experiencing continued creditor action could have done so because they were in denial about their true state of affairs – perhaps their debt level was higher than they thought, or they were, in fact, insolvent? Clearly, this was not always the case, because by far the highest incidence of continued action was reported by those entering another debt management plan.

At this point, it is worth recalling that only 17.5% of respondents sought free help after ending their plan, and although we did not record whether new debt management plans were free of fee charging, it was clear that several respondents had used free advice as a catalyst to self-manage repayments. Thus, a significant proportion of clients seemed to be moving from one fee charging debt management plan to another, with all the new set-up fees that this entailed.

Many in the free to client sector would consider this as evidence of unfair and improper conduct by the commercial sector as a whole. Yet this survey makes it very clear that 97% of respondents were aware of free debt help, before opting to pay a DRF member to manage their debts. Clearly, there were instances where DRF members' fell short of expectations and the performance ratings record a dip in comparison to those given by clients who stayed in a debt management plan accordingly. Nevertheless, DRF members' performance ratings remained almost entirely above average, even when clients dropped out of plans, so, one can only conclude that poor performance was not the overriding factor in prompting a switch.

Since March 2012, our qualitative research has provided evidence of creditors and solutions providers fuelling debtors' uncertainties about their current solution. We have heard reports of aggressively negative PR from competitors who are members of either the DRF or DEMSA, and not merely unlicensed and non-compliant cold callers. We have heard of creditors encouraging vulnerable clients to ignore pending arrangements for a DRO, to talk to a fee-charging provider instead. In short, ongoing pressure from some creditors and providers is fuelling unnecessary demand to switch debt management plan at significant cost to the consumer and this is neither sustainable nor acceptable.

8.11 Creditor actions after plan, by new solution

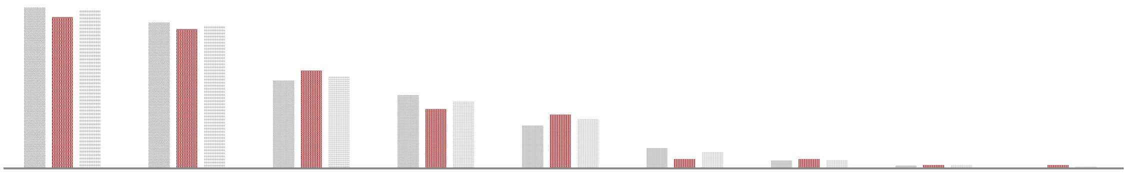


	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
DIY	50.6%	36.7%	27.8%	15.2%	11.4%	3.8%	2.5%	0.0%	0.0%
DMP	40.8%	46.1%	25.0%	26.3%	11.8%	0.0%	0.0%	0.0%	1.3%
insolvent	42.9%	46.4%	28.6%	21.4%	21.4%	12.5%	5.4%	0.0%	0.0%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

Remarkably, respondents who had sought a range of help before entering a debt management plan were more likely to experience continued actions from creditors after starting it. Some of this may be because, as the Money Advice Service report *Effectiveness of Debt Advice in the UK* suggests, advice seekers have higher debt levels. However, the underlying impression would seem to be that seeking help can precipitate action. The irony of this was even clearer in our finding that respondents who sought help were more likely to encounter "the same or increased interest, penalties and charges" after doing so.

It seemed plausible that far from indicating a willingness to repay, the act of seeking debt help created a recent and actionable set of contact details that facilitated increased debt collection pressure and solution sales. This is entirely contrary to the OFT's vision of informed choice and is completely inappropriate. The risk of such predatory behaviour is that debtors will become hardened to defaulting on credit agreements, creating a downward spiral of "won't pays". It is therefore essential that the outcomes of those leaving debt solutions is as closely monitored as those staying in them and it is a recommendation of this research that the trends identified here are explored comprehensively across all sectors.

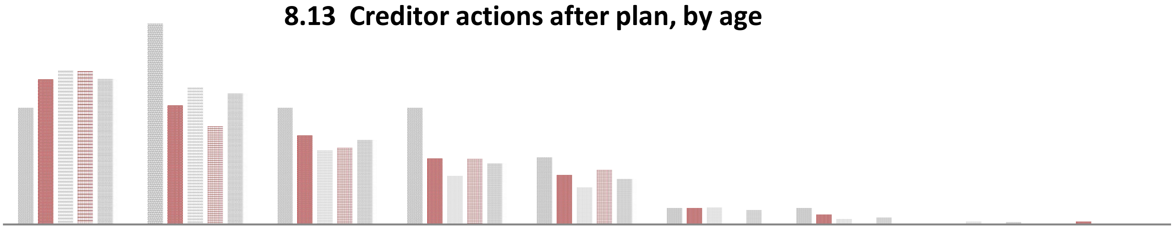
8.12 Creditor actions after plan, by help sought



	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
sought	46.7%	42.3%	25.5%	21.2%	12.4%	5.8%	2.2%	0.7%	0.0%
not sought	44.0%	40.5%	28.4%	17.2%	15.5%	2.6%	2.6%	0.9%	0.9%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

By age, younger respondents were most likely to report continued actions by creditors after entering a plan. This runs contrary to wider initiatives to embed financial education and bodes ill for the future, in terms of setting a precedent that debt default or denial is acceptable.

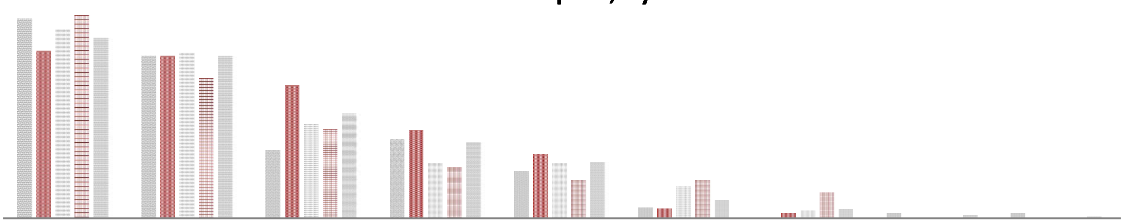
8.13 Creditor actions after plan, by age



	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
18-24	36.8%	63.2%	36.8%	36.8%	21.1%	5.3%	5.3%	0.0%	0.0%
25-39	45.8%	37.5%	28.1%	20.8%	15.6%	5.2%	3.1%	0.0%	1.0%
40-59	48.6%	43.2%	23.4%	15.3%	11.7%	5.4%	1.8%	0.9%	0.0%
over 60	48.3%	31.0%	24.1%	20.7%	17.2%	0.0%	0.0%	0.0%	0.0%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

It was similarly disconcerting to see that respondents on the lowest incomes were most likely to experience “the same or increased interest, penalties or charges” after entering a plan.

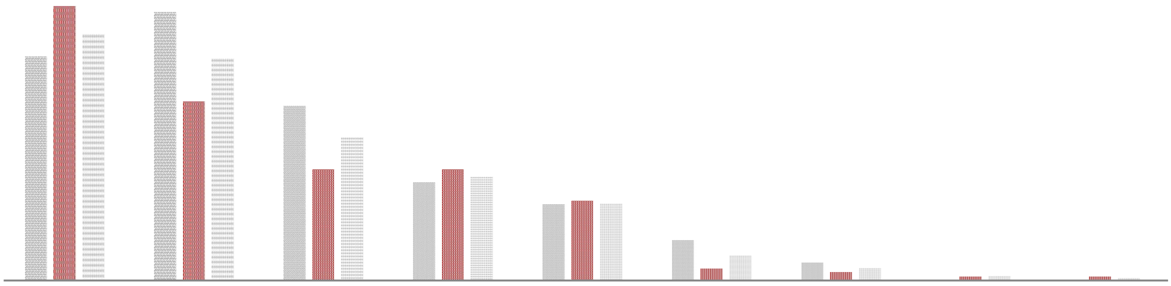
8.14 Creditor actions after plan, by income



	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
<£10,000	50.7%	41.3%	17.3%	20.0%	12.0%	2.7%	0.0%	1.3%	1.3%
£10-<£20,000	42.5%	41.3%	33.8%	22.5%	16.3%	2.5%	1.3%	0.0%	0.0%
£20-<£30,000	48.0%	42.0%	24.0%	14.0%	14.0%	8.0%	2.0%	0.0%	0.0%
>£30,000	51.6%	35.5%	22.6%	12.9%	9.7%	9.7%	6.5%	0.0%	0.0%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

Reiterating the contradiction with financial education strategy, respondents without children were more likely to experience relief from creditor actions after entering a plan than those with dependents.

8.15 Creditor actions after plan, by dependent children



	none of these	calls or visits at unreasonable times	notices of legal action	the same or increased interest, penalties and charges	confusing communications	token payments not accepted	money withdrawn from another account	prefer not to say	anything else?
kids	41.7%	50.0%	32.5%	18.3%	14.2%	7.5%	3.3%	0.0%	0.0%
none	51.1%	33.3%	20.7%	20.7%	14.8%	2.2%	1.5%	0.7%	0.7%
TOTAL	45.9%	41.3%	26.6%	19.3%	14.3%	4.6%	2.3%	0.8%	0.4%

9) OTHER SIGNIFICANT DEMOGRAPHICS

There is little doubt that as far as respondents to this survey were concerned, the most significant factor determining whether they stayed in or dropped out of a debt management plan with a DRF member was relief from creditor actions. Given the clear indication that some groups suffered more from continued actions than others, it is worth considering the experiences of respondents by some other demographic profiles.

a) Ethnicity

Overall 11.5% of respondents on minority ethnic origin experienced continued creditor action compared with 10.1% who did not. It is worth noting that both this and the client survey conducted earlier this year recorded an increase in the uptake of debt solutions by minority ethnic debtors. We note also that experiences of "the same or increased interest, penalties and charges" seem to have increased in recent months and therefore recommend recording the ethnicity of clients for performance monitoring.

9.1 DMP start date	<1 year	1-2 years	>2 years	TOTAL
White	83.8%	91.8%	92.2%	87.6%
Not White	12.6%	8.2%	7.8%	10.92%

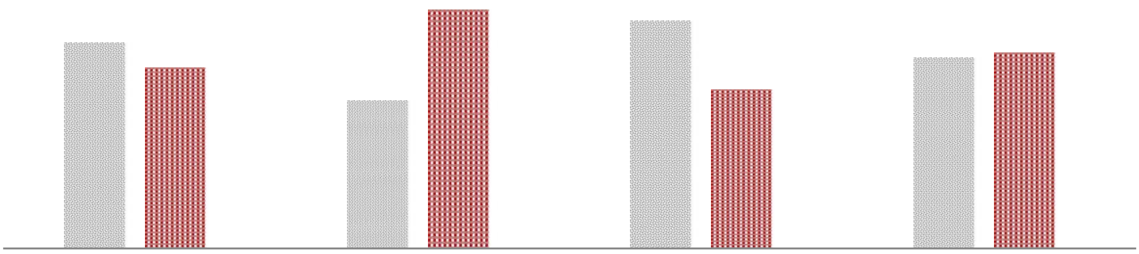
b) Gender

Women seemed significantly less likely than men to experience respite from creditor actions. Of the 128 men interviewed, 51.2% reported that creditor action stopped on starting a plan and among the 131 women interviewed, this fell to 40.5%. This places even greater urgency on the need to differentiate individual and joint debt solutions, because, as this survey reflected, there is some evidence that the number of women seeking debt help may be growing.

9.2 DMP start date	<1 year	1-2 years	>2 years	TOTAL
Male	44.1%	61.2%	45.6%	49.4%
Female	55.9%	38.8%	54.4%	50.6%

It is also significant to compare the new solutions entered, by gender, since dropping out of a plan.

9.3 Gender, by new solution



	DIY	DMP	insolvent	TOTAL
male	53.2%	38.2%	58.9%	49.4%
female	46.8%	61.8%	41.1%	50.6%

10. CONCLUSIONS & RECOMMENDATIONS

The principal outcomes for respondents dropping out of DMPs were that at least two thirds still needed a debt solution and that this was closely split between self-managed repayments, starting another DMP and entering insolvency procedures. There was some evidence from respondents who self-managed or had no solution in place that a paid solution was a stopgap until circumstances changed. However, the proportion and sustainability of this cannot be apparent from this sample alone. Whilst the logic of progression from managed solutions (whether fee-charging or free) that model and build self-confidence in money management is plausible, further research is necessary to explore its potential.

The four in every ten respondents who dropped out of a debt solution only to enter another should not be underestimated. There was some evidence to suggest that respondents who had progressed from a recently entered DMP to insolvency were expecting this outcome and welcomed debt management as an interim measure. However, we should exercise caution in accepting this as read, because there have been instances of commercial firms flipping debtors between solutions to maximise fees. Clearly, there may be circumstances when it is better to have some form of repayment plan before starting a more formal arrangement, and the appropriateness of using a DMP as precursor to insolvency requires frank discussion. Professionals need to agree key indicators for when switching solution is in clients' best interests and record these accordingly.

A key concern of this and other research in the Outcomes Programme is the extent that perceived pressure, in which creditors and providers are not easily distinguished, contributes to clients' lack of confidence in their own decisions. Almost a quarter of respondents switched to another DMP and the reported advice seeking within this sample tended to indicate that many switched from one fee-charging provider to another. Clearly, there may be instances when this is an informed choice based on free-market competition, but the extent of repeat fees incurred tends to indicate potential for some degree of detriment. This sample was too small to make robust assertions that this is the case. However, the qualitative studies provided several examples of participants feeling coerced into believing in authority that had no substance. Opportunistic unlicensed and non-compliant supply poses a threat to all who deliver services with integrity and debt professionals from all sectors need to work together to eliminate it.

Whilst respondents to this survey were more likely than those from DRF members' wider client base to seek advice before entering a solution, stark differences between types of advice were apparent. Respondents who had dropped out of DMPs were less likely to engage with free and impartial advice agencies for instance, or with the banks or creditors to whom they owed money. Indeed, 97% of respondents to this survey were aware of free advice yet fewer than one in ten used it before entering a

DMP. This proportion barely doubled when leaving the DMP and around a third of respondents who dropped out of a DMP sought no advice whatsoever before doing so.

On this basis, it may very well be significant that respondents in this survey, who had first sought free advice, tended to have larger reductions in the number of creditors and amount of debt owed, on leaving their DMP. Furthermore, the qualitative research, exploring outcomes of clients who switched from free advice to a DRF member, revealed these participants to be active advice seekers, often with sophisticated strategies for selecting a provider. Although the sample for the dropout survey was small and requires comparative research to validate some of its findings, it does seem possible that clients who leave plans are more likely to enter them with insufficient knowledge and understanding to make an informed and sustainable decision. For this reason, professionals should engage clients in developing a step-by-step guide to decision making. This would be a far more consumer-centric approach than signposting free advice for all, because choice is a key component of the financial capability in which so many debtors need to regain self-confidence. Indeed, a concerted effort to co-operate professionally should help free and fee-charging providers to narrow the field for unlicensed and non-compliant supply and achieve effective outcomes from choices that are rational and informed.

As one might expect, the key performance indicators achieved through ratings given by clients who had dropped out of DMPs were lower than scores given by DRF members' wider client base. However, they were still above average and even higher post-contract than pre-contract. Aspects, which recorded the largest difference in scores, related to feelings of involvement and client care pre-contract and keeping clients up to date and informed post-contract. This would tend to indicate a lack of interpersonal engagement with clients who dropped out and it would be worth investigating if this experience was common to other clients seeking less formative advice and dropping out of solutions. Indeed, it is a recommendation of this research that further assessment of the reasons for dropping out of debt solutions is essential, and in 2013, the DRF client survey will measure the proportion of all clients who leave DRF members and / or switch solution.

Clients who dropped out of DMPs were far more likely to report continued creditor contact than those sampled from DRF members' wider client base were. Yet creditor contact reported before a solution had started was broadly similar between the two samples. On this basis, it was relevant that respondents who had dropped out of a DMP gave DRF members lower scores for "keeping me up to date with feedback from my creditors". Of course, one cannot deny the potential for DRF members to have failed these clients. However, the extent of perceived creditor contact, coupled with a significant minority of respondents entering another fee-charging DMP without seeking advice before doing this, tends to point to some level of exploitation of debtors' uncertainties in their decision-making and repayment progress. The combination of findings across the DRF Outcomes Research Programme points to an insidious undercurrent of unscrupulous creditors and solution providers, who are complicit in confounding debtors. At no point should commercial gain dictate the movement of debtors from one appropriate solution to another.

Demographically, respondents with the least effective outcomes from a DMP, completed in part, tended to have lower incomes, children, and to be homeowners with mortgages, respondents of minority ethnic origin, or women. Often, these are some of the least influential people in our society, so this is cause for concern. Throughout the Outcomes Programme, our research identified vulnerability as more complex than a basic assessment of socio-economic background, yet the findings of this survey reflected those of wider client survey in that some subsets of debtors seemed to have inferior experiences of debt resolution than others. To date, professionals have tended to opt for a one size fits all approach to debt advice and collections, because this seemed fair. However, debt resolution through a third party is a relatively young proposition and understanding its users is likely to have remained underdeveloped until now. The economic crash of 2007/8 created a significant change in circumstances for millions of households and sustainable recovery may only be possible through more a discerning recognition of consumer expectations of choice. The challenge, when every penny counts for the cash strapped and incentivised, is ensuring that choice is not a decoy for detriment.

APPENDIX 1 – QUESTIONNAIRE

INTRODUCTION: *INTERVIEWERS MAY ONLY SPEAK TO THE NAMED CONTACT AND MAY MAKE A MORE CONVENIENT APPOINTMENT TO CALL BACK IF PREFERRED.*

Hi, may I speak to [NAMED CONTACT] please?

IF UNAVAILABLE, THANK AND CLOSE. CONTINUE WITH THE NAMED CONTACT ONLY.

Hello. It's [INTERVIEWER] from Zero-credit. We're helping The Debt Resolution Forum monitor professional standards. The Debt Resolution Forum has asked us to speak to recent clients of [NAMED COMPANY] because Zero-credit is independent. We abide by the Social Research Association Respect Code, so anything you tell us is anonymous. My questions take about 10 minutes to answer – can you help?

IF MORE EXPLANATION IS REQUIRED AT ANY TIME DURING THE INTERVIEW:

[NAMED COMPANY] is a member of the Debt Resolution Forum, which means they must follow strict guidelines. Even if you have stopped using [NAMED COMPANY] your answers could improve support for people in difficult circumstances. Zero-credit is a consumer co-operative that promotes borrowers' rights through research into experiences of credit and debt. In line with the Respect Code, only Zero-credit is allowed to know who takes part, so your answers cannot be traced back to you. Are you still happy to help?

1. RECORD RESPONDENT ID

   NUMBER _____

INTERVIEW: *[DO NOT READ "*prefer not to say" UNTIL INSTRUCTED i.e. "prefer not to say"]*

IF THE RESPONDENT WANTS TO ADD MORE DETAIL BEFORE Q18:

I can record other important opinions a little later on. For now, these questions focus on service standards monitored by the Debt Resolution Forum.

2. **Thinking back, when did you first start a plan with [NAMED COMPANY]?** *ONE only*

   within the last 3 months
   3 to 6 months ago
   6 to 9 months ago
   9 to 12 months ago
   longer than this *(specify)* _________
   *prefer not to say *(inc. don't know / can't remember)*

3. **Where else did you seek help <u>before</u> starting a plan?** *<u>ALL</u> that apply*

accountant / solicitor
another company
bank / creditors
charity, government or council (including Money Advice Service /financial healthcheck)
friends / family
none of these / did not seek other help
*prefer not to say *(inc. don't know / can't remember)*
somewhere else? _________________

4. **Thinking about your <u>first contact</u> with [NAMED COMPANY], please give marks out of ten for each of the following?** *<u>ONE</u> for each statement*

	1-10	*PNTS
I felt confident that they understood my circumstances		
they explained the solutions that they could offer clearly		
the possible risks of each solution were explained calmly		
I learned about some other places to find help		
I understood which fees applied to each solution		
they explained priority and non-priority debts clearly		
I felt involved in choosing the best solution		
I felt they had my best interests at heart		

5. **Which, if any, of the following did you experience from creditors <u>before</u> starting a plan?** *<u>ALL</u> that apply*

calls or visits at unreasonable times
notices of legal action
confusing communications
token payments not accepted
money withdrawn from another account
the same or increased interest, penalties and charges
none of these
*prefer not to say *(inc. don't know / can't remember)*
anything else? ______________________

6. **Do you recall having a written proposal from [NAMED COMPANY] <u>before</u> starting your plan?** *<u>ONE</u> only*

yes
no
*prefer not to say *(inc. don't know / can't remember)*

7. **And was the plan?** *<u>ONE</u> only*

in your name only
joint
*prefer not to say *(inc. don't know / can't remember)*

8. **Which, if any, of the following did you experience from your creditors <u>after</u> starting the plan?** *<u>ALL</u> that apply*

   calls or visits at unreasonable times
   notices of legal action
   confusing communications
   token payments not accepted
   money withdrawn from another account
   the same or increased interest, penalties and charges
   none of these
   *prefer not to say *(inc. don't know / can't remember)*
   anything else? ______________________

9. **Thinking about <u>being in a plan</u> with [NAMED COMPANY], please give marks out of ten for each of the following?** *<u>ONE</u> for each statement* 1-10 *PNTS

   clear advice about what to expect as my solution progresses
   keeping me up to date with any feedback from my creditors
   collecting my repayments on time
   repaying my creditors on time
   keeping track of my circumstances and ability to repay
   offering help and advice to stay on track
   providing me with monthly and annual statements
   discrete communications
   easily contactable
   approachable with any query

10. **When did you end the plan?** *<u>ONE</u> only*

    within the last 6 months
    6 ro 12 months ago
    longer than this
    prefer not to say *(inc. don't know / can't remember)*

11. **Did you tell [NAMED COMPANY] that you were ending the plan?** *<u>ONE</u> only*

    yes, I contacted them
    yes, they contacted me
    no, I was advised not to
    no (*inc. any other reason besides above)*
    prefer not to say *(inc. don't know / can't remember)*

12. Where else did you seek help at this time? *ALL that apply*

accountant / solicitor
another company
bank / creditors
charity, government or council (including Money Advice Service /financial healthcheck)
friends / family
none of these / did not seek other help
*prefer not to say *(inc. don't know / can't remember)*
anywhere else? _________________

13. Comparing your situation at the start and end of your original plan, was number of creditors? *ONE only*

higher
lower
about the same
prefer not to say *(inc. don't know / can't remember)*

14. **Still comparing the start and end of your original plan, was the amount owed?** *ONE only*

higher
lower
about the same
prefer not to say *(inc. don't know / can't remember)*

15. **And again, at the end of your plan, was your income?** *ONE only*

higher
lower
about the same
prefer not to say *(inc. don't know / can't remember)*

16. Which, if any, arrangement have you entered since ending your original plan? *ONE only*

I manage repayments myself
another Debt Management Plan
IVA
Bankruptcy
Debt Relief Order
None *(skip to Q18)*
anything else? _____________________
prefer not to say *(inc. don't know / can't remember)*

17. And is the new arrangement? *ONE only*

in your name only
joint
*prefer not to say

18. What was the MAIN reason for ending your plan with [NAMED COMPANY]? *ONE only*

it was a stop gap until my situation improved
I used it to model a DIY plan

I was not aware of free help
creditor action did not stop
friends / family recommended other help
another provider made me a better offer
I felt it was unrealistic
my situation got worse and I needed another solution
my creditors suggested other help
prefer not to say *(inc. don't know / can't remember)*
anything else?___________

19. **Any other comments about your experience of using [NAMED COMPANY]?** *Record everything except "no / not really"* *VERBATIM*

____

Finally, I'd like to ask a few questions that help us to compare your experiences with those of other people in difficult circumstances. If you prefer not to answer a particular question, that's fine. Whatever you are happy to tell me does help.

20. **How would you describe your housing status?** *ONE only*

homeowner with a mortgage
homeowner without a mortgage
tenant PROBE private landlord
tenant PROBE council / housing association / social landlord
Other? ____________________________
prefer not to say

21. **And in which region of the UK is that?** *ONE only*

East Anglia
East Midlands
Greater London
North East
North West
Northern Ireland
Scotland
South East
South West
Wales
West Midlands
Yorkshire & Humberside
prefer not to say

22. May I ask your age, or if you prefer your age group? READ AGE GROUPS ONLY AS A PROMPT, IF PREFERRED. TICK ONE ONLY AND ENTER AGE IN YEARS ALSO, WHERE GIVEN.

18-24
25-39
40-59
over 60
prefer not to say

AGE AS STATED ___

23. May I ask your ethnic group? *ONE only*

White / White British
Mixed / multiple heritage (inc British)
Asian / Asian British
Black / African / Caribbean / Black British
Other _____________
prefer not to say

ETHNICITY AS STATED ____________________________________

24. Do you have any dependent children? *ONE only*

yes
no
prefer not to say

25. Which of the following best describes your household income now? *ONE only*

less than £10,000
ten to less than £20,000
twenty to less than £30,000
thirty to less than £40,000
forty to less than £50,000
more than £50,000
prefer not to say

26. **And which of the following best describes the level of personal borrowing in your household now?** *ONE only*

none
less than £20,000
£20,000-£39,999
£40,000-£59,999
£60,000-£79,999
£80,000-£99,999
£100,000 or more
prefer not to say

27. **RECORD GENDER**

male
female

And finally, someone from Zerocredit may wish to check that I have recorded your answers accurately and professionally.

28. Are you happy for us to get in touch again to do this?

yes
no

THANK AND CLOSE

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Swadlincote
DERBYSHIRE
DE12 6DJ