

DRF RESEARCH

2013 Client Survey
Provider KPIs

prepared by

Zero-credit

for

The Debt Resolution Forum



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1. ABOUT THIS REPORT

In April 2013, the Debt Resolution Forum commissioned Zero-credit to complete a survey of members' clients, as had been conducted in 2012. This report focuses on the key performance indicators for providers of debt solutions and was compiled by Emma Bryn-Jones. Its sister report explores Client Demographics and Financial Circumstances and a Technical Appendix shares the research methodology, survey questionnaire, and anonymised verbatim comments recorded during fieldwork.

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
- 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

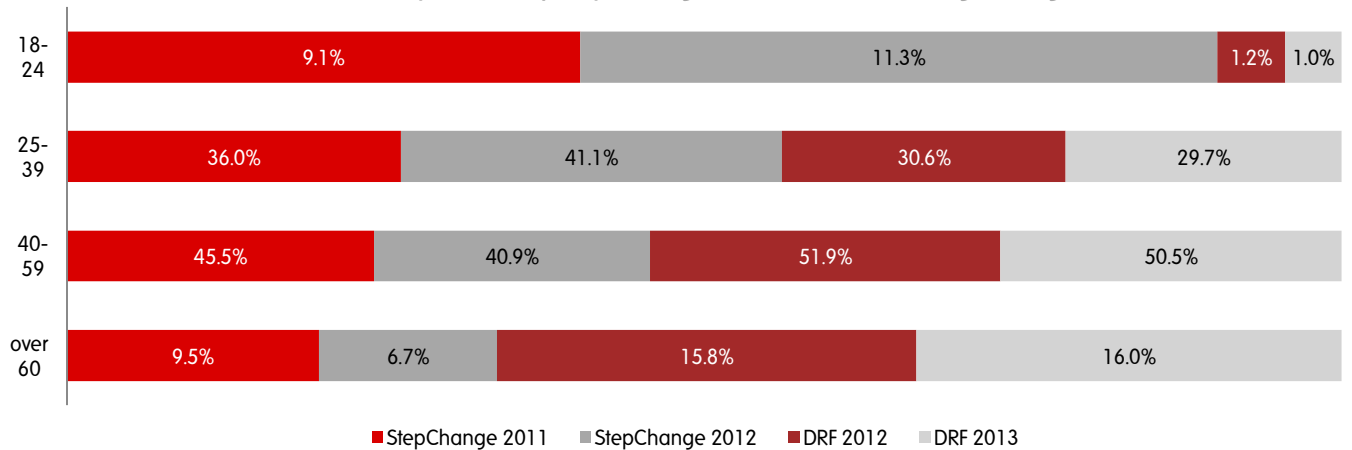


2. EXECUTIVE SUMMARY

a. A distinct demographic

The demographic profile of respondents in 2013 was almost a carbon copy of those taking part in the DRF 2012 client survey. This is significant because it continues to reflect a significant difference between DRF members' clients and those using free to client services, despite an increase in new DRF members. It is also worth recalling the CEBR prediction¹ that 48% of StepChange clients would be over 45 by the end of 2014, because the proportion of the charity's clients in this age range contracted between 2011 and 2012.

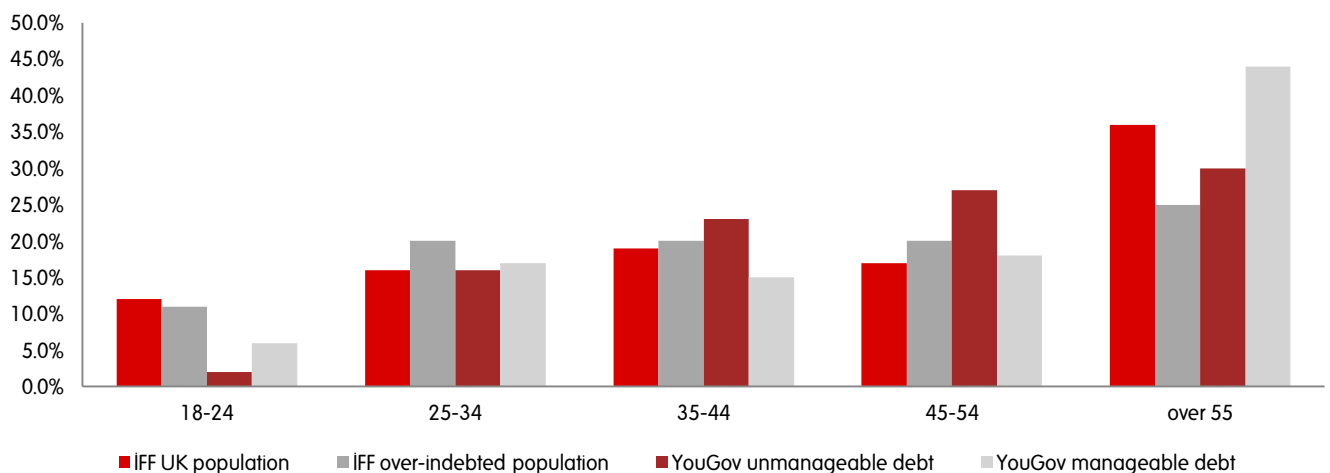
Chart 1: Comparison of StepChange and DRF Clients' Age Ranges



Source: StepChange Statistical Yearbooks 2011 & 2012

Comparing StepChange and DRF data to research commissioned from IFF Research and YouGov by the Money Advice Service throughout 2012, the contrast in age ranges served by free and fee charging agencies becomes all the more apparent. On this basis, and in view of the 70% or so, who are commercial debt resolution clients in the UK, policy makers and regulators need to consider the profile and behaviours of fee paying customers as a priority, when mapping supply and demand. It is impossible to prioritize resources effectively without this.

Chart 2: Comparison of MAS 2012 data for Age Ranges



Sources: User Needs from Debt Advice, IFF Research, February 2012; The effectiveness of debt advice in the UK, YouGov, October 2012

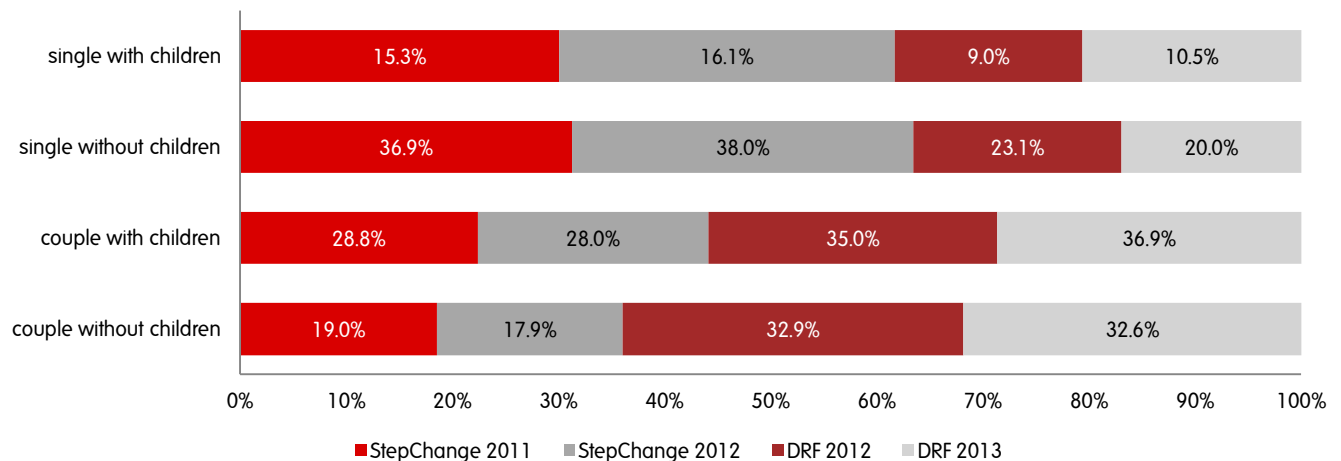
¹ Consumer Debt and Money Report, CEBR (for CCCS), Q4 2011



There were slightly more clients with issues of health, mobility and wellbeing (19%) than present in the UK population as a whole (17%), but significantly fewer than recorded as using free face to face advice funded by the Money Advice Service² (33%).

The proportion of DRF members' clients with dependent children continued to mirror that in the free to client sector at approaching 45%. However, parents and carers using a DRF member to resolve their debts were more often in a relationship as well.

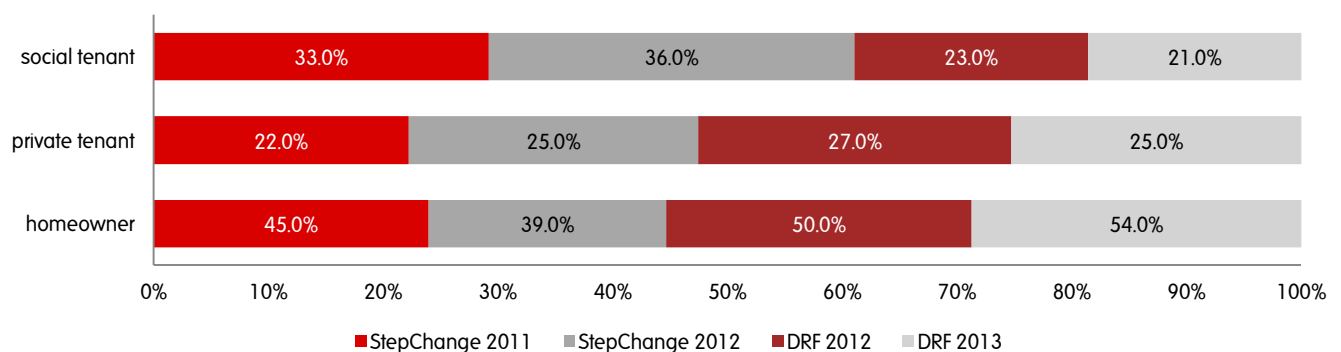
Chart 3: Comparison of StepChange and DRF Clients' Household Composition



Source: StepChange Statistical Yearbooks 2011 & 2012

The 2013 client survey results reiterated our 2012 findings that DRF members' clients were more likely to be homeowners than free advice seekers also.

Chart 4: Comparison of StepChange and DRF Clients' Tenure



Source: StepChange Statistical Yearbooks 2011 & 2012

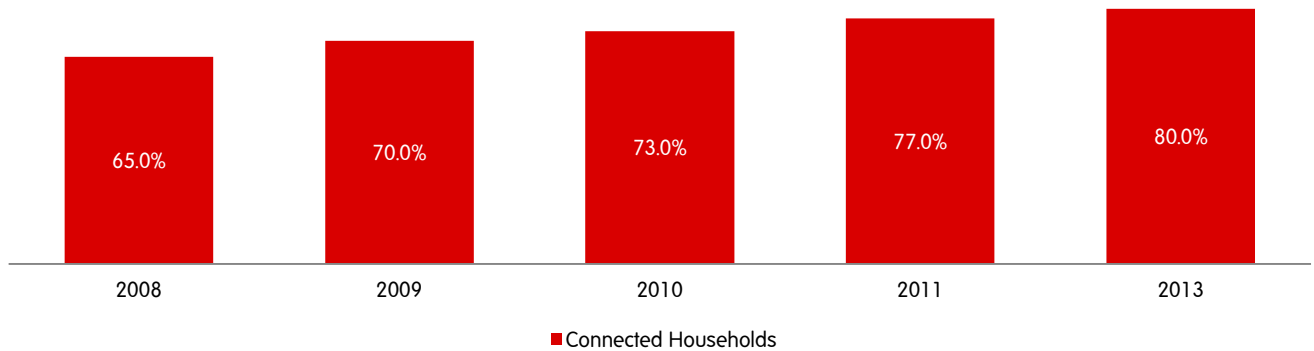
The distinct demographic profile of DRF members' clients is an important characteristic to recognise, because active advice seeking is another key difference between these and clients using the free sector. The qualitative research conducted with DRF members' clients throughout 2012 illustrated that a significant proportion consider themselves informed decision makers, and less vulnerable than challenged by their financial circumstances.

² 360 degree evaluation of Money Advice Service funded face-to-face debt advice, Optimisa (for MAS), January 2013

b. Advice Seeking Trends

This survey provided evidence that clients are becoming increasingly independent in their pursuit of information and advice. For instance, reports of internet use increased from 1.0% in 2012 to 20.5% in 2013 and there were signs of diversification in references to specialist forum and review sites also. This reflects the wider trend reported by the Office for National Statistics of increased internet access across all households in the UK.

Chart 5: Comparison of Internet Access among UK Households, 2008-2012



Source: ONS Statistical bulletins, Internet Access - Households and Individuals, 2008-2012

Overall, active advice seeking grew from 45% to 67% of respondents between 2012 and 2013 and particular trends within this were contractions in consulting banks and creditors and in approaching free to client agencies. The former may relate to a growing mistrust of mainstream financial services, since public awareness of mis-selling has emerged and the latter may relate to funding cuts to frontline advice services. However, further research is essential to verifying these hypotheses. An increase in approaching friends and family was also noted, which would tend to indicate some decline in the inter-personal stigma that can prevent people from accessing debt advice.

c. Advice Seeking Drivers

Evidence of austerity was apparent in these survey results because the main reason for seeking debt advice was recorded as "a drop in income" (32.5%) in 2013, compared to "a change in circumstances", which had been the main reason given in 2012. Together, these reasons accounted for over 60% of initial advice seeking, whereas overspending was reported by only 15% and increased outgoings affected 24% of clients taking part in the 2013 survey.

It was reassuring to see creditors beginning to exercise some forbearance, when it came to debt collection and other interventions. There was a contraction in pre-contract creditor contact reported, from 87.2% in 2012 to 81.5% in 2013. However, the proportion of respondents reporting contact post-contract was cause for concern because this rose from 21.8% in 2012 to 40.8% in 2013.

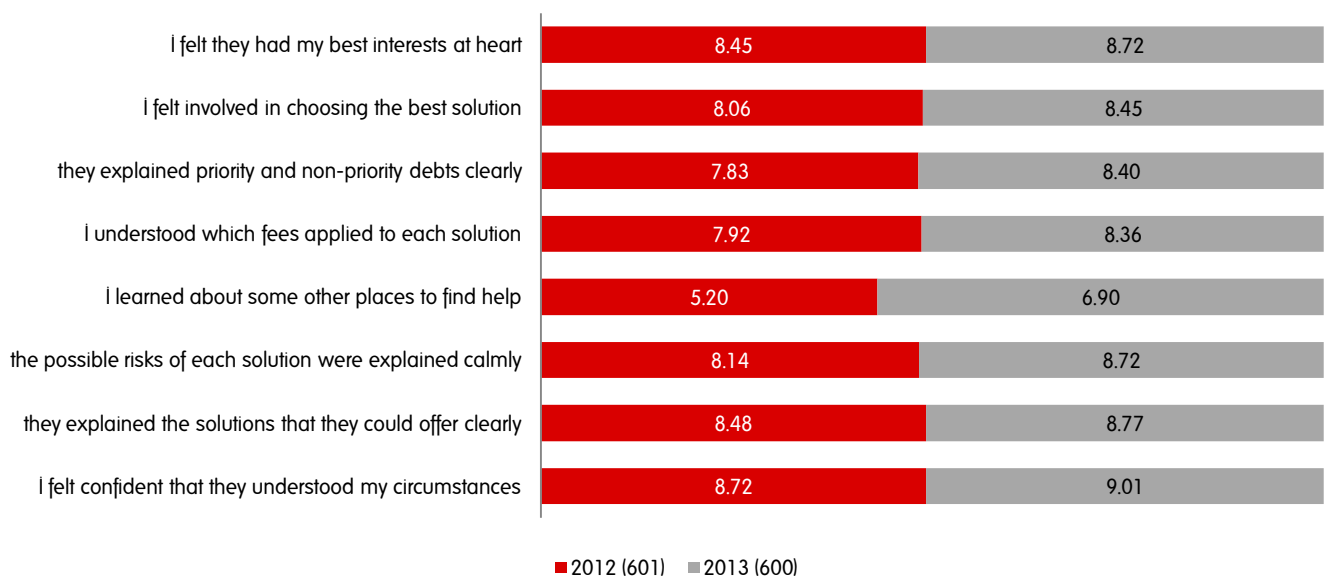
It is important to recognise that respondents' reports of creditor contact are perceived and therefore may not accurately represent communications sent. That said, contact experienced as harassment or a sanction after entering into a debt resolution contract is highly likely to have a detrimental effect on wider opinion of creditor fairness and in the longer term, may impact on the effectiveness of communications as a driver to advice seeking.

d. DRF Key Performance Indicators

Parallel with the growth in active advice seeking, there was increased awareness of regulatory and professional standards, which are set out in the relevant OFT guidance and DRF Code. For instance, recognition of firms' DRF membership increased from 7.8% to 18.2% in 2013, incidence of initial contact by a DRF member halved to 16.0%, and recommendations to use DRF members increased by 3% to approaching a quarter of all respondents.

There was improvement across all eight pre-contract service attributes, resulting in ratings that were good to very good. In the context of a contraction in free advice seeking before using a DRF member and the OFT's March 2012 Guidance stipulating that commercial firms must inform potential clients of free services, it was particularly good to see more respondents who rated DRF members highly for "I learned about some other places to find help".

Chart 6: Comparison of DRF Pre-Contract Performance Indicators, 2012 & 2013



Note: mean rating scores calculated from "marks out of ten"

Across the ten post-contract performance indicators, DRF members achieved even higher ratings than they did for pre-contract service attributes, as they did in 2012. Without exception, scores were in the range of very good to outstanding, which is a clear indication that DRF members are committed to delivering high levels of customer care after entering into a contract with their clients.

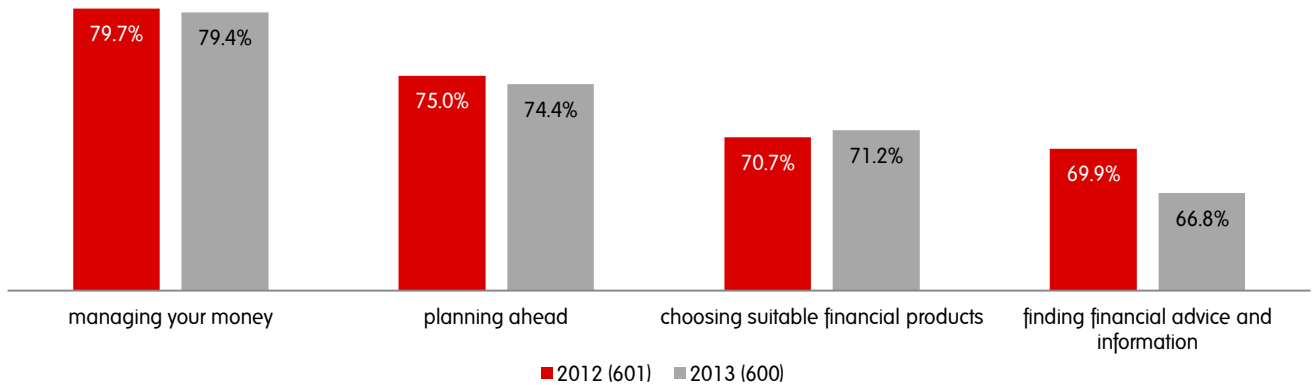
On a less positive note, there was a contraction in the percentage of respondents who recalled receipt of a written proposal before entering a contract, from 88% in 2012 to 72% in 2013. As was the case for reported creditor contract, there is potential for a mismatch between actual and recalled communications because around a third of respondents were in solutions for which it is impossible to have a contract without this. Whilst 72% recollection is not a major cause for concern, it is sufficiently lower than the 88% recorded in 2012 and the DRF will need to address this through more explicit signposting of important documentation.

For the first time in 2013, the client survey recorded switching from DRF solutions and providers. It was therefore noteworthy that after researching the reasons for dropping out of a DRF member's DMP in November 2012, only 6% of respondents to this survey reported that they were no longer using their original solution or provider. High levels of customer retention are therefore a key characteristic DRF member firms.

e. DRF Clients' Outcomes

As in 2012, between two-thirds and four fifths of respondents reported improved financial capability since entering a debt solution with a DRF member. This was broadly in line with the free to client outcomes recorded by the Channel Strategy Research conducted by Policis, for the Money Advice Trust in 2011.

Chart 7: Comparison of Improved Financial Capability Outcomes , 2012 & 2013



Further analysis of clients' financial circumstances is the subject of a parallel report to this. However, it was interesting to note that when asking respondents about the levels of personal borrowing in the household at the time of the interview, a significant minority (37.5%) described this as "none or manageable" despite the qualification that all debts had been repaid. This phenomenon requires further research into the psychology behind it. However, it does point to a strong desire to leave the debtor population, which in the context of increases in active advice seeking and informed decision making would tend to suggest that DRF members' clients expect prompt rehabilitation to the mainstream population of personal finance consumers. To a large extent, the economic recovery derived from consumer confidence could be deemed as dependent on this.

3. DEMOGRAPHIC OVERVIEW

The demographic profile of respondents to this survey was almost identical to the sample taken in 2012. This is significant because it adds yet further evidence that clients who pay for solutions differ from those using the free to client sector.

a. Age

As in 2012, more than half of survey respondents were aged between 40 and 59 whereas only a handful were under 25.

Table 1: Age group, 2012 & 2013

	2012 (601)	2013 (600)
18-24	1.2%	1.0%
25-39	30.6%	29.7%
40-59	51.9%	50.5%
over 60	15.8%	16.0%
prefer not to say	0.5%	3.7%

b. Gender

Again in 2013, slightly more men than women responded to this survey.

	2012 (601)	2013 (600)
male	54.2%	53.8%
female	45.8%	46.2%

c. Ethnicity

The sample of minority ethnic respondents remained under 10%, although slightly larger than last year. There seemed to have been an increase in Asian and Asian British clients. However, the prevalence of this nationally requires further research.

	2012 (601)	2013 (600)
White / White British	90.5%	88.2%
Mixed / multiple heritage (inc British)	1.7%	1.0%
Asian / Asian British	1.8%	3.0%
Black / African / Caribbean / Black British	2.5%	2.8%
Other	2.5%	2.2%

d. Tenure

Homeowners with mortgages continued to dominate client profiles, with more than two-fifths of respondents having this housing status. At approaching 4%, the decrease in social tenants and increase in those living with friends or family may be an early indicator of national housing trends filtering through to the indebted population and this is a trend to watch.

	2012 (601)	2013 (600)
mortgaged home owner	41.1%	43.7%
private tenant	25.3%	22.0%
social tenant	21.8%	18.5%
living with friends / family	5.3%	9.2%
outright home owner	4.5%	3.2%

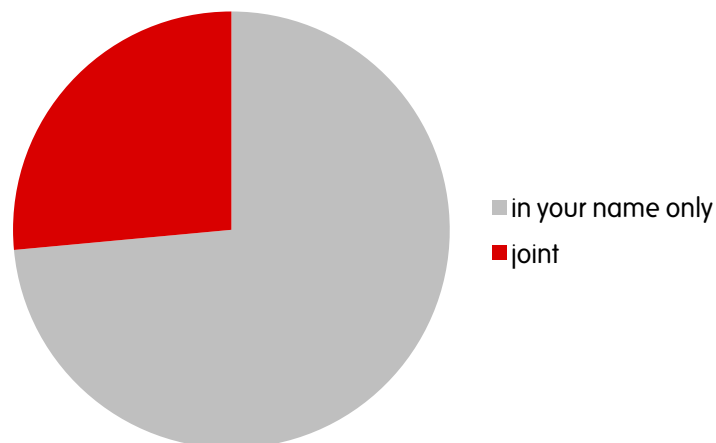
e. Relationship Status

The relationship status of respondents was relatively unchanged since 2012, with around two-thirds of DRF members' clients having a spouse or partner.

	2012 (601)	2013 (600)
in a relationship	66.6%	65.8%
single	31.4%	29.0%

However, it was interesting to see that many couples repaid their debts independently of a partner or spouse, with almost three-quarters of respondents using a debt solution in their own name.

Chart 8: Contract holder (all 579)



f. Dependent Children

As was the case for relationship status, the proportion of respondents with dependent children was relatively unchanged. It is interesting to recall that many not-for-profit agencies have similar proportions of clients with dependent children, but that these parents and carers are often single. DRF members tend to attract more mature parents, in relatively settled and asset locked households.

	2012 (601)	2013 (600)
yes	44.1%	45.8%
no	55.4%	51.3%

g. Issues of Health, Mobility and Wellbeing

Inspired by the Optimisa¹ report for the Money Advice Service, evaluating the face to face debt advice it funds, we introduced a question about long term illness, physical or mental health problems this year. Experiences of these were very much in line with trends across the UK population as a whole (17%). In contrast, around a third of clients accessing advice funded by the Money Advice Service have some level of disability. This tends to indicate that DRF members do not encroach on services aimed at some of the more vulnerable people in our society.

	2013 (600)
yes	19.0%
no	78.0%

h. Region

There was some variation in the regions where respondents live and a significant contraction in respondents from Greater London, where StepChange has its largest client base. However, the shift in locations of DRF members' clients is likely to be due to the increase in membership among small to medium sized firms that tend to attract local communities. Until more agencies from both free and fee charging sectors map the locations of their clients, it is difficult to say with any certainty where pockets of indebtedness truly exist. Some analysis of UK personal insolvency statistics has been undertaken, but with these figures decreasing and no official records of debt management or self-negotiated agreements, the appropriate provision of debt services remains in question.

4. DECISION MAKING

a. Using a paid solution

More than 95% of respondents stated that they were still using a DRF member at the start of the interview, compared to 86.9% in 2012. The difference relates to changes in DRF membership and to our requirement for firms to provide contacts who had been using a debt solution no longer than 12 months ago. It is a particular feature of this research that as trust in the process grows, Zero-credit is able to place increasingly stringent requirements on participating firms and DRF members are to be congratulated for embracing this.

	DMP (367)	IVA (188)	Trust Deed (27)	All (600)
yes	95.4%	97.9%	100.0%	96.3%
no, it has come to an end	2.7%	2.1%	0.0%	2.3%
no, I changed provider	1.9%	0.0%	0.0%	1.3%

Despite a higher proportion of IVA clients in this sample (almost a third compared to just over a quarter in 2012), the number of respondents who had completed their solution differed little between DMPs and IVAs. The subset of respondents in Trust Deeds was too small to capture the full range of progression.

In view of the interest in our autumn 2012 survey of clients who had dropped out of DMPs, we introduced a series of questions to explore the extent of change to solutions and providers. There was some discrepancy between the proportions of respondents stating their solution had come to an end at the start and in the middle of the interview and these individuals were often IVA clients, with outstanding PPI claims. Of most interest was that only 6% of respondents had changed solution and / or provider since starting with a DRF member (even lower in Bands 1 and 2).

Table 9: Changes to original solution, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
Yes	3.8%	3.5%	8.6%	6.0%
no - come to an end	0.0%	0.4%	1.4%	0.8%
no	96.3%	96.1%	89.3%	92.7%

Almost half of those who had changed solution had remained with a DRF member. In several instances, these respondents had previously been clients of firms taken over by a DRF member and welcomed the review of their circumstances. Just under a tenth chose to manage repayments themselves and it is probable that both those who stated that they changed provider and those who preferred not to say, had switched to another firm.

Table 10: Changes to solution provider, by Band

	Band 1 (3)	Band 2 (8)	Band 3 (25)	All (36)
with DRF member	66.7%	0.0%	60.0%	47.2%
with another provider	33.3%	50.0%	24.0%	30.6%
managing repayments yourself	0.0%	0.0%	12.0%	8.3%
prefer not to say	0.0%	50.0%	4.0%	13.9%

There was little difference in these patterns of response by Band and Other advice sought, although as expected, when the time span since first seeking advice increased, so too did the likelihood that the solution had come to an end.

b. First decision to seek help

There was an increase in the proportion of respondents who had first sought help within the last year (from 13.6% to 17.0%). Recent advice seeking remained most common among clients of Band 1 firms, which is not surprising as several of these are relatively new market entrants.

Table 11: First decision to seek help, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
within the last year	26.3%	11.7%	18.6%	17.0%
more than 1 but less than 2 years ago	15.0%	24.3%	15.9%	19.0%
more than 2 but less than 5 years ago	45.0%	56.1%	51.4%	52.3%
more than 5 years ago	13.8%	7.8%	12.4%	10.8%
prefer not to say	0.0%	0.0%	1.7%	0.8%

There was relatively little difference in time frames for initial advice seeking between IVA and DMP clients and whether Other (non-DRF) advice had been sought.

c. Reasons for seeking help

There was a significant change in the reasons given for initial advice seeking, with a drop in income becoming the main reason for the majority of respondents in 2013.

	2012 (601)	2013 (600)
a drop in income	20.5%	32.5%
a change in circumstances	38.9%	28.5%
increased outgoings	22.8%	19.7%
Overspending	14.1%	15.0%

Reflecting the recent economic downturn, clients of firms in Bands 1 and 2 were most likely to cite a drop in income.

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
a drop in income	37.5%	36.5%	27.9%	32.5%
a change in circumstances	31.3%	25.7%	30.0%	28.5%
increased outgoings	12.5%	19.6%	21.7%	19.7%
overspending	12.5%	16.5%	14.5%	15.0%

However, it is worth noting that by When advice was first sought, experiences of a drop income were common across all subsets. It is also pertinent that experiences of overspending were more common among those who had first sought advice within a longer time frame. This finding is particularly demonstrative of indebtedness in the mainstream of our society and whilst some might argue desensitisation to shortcomings in money management, it is apparent that borrowers in difficulty may not share this view.

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
a drop in income	33.3%	32.5%	32.2%	33.8%	32.5%
a change in circumstances	34.3%	23.7%	30.3%	21.5%	28.5%
increased outgoings	18.6%	25.4%	19.7%	12.3%	19.7%
overspending	9.8%	14.9%	14.0%	27.7%	15.0%
prefer not to say	2.0%	1.8%	2.9%	4.6%	3.2%
anything else?	2.0%	1.8%	1.0%	0.0%	1.2%

There was a marked difference in experiences of increased outgoings by whether Other help was sought and it was interesting to see that the rising costs of living may well be a driver for some borrowers who are struggling to seek advice.

Table 15: Main reason for seeking help, by Other help sought

	help sought (390)	no help sought (195)	All (600)
a drop in income	32.6%	33.8%	32.5%
a change in circumstances	29.5%	27.2%	28.5%
increased outgoings	21.5%	16.4%	19.7%
overspending	14.9%	15.4%	15.0%
prefer not to say	1.5%	4.1%	3.2%
anything else?	0.0%	3.1%	1.2%

d. Other help sought

There was a major increase in advice seeking among respondents to this survey, from just under half in 2012, to around two-thirds in 2013.

Chart 9: Advice Seeking 2012 (601)

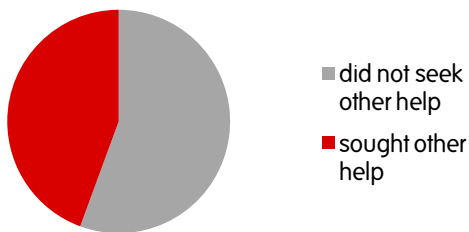
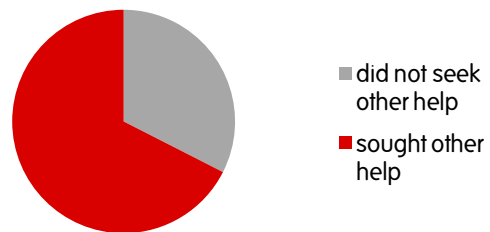


Chart 10: Advice Seeking 2013 (600)



It would seem that the combination of requirements to sample clients who had used a DRF members' debt solution within the last 12 months, major economic change, and the uptake of new technology has had a significant impact on the sources of advice used by DRF members' clients. Not only had the internet become a key resource for around a fifth of respondents, there was evidence of diversification in its use beyond search and into forums (also mentioned later during interviews, were review sites). It was also interesting to see an increase in turning to friends and family over banks and creditors.

There was a real sense of independent advice seeking and shopping around from the 2013 survey, so it was surprising to see a contraction in the use of charity, government or council advice agencies; previously we had asked explicitly about these, and the Money Advice Service (often perceived as Government). In the context of substantially increased internet use, the contraction in not-for-profit advice seeking is a concern, because the Money Advice Service has been investing heavily in the digitization of debt advice.

Table 16: Sources of help, 2012 & 2013

	2012 (601)	2013 (600)
did not seek other help	55.6%	32.5%
another company	7.3%	21.0%
internet search	1.0%	20.5%
bank / creditors	17.6%	12.0%
friends / family	1.2%	9.7%
charity, government or council	19.1%	9.2%
accountant / solicitor	1.2%	1.2%
internet forum	0.0%	1.2%

As in 2012, IVA clients were more likely to seek other help than DMP clients were and the extent of indebtedness appears to be a driver for advice seeking. In line with the common practice of referral to an insolvency specialist, IVA clients were more likely to have sought help from a charity, government or council agency and / or another company. DMP clients were more inclined to have searched on the internet.

Table 17: Sources of help, by Solution

	DMP (367)	IVA (188)	All (600)
did not seek other help	35.4%	27.7%	32.5%
another company	18.0%	27.1%	21.0%
internet search	24.3%	16.5%	20.5%
bank / creditors	11.2%	14.9%	12.0%
charity, government or council	7.1%	13.3%	9.2%
friends / family	10.4%	8.0%	9.7%
internet forum	0.5%	2.7%	1.2%
accountant / solicitor	0.8%	2.1%	1.2%

Clients of larger firms were more likely to have sought other advice than clients of small and medium sized firms were. They were also more likely to have spoken to banks or creditors. Least likely to have used not-for-profit advice agencies were clients of the smaller, Band 1 firms. Whether this is due to cuts in frontline advice services or a lack of awareness of what is available locally requires further research.

Table 18: Sources of help, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
did not seek other help	38.8%	39.1%	25.5%	32.5%
another company	30.0%	18.3%	20.7%	21.0%
internet search	10.0%	16.5%	26.6%	20.5%
bank / creditors	10.0%	13.0%	11.7%	12.0%
friends / family	8.8%	9.6%	10.0%	9.7%
charity, government or council	5.0%	10.0%	9.7%	9.2%
accountant / solicitor	1.3%	1.7%	0.7%	1.2%
internet forum	1.3%	2.6%	0.0%	1.2%

The increase in advice seeking over time was apparent in the analysis of when advice was first sought. However, these results were significantly different to those recorded in 2012, so it will be important to keep tracking advice seeking trends. It is important to remember, for instance, that our qualitative research for the DRF in 2012 revealed a significant number of people who referred to charity, government and council agencies as companies. Whilst DRF members' clients clearly do shop around, the extent to which they are clear about the funding and profit-motives of advice providers may not be so assured. There is little doubt that policy and regulation determining the provision of debt advice needs to understand borrowers' behaviour much better, not least because the diversification of internet use is evidence of a growth in digitally native strategies. Regrettably, the digital medium is extremely easy for unlicensed and non-compliant suppliers to game.

Table 19: Sources of help, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
did not seek other help	30.4%	32.5%	32.2%	40.0%	32.5%
another company	25.5%	22.8%	20.4%	15.4%	21.0%
internet search	10.8%	19.3%	22.3%	29.2%	20.5%
bank / creditors	13.7%	12.3%	11.5%	12.3%	12.0%
friends / family	6.9%	7.9%	12.4%	4.6%	9.7%
charity, government or council	10.8%	10.5%	7.6%	10.8%	9.2%
accountant / solicitor	2.9%	0.9%	1.0%	0.0%	1.2%
internet forum	0.0%	0.0%	1.9%	1.5%	1.2%

e. Experiences of Creditors

There was evidence of an increase in creditor forbearance from the contraction in debt collection practices reported, from 87.2% to 81.5% in 2013. Yet whilst calls or charges at unreasonable times were most widely experienced in 2012, the principal experience of respondents in 2013 was that of the same or increased interest, penalties and charges. That said, the extent of these remained relatively unchanged at around six in every ten respondents. As in 2012, IVA clients were less likely to experience creditor interventions than DMP clients were.

Table 20: Creditor experiences before solution, by Solution

	DMP (367)	IVA (188)	All (600)
same/increased interest, penalties and charges	64.6%	54.3%	60.5%
calls or visits at unreasonable times	59.7%	49.5%	56.7%
notices of legal action	55.3%	45.7%	52.0%
confusing communications	40.6%	39.9%	40.0%
token payments not accepted	24.0%	17.0%	21.0%
none of these	16.6%	23.9%	18.5%
money withdrawn from another account	4.6%	5.3%	4.7%

Conversely, whereas almost four-fifths of 2012 survey respondents encountered no further action after entering a solution, this had dropped to three-fifths in 2013. Experiences of most interventions seemed to have doubled between the 2012 and 2013 surveys. Furthermore, it was concerning to see this uplift in interventions reported by IVA clients, who have a legal agreement with their creditors. It is worth noting that this practice was cause for concern during some of the qualitative research conducted in 2012 and is entirely contrary to the OFT's Irresponsible Lending Guidance.

Table 21: Creditor experiences after entering a solution, by Solution

	DMP (367)	IVA (188)	All (600)
none of these	59.7%	61.2%	59.2%
confusing communications	19.3%	20.7%	19.7%
notices of legal action	17.4%	14.4%	16.8%
calls or visits at unreasonable times	17.7%	12.8%	16.5%
same/increased interest, penalties and charges	16.6%	11.2%	14.3%
money withdrawn from another account	1.4%	1.1%	1.3%
token payments not accepted	3.5%	0.0%	2.2%

By band, it was a concern that clients of smaller firms were less likely to have token payments accepted than Band 3 clients, because these respondents had been least likely to seek free to client advice before entering a solution with a DRF member also. For this reason, an investigation into the impact of frontline service cuts seems all the more pertinent, not least with the introduction of Universal Credit.

Our qualitative study of free advice outcomes in autumn 2012 revealed that many borrowers who use free services have limited awareness of alternatives. Clearly, the demographic profile of DRF members' clients tends to be more affluent or to have greater assets than clients of such as Citizens Advice or Advice UK. However, it is important that borrowers in difficulty do not feel driven to any port of call through a lack of choice.

Table 22: Creditor experiences before solution, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
same/increased interest, penalties and charges	60.0%	67.8%	54.8%	60.5%
calls or visits at unreasonable times	62.5%	62.2%	50.7%	56.7%
notices of legal action	53.8%	56.1%	48.3%	52.0%
confusing communications	45.0%	43.9%	35.5%	40.0%
token payments not accepted	20.0%	28.3%	15.5%	21.0%
none of these	17.5%	16.5%	20.3%	18.5%
money withdrawn from another account	8.8%	3.9%	4.1%	4.7%

Just under six in every ten Band 1 clients did not experience relief from creditor actions on entering a solution in 2012 and this fell to just over half in 2013. However, among clients of Band 2 and 3 firms, experiences were entirely different. Whereas more than eight out of ten Band 3 clients reported that creditor actions stopped on entering a solution in 2012, this fell to just over half in 2013. Clients of Band 2 firms fared slightly better, with just under three quarters reporting that creditor actions had stopped in 2012, compared to just over two-thirds in 2013.

In terms of the range of interventions applied to credit accounts, clients of Band 1 firms experienced a significantly wider array of communications and actions. In this respect, their experience of how creditors behaved when they entered a solution was relatively unchanged.

Table 23: Creditor experiences after entering a solution, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
none of these	53.8%	67.0%	54.5%	59.2%
confusing communications	25.0%	13.5%	23.1%	19.7%
notices of legal action	27.5%	13.9%	16.2%	16.8%
calls or visits at unreasonable times	22.5%	13.5%	17.2%	16.5%
same/increased interest, penalties and charges	22.5%	13.5%	12.8%	14.3%
token payments not accepted	5.0%	1.7%	1.7%	2.2%
money withdrawn from another account	3.8%	0.9%	1.0%	1.3%

With the exception of notices of legal action, the contraction in debt collection experiences prior to starting a solution was apparent in the analysis of when advice was first sought.

Table 24: Creditor experiences before solution, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
same/increased interest, penalties and charges	58.8%	60.5%	62.1%	58.5%	60.5%
calls or visits at unreasonable times	52.9%	58.8%	56.7%	61.5%	56.7%
notices of legal action	54.9%	49.1%	50.3%	63.1%	52.0%
confusing communications	30.4%	36.0%	45.2%	38.5%	40.0%
token payments not accepted	18.6%	23.7%	21.7%	16.9%	21.0%
none of these	19.6%	21.1%	19.1%	9.2%	18.5%
money withdrawn from another account	7.8%	5.3%	4.5%	0.0%	4.7%

Notices of legal action remained a concern for around a fifth of respondents who had sought help within the last year, up from 14.6% in 2012.

Table 25: Creditor experiences after entering a solution, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
none of these	54.9%	60.5%	60.8%	56.9%	59.2%
confusing communications	20.6%	17.5%	19.1%	26.2%	19.7%
notices of legal action	20.6%	18.4%	13.7%	24.6%	16.8%
calls or visits at unreasonable times	22.5%	14.0%	15.0%	20.0%	16.5%
same/increased interest, penalties and charges	13.7%	14.9%	15.3%	10.8%	14.3%
token payments not accepted	2.0%	0.0%	2.2%	6.2%	2.2%
money withdrawn from another account	2.9%	0.9%	1.3%	0.0%	1.3%

Responses to this survey reflected that creditor action can be a driver for advice seeking: respondents who had sought other advice were more likely to have experienced debt collection practices than those who had not sought other advice.

Table 26: Creditor experiences before solution, by Other advice sought

	help sought (390)	no help sought (195)	All (600)
same/increased interest, penalties and charges	63.1%	56.9%	60.5%
calls or visits at unreasonable times	57.7%	55.9%	56.7%
notices of legal action	51.3%	53.8%	52.0%
confusing communications	42.1%	37.4%	40.0%
token payments not accepted	24.6%	15.4%	21.0%
none of these	16.2%	23.6%	18.5%
money withdrawn from another account	4.6%	5.1%	4.7%

Experiences reversed once a solution was in place. Although the proportion of respondents, who experienced no further action, was almost identical between the two subsets, those who had not sought other advice more likely to report a range of interventions since entering a solution.

Table 27: Creditor experiences after entering a solution, by Other advice sought

	help sought (390)	no help sought (195)	All (600)
none of these	60.3%	59.0%	59.2%
confusing communications	19.2%	19.5%	19.7%
notices of legal action	13.8%	22.6%	16.8%
calls or visits at unreasonable times	14.4%	20.5%	16.5%
same/increased interest, penalties and charges	14.1%	14.9%	14.3%
token payments not accepted	1.5%	3.1%	2.2%
money withdrawn from another account	1.3%	1.5%	1.3%

5. PERFORMANCE INDICATORS

a. First impressions of DRF members

Significant changes improving transparency and the capacity for informed decision making were apparent in the comparison of first impressions of DRF members between 2012 and 2013. Contact reported as initiated by a DRF member had halved and there was considerably more awareness of clear contact details, fees and professional standards: the latter more than doubled. Approaching a quarter of respondents had had a DRF member recommended or referred to them, by a friend, family member, colleague, professional adviser or through independent research using review sites and internet forums.

Table 28: DRF member initial observations, 2012 & 2013

	2012 (601)	2013 (600)
clear contact details	29.0%	33.8%
top / close to top of an internet search	28.3%	32.7%
testimonials / referrals*	20.3%	23.3%
overview of debt solutions	21.1%	21.0%
some examples of likely fees	18.6%	19.7%
DRF membership / professional standards	7.8%	18.2%
they contacted me	31.9%	16.0%
consumer credit licence number	8.0%	11.2%
advertisements*	13.8%	8.2%

* unprompted attributes

By solution, it was apparent that testimonials and referrals were particularly common to IVA clients, whereas DMP clients tended to be more inclined to notice the ambient professionalism of members' published materials. Interestingly, reports of DRF members coming top or close to top of an internet search were very similar between solutions: around a third of respondents stated this. This was higher than the fifth of respondents who had searched on the internet when first seeking advice, which tends to indicate that multiple sources of information and advice are used by DRF members' clients before deciding to enter a debt solution.

Table 29: DRF member initial observations, by Solution

	DMP (367)	IVA (188)	All (600)
clear contact details	39.0%	28.2%	33.8%
top / close to top of an internet search	33.5%	35.6%	32.7%
testimonials / referrals*	19.6%	34.6%	23.3%
overview of debt solutions	23.2%	20.2%	21.0%
some examples of likely fees	21.8%	18.6%	19.7%
DRF membership / professional standards	20.7%	15.4%	18.2%
they contacted me	14.7%	12.8%	16.0%
consumer credit licence number	12.3%	11.2%	11.2%
advertisements*	9.0%	6.9%	8.2%

* unprompted attributes

Testimonials and referrals were most common to clients of Band 1 firms, which would tend to support our findings regarding the significance of word of mouth recommendations, when researching free-to-client outcomes last autumn. Band 2 firms are to be congratulated for taking the lead in the transparency of their fees and offering an overview of debt solutions, with a third of their clients noticing these.

Table 30: DRF member initial observations, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
clear contact details	27.5%	49.1%	23.4%	33.8%
top / close to top of an internet search	25.0%	32.2%	35.2%	32.7%
testimonials / referrals*	30.0%	22.6%	22.1%	23.3%
overview of debt solutions	10.0%	32.6%	14.8%	21.0%
some examples of likely fees	7.5%	33.0%	12.4%	19.7%
DRF membership / professional standards	8.8%	23.9%	16.2%	18.2%
they contacted me	17.5%	15.7%	15.9%	16.0%
consumer credit licence number	7.5%	15.7%	8.6%	11.2%
advertisements*	7.5%	12.2%	5.2%	8.2%

* unprompted attributes

By when advice was first sought, contact initiated by DRF members increased by how recently advice had been sought, although awareness of advertising declined across time spans.

Table 31: DRF member initial observations, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
clear contact details	32.4%	30.7%	35.0%	36.9%	33.8%
top / close to top of an internet search	26.5%	28.9%	36.3%	32.3%	32.7%
testimonials / referrals*	21.6%	22.8%	23.2%	27.7%	23.3%
overview of debt solutions	19.6%	20.2%	23.6%	12.3%	21.0%
some examples of likely fees	21.6%	16.7%	21.7%	12.3%	19.7%
DRF membership / professional standards	17.6%	14.0%	19.4%	21.5%	18.2%
they contacted me	29.4%	18.4%	12.1%	10.8%	16.0%
consumer credit licence number	12.7%	8.8%	12.4%	7.7%	11.2%
advertisements*	5.9%	7.0%	8.9%	10.8%	8.2%

* unprompted attributes

Respondents who had sought a range of advice before entering a debt solution were far more likely to make initial observations about DRF members. This is an important finding because many of these attributes relate to the OFT's Debt Management Guidance, which requires licensees to operate fairly. Since consumer awareness of suppliers' professionalism and standards is essential to informed decision making, active advice seekers are an important subset of borrowers to observe, in terms of guiding those who are less aware of the qualities that make a supplier reliable.

Our understanding of advice seeking is particularly important in the context of increased internet use, because confidence in and ability to use new technology incisively is variable. For instance, around a fifth of UK residents feel uncomfortable about sharing personal information on the Internet (source ONS²), and there has been a marked increase in observational practices through predictive search and geo-targeting, in response to the mobile device market.

Table 32: DRF member initial observations, by Other help sought

	help sought (390)	no help sought (195)	All (600)
clear contact details	37.2%	28.7%	33.8%
top / close to top of an internet search	41.8%	15.9%	32.7%
testimonials / referrals*	27.4%	15.9%	23.3%
overview of debt solutions	24.6%	14.9%	21.0%
some examples of likely fees	23.3%	13.3%	19.7%
DRF membership / professional standards	20.0%	15.4%	18.2%
they contacted me	15.1%	16.4%	16.0%
consumer credit licence number	12.1%	9.7%	11.2%
advertisements*	5.1%	14.9%	8.2%

* unprompted attributes

b. Pre-contract ratings

Performance of DRF members improved across all eight pre-contract service attributes, and the rating mean for "I learned about some other places to find help" increased from the mid-point in 2012, to approaching good in 2013. This is a considerable achievement because all ratings with the exception of the latter were above eight and therefore very good indeed.

Table 33: Pre-contract ratings, 2012 & 2013

	2012 (601)	2013 (600)
I felt confident that they understood my circumstances	8.72	9.01
they explained the solutions that they could offer clearly	8.48	8.77
the possible risks of each solution were explained calmly	8.14	8.72
I felt they had my best interests at heart	8.45	8.72
I felt involved in choosing the best solution	8.06	8.45
they explained priority and non-priority debts clearly	7.83	8.40
I understood which fees applied to each solution	7.92	8.36
I learned about some other places to find help	5.20	6.90

There was limited variation in pre-contract ratings by solution and smaller firms continued to achieve higher scores pre-contract than Band 2 and 3 firms. This was also the case for learning about other places to find help, which is reassuring given the tendency of Band 1 clients to be less active advice seekers, prior to entering a debt solution.

Table 34: Pre-contract ratings, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
I felt confident that they understood my circumstances	9.15	9.07	8.92	9.01
they explained the solutions that they could offer clearly	8.95	8.77	8.73	8.77
the possible risks of each solution were explained calmly	8.71	8.77	8.68	8.72
I felt they had my best interests at heart	9.01	8.79	8.58	8.72
I felt involved in choosing the best solution	8.68	8.54	8.32	8.45
they explained priority and non-priority debts clearly	8.88	8.45	8.22	8.40
I understood which fees applied to each solution	8.51	8.44	8.25	8.36
I learned about some other places to find help	7.48	7.06	6.59	6.90

There was clear evidence of improvement in pre-contract service standards in the comparison of when advice was first sought and it continued to be the case that respondents who had sought other advice before approaching a DRF member gave slightly lower pre-contract scores than those who had not sought advice. This tends to indicate that active advice seekers are more discerning in their critique of service standards and may have higher expectations of suppliers. The scope to avoid consumer detriment through modeling active advice seekers' search and selection criteria for others to adopt should not be ignored.

Table 35: Pre-contract ratings, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
I felt confident that they understood my circumstances	9.22	9.14	8.93	8.84	9.01
they explained the solutions that they could offer clearly	9.08	8.79	8.72	8.52	8.77
the possible risks of each solution were explained calmly	8.86	8.78	8.71	8.43	8.72
I felt they had my best interests at heart	9.04	8.82	8.63	8.45	8.72
I felt involved in choosing the best solution	8.87	8.66	8.38	7.80	8.45
they explained priority and non-priority debts clearly	8.82	8.51	8.29	8.05	8.40
I understood which fees applied to each solution	8.80	8.62	8.27	7.68	8.36
I learned about some other places to find help	7.44	7.42	6.73	5.91	6.90

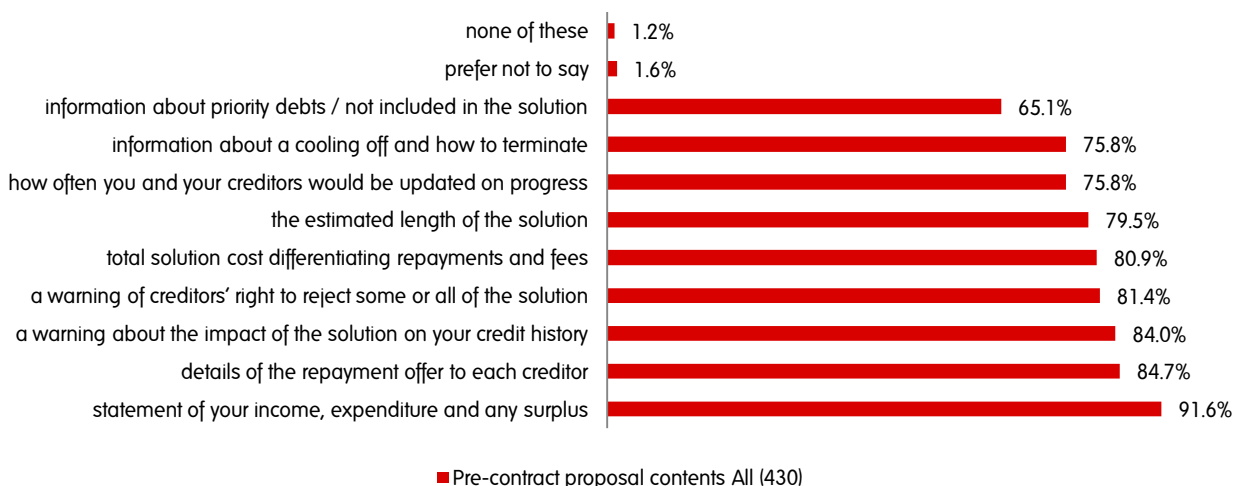
c. The Proposal

There was a significant drop in the number of respondents reporting receipt of a written proposal before entering a contract with a DRF member and although likely to be perceived as unsent (particularly in the case of IVAs, which cannot be entered without prior written documentation), this is cause for concern. Whereas almost nine out of ten respondents to the 2012 survey stated that they had received paperwork, this fell to just over seven out of ten in 2013.

In 2012, we suggested that DRF members could adopt more visually stimulating documentation, making it easier for clients to recall important statements and notices because a significant minority of borrowers seem to block all recollection of tackling their indebtedness. Whilst this may bring some psychological respite, it is important that clients are at least aware of key contract terms and / or where to find these when necessary. As might be expected, IVA clients (76.1%), active advice seekers (73.6%) and those who had most recently sought advice (84.3%) were most likely to recall receipt of a written proposal. There was limited variation by Band.

In terms of specific documents included in the pre-contract proposal, recollection of these was almost identical to survey responses in 2012.

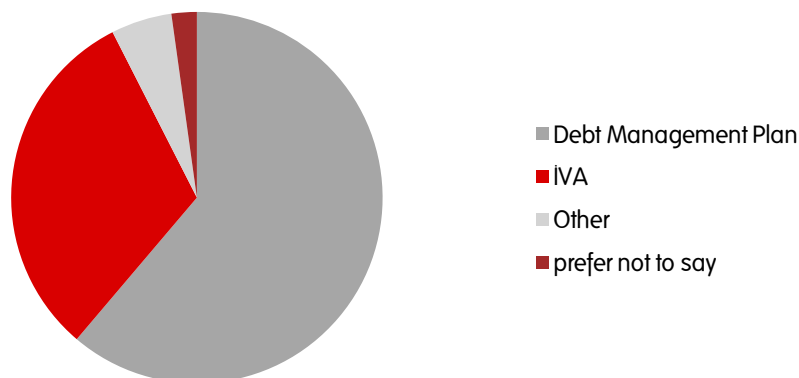
Chart 11: Pre-contract proposal contents (all 430)



d. The Solution

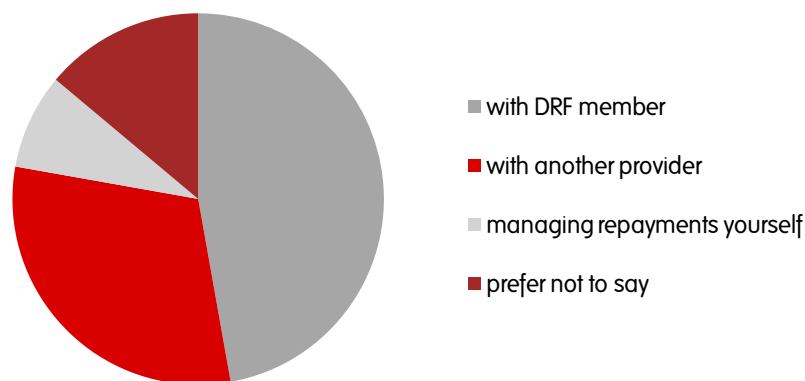
There was a small decrease in the proportion of respondents using DMPs in 2013 from two thirds to six in every ten, and this was accounted for by the broader range of solutions recorded. This is likely to continue as DRF membership diversifies.

Chart 12: Original solution chosen All (600)



Only 6% of respondents to this survey stated that they had changed solution or provider since starting a contract with a DRF member. Of these, almost half switched solution with their existing DRF member (most often to an IVA), just under a third switched to another provider (although it is likely that those who preferred not to answer this question switched provider also) and less than a tenth managed repayments themselves.

Chart 13: Changes to solution provider All (36)



e. Post-contract ratings

For the most part, post-contract performance ratings were unchanged, with one notable exception: in 2013, DRF members achieved an even higher score for repaying creditors on time. At above seven, all ratings means were good or very good, with five of the ten post-contract attributes recorded as outstanding (above 9). It is significant that yet again in 2013, DRF members achieved even higher scores post-contract than pre-contract, as this demonstrates their commitment to clients.

Table 36: Post contract performance ratings, 2012 & 2013

	2012 (601)	2013 (600)
collecting my repayments on time	9.43	9.46
easily contactable	9.21	9.16
approachable with any query	9.19	9.10
discrete communications	9.19	9.08
repaying my creditors on time	8.33	9.03
providing me with regular (at least annual) statements	7.80	8.62
keeping track of my circumstances and ability to repay	8.59	8.61
offering help and advice to stay on track	8.62	8.37
clear advice about what to expect as my solution progresses	8.30	8.33
keeping me up to date with any feedback from my creditors	7.65	7.76

By solution, IVA clients continued to give slightly lower post-contract scores than DMP clients did, particularly for firms' discretion. Some interviews revealed qualitative feedback about approaches from other agencies on entering an IVA and it would seem that the widespread availability of the Insolvency Register can create unwelcome and unsolicited contact from other parties fishing for business.

By Band, smaller firms tended to receive higher scores for post-contract performance attributes than larger firms did. As noted for pre-contract attributes, clients of Band 2 firms tended to be most satisfied with service levels.

Table 37: Post contract performance ratings, by Band

	Band 1 (80)	Band 2 (230)	Band 3 (290)	All (600)
easily contactable	9.15	9.34	9.01	9.16
approachable with any query	9.19	9.12	9.05	9.1
discrete communications	9.13	9.11	9.04	9.08
offering help and advice to stay on track	8.74	8.52	8.13	8.37
clear advice about what to expect as my solution progresses	8.39	8.48	8.18	8.33
keeping track of my circumstances and ability to repay	8.62	8.85	8.4	8.61
keeping me up to date with any feedback from my creditors	7.77	8.18	7.39	7.76
providing me with regular (at least annual) statements	8.11	9.05	8.39	8.62
collecting my repayments on time	9.23	9.54	9.45	9.46
repaying my creditors on time	8.97	9.14	8.94	9.03

For the most part, there was a clear sense of improving standards in the analysis of when advice was first sought.

Table 38: Post contract performance ratings, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
easily contactable	9.17	9.21	9.16	9.13	9.16
approachable with any query	9.31	9.20	9.06	8.86	9.10
discrete communications	9.17	9.24	9.02	9.06	9.08
offering help and advice to stay on track	8.74	8.63	8.26	8.00	8.37
clear advice about what to expect as my solution progresses	8.60	8.85	8.27	7.38	8.33
keeping track of my circumstances & ability to repay	8.67	8.75	8.63	8.25	8.61
keeping me up to date with any feedback from my creditors	8.32	8.06	7.62	7.17	7.76
providing me with regular (at least annual) statements	8.32	9.00	8.75	7.81	8.62
collecting my repayments on time	9.51	9.53	9.44	9.45	9.46
repaying my creditors on time	9.34	9.18	9.01	8.48	9.03

As seen for pre-contract attributes, respondents who had not sought other advice before entering a contract with a DRF member tended to give slightly higher scores for post-contract service attributes also.

f. Financial Capability

There was little change in the financial capability outcomes for respondents to the 2012 and 2013 surveys.

	2012 (601)	2013 (600)
managing your money	79.7%	79.4%
planning ahead	75.0%	74.4%
choosing suitable financial products	70.7%	71.2%
finding financial advice and information	69.9%	66.8%

With the exception of finding financial advice and information, IVA clients were most likely to report improved financial capability since entering a solution.

	DMP (351)	IVA (187)	All (579)
managing your money	78.1%	83.4%	79.4%
planning ahead	72.9%	79.1%	74.4%
choosing suitable financial products	68.7%	77.0%	71.2%
finding financial advice and information	68.1%	65.8%	66.8%

Band 2 clients were most likely to feel better also, as a rule, the longer it was since advice had first been sought, the more confident respondents were in their financial capability.

	< 1 year (100)	1-2 years (111)	2-5 years (302)	> 5 years (64)	All (579)
managing your money	75.0%	80.2%	79.8%	84.4%	79.4%
planning ahead	77.0%	77.5%	71.9%	78.1%	74.4%
choosing suitable financial products	69.0%	78.4%	67.9%	78.1%	71.2%
finding financial advice and information	66.0%	66.7%	66.9%	68.8%	66.8%

Respondents who had sought Other advice before using a DRF member also considered their financial capability improved since entering a debt solution.

	help sought (377)	no help sought (190)	All (579)
managing your money	82.0%	74.2%	79.4%
planning ahead	75.9%	71.6%	74.4%
choosing suitable financial products	70.6%	71.9%	71.2%
finding financial advice and information	66.3%	68.4%	66.8%

6. SOLUTIONS IN PROGRESS

a. Solution length

There was a more even spread of solution lengths in the 2013 survey, with more clients who had been in solutions for 3 years than in 2012 and recent solutions were most prevalent among clients of Band 1 firms (39.2%).

Table 43: Solution length, 2012 & 2013

	2012 (601)	2013 (600)
1 year	22.8%	24.0%
2 years	26.0%	23.7%
3 years	16.3%	21.4%
4 years	16.6%	13.8%
5 years	9.5%	9.2%
more than 5 years	5.2%	5.6%

By solution, IVA clients tended to have been using a DRF member to support their recovery from debt for longer than DMP clients had.

Table 44: Solution length, by Solution

	DMP (351)	IVA (187)	All (579)
1 year	21.7%	19.8%	24.0%
2 years	21.9%	27.8%	23.7%
3 years	24.5%	19.3%	21.4%
4 years	14.8%	13.9%	13.8%
5 years	9.1%	10.7%	9.2%
more than 5 years	5.2%	7.0%	3.1%

b. Contract holder

Respondents using IVAs were more likely to state that theirs was a joint solution, than those using DMPs.

Table 45: Contract holder, by Solution

	DMP (351)	IVA (187)	All (579)
in your name only	72.6%	69.5%	72.5%
joint	25.6%	29.4%	26.1%

There seemed also to be a marked trend towards individual contracts for debt solutions over time.

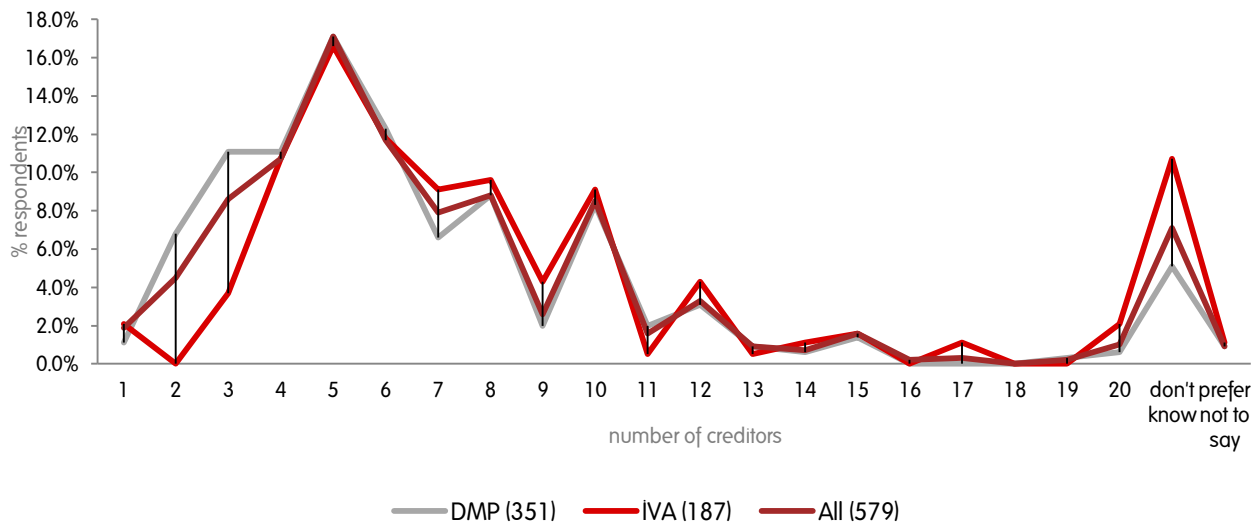
Table 46: Contract holder, by When advice was first sought

	< 1 year (100)	1-2 years (111)	2-5 years (302)	> 5 years (64)	All (579)
in your name only	80.0%	79.3%	69.5%	64.1%	72.5%
Joint	19.0%	19.8%	28.8%	34.4%	26.1%

c. Creditor numbers

IVA clients tended to have more creditors than DMP clients did. They were also more likely not to recall the number of creditors in their solution.

Chart 14: Creditor Numbers



d. Earnings at solution start

Often, recollection of earnings at the start of a debt solution was similar between respondent subsets. Around half of the respondents to this survey could give an income value and analysis of these are available in the sister report to this, covering Demographics and Financial Circumstances. Not surprisingly, those who had most recently entered a solution were most able to recall earnings.

Table 47: Earnings at solution start, by When advice was first sought

	< 1 year (100)	1-2 years (111)	2-5 years (302)	> 5 years (64)	All (579)
don't know	35.0%	37.8%	39.4%	48.4%	39.2%
prefer not to say	10.0%	11.7%	10.9%	9.4%	10.9%
monthly income	55.0%	50.5%	49.7%	42.2%	49.9%

It was interesting to observe that active advice seekers were slightly more likely to recall earnings on entering a solution, than those who had not sought other advice before using a DRF member.

Table 48: Earnings at solution start, by Other advice sought

	help sought (377)	no help sought (190)	All (579)
don't know	38.7%	40.0%	39.2%
prefer not to say	10.6%	11.1%	10.9%
monthly income	50.7%	48.9%	49.9%

Reflecting, responses at the start of each interview, a drop in income was apparent in relation to when respondents had first sought advice to deal with a debt problem. This analysis also provides clear indication that current annual household income was broadly in line with that recorded in 2012, with the majority of respondents in the National Statistics low to middle and middle income quintiles. Thus, whereas around two-thirds of Money Advice Service funded face to face clients have a social status of DE. It is clear that DRF members' clients are more reflective the UK population as a whole. Around half of DRF members' clients fit a C1/C2 profile compared to some 44% reported by National Statistics in 2011.

Table 49: Current annual household income, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
less than £10,000	19.6%	16.7%	15.3%	23.1%	17.2%
10 to less than £20,000	33.3%	18.4%	28.7%	23.1%	26.8%
20 to less than £30,000	20.6%	28.9%	24.5%	23.1%	24.3%
30 to less than £40,000	7.8%	7.0%	8.3%	10.8%	8.2%
40 to less than £50,000	2.0%	6.1%	5.1%	3.1%	4.5%
more than £50,000	2.0%	3.5%	3.5%	1.5%	3.0%
prefer not to say	14.7%	19.3%	14.6%	15.4%	16.0%

e. Personal borrowing at solution start

Recollection of personal borrowing levels at the start of a debt solution was higher than for recollection of earnings: around two thirds of respondents were able to state this and a quarter did not know this amount. Individuals who had sought other advice before entering a contract with a DRF member were more likely to recall the total amount of personal borrowing to be included in the solution than those who had not sought advice. This was yet another example that the subset of active advice seekers were more aware of their personal circumstances than those who did not shop around for information and advice on how to resolve their debts

Table 50: Borrowing at solution start, by Other advice sought

	help sought (377)	no help sought (190)	All (579)
don't know	22.8%	30.0%	25.7%
prefer not to say	8.5%	8.9%	8.6%
personal borrowing	68.7%	61.1%	65.6%

There was a tendency for those who had first sought advice within the last year to have poorer recall of personal borrowing levels and this may be related to the time it can take to determine the

full extent of indebtedness at the start of a debt solution. Certainly among this sample of respondents there was a small contingency of clients who preferred not to answer specific personal and financial questions.

Table 51: Borrowing at solution start, by When advice was first sought

	< 1 year (100)	1-2 years (111)	2-5 years (302)	> 5 years (64)	All (579)
don't know	31.0%	24.3%	22.2%	35.9%	25.7%
prefer not to say	7.0%	6.3%	9.9%	7.8%	8.6%
personal borrowing	62.0%	69.4%	67.9%	56.3%	65.6%

There was a significant tendency for respondents who had started to resolve a debt problem more than a year ago to perceive personal borrowing as non-existent or manageable, despite the survey question asking whether borrowing was "none or manageable e.g. ALL DEBTS REPAYED".

This was a fascinating phenomenon, much in need of qualitative exploration because it tends to indicate that a significant proportion of DRF members' clients perceive debts to be resolved once they have settled into a solution. If this is the case, it has major implications for the capacity of these borrowers to leave the indebted population and indeed, for creditors chasing repayments once a solution has started; a practice that both this survey and our qualitative research in 2012 showed as increasing.

As a professional community, creditors need to explore those among their number who may not yet have recognised the higher numbers of clients using fee charging firms than free to client agencies and the tendency of these borrowers to come from more mainstream, middle income households. The finding could well be an indication that clients who shop around for debt advice have a strong sense of their consumer rights and are a growing segment of the indebted population.

Table 52: Current annual household borrowing, by When advice was first sought

	< 1 year (102)	1-2 years (114)	2-5 years (314)	> 5 years (65)	All (600)
none or manageable	16.7%	39.5%	41.7%	47.7%	37.5%
less than £20,000	44.1%	27.2%	31.2%	27.7%	32.2%
£20,000-£39,999	9.8%	7.9%	8.0%	6.2%	8.0%
£40,000-£59,999	1.0%	3.5%	1.9%	3.1%	2.2%
£60,000-£79,999	2.0%	0.9%	1.6%	0.0%	1.3%
£80,000-£99,999	2.0%	0.0%	0.3%	0.0%	0.5%
£100,000 or more	1.0%	0.0%	0.6%	1.5%	0.7%
prefer not to say	23.5%	21.1%	14.6%	13.8%	17.7%

f. Outstanding mortgage at solution start

Given that around half of DRF members' clients are homeowners with mortgages, recollection of mortgage values was very much in line with those of personal borrowing levels: around two thirds of respondents who were homeowners knew this amount. Again, active advice seekers were more confident in stating sums owing than non-advice seekers were.

Table 53: Mortgage value at solution start, by Other help sought

	help sought (377)	no help sought (190)	All (579)
don't know	11.7%	13.7%	12.3%
no mortgage	49.3%	50.5%	49.9%
prefer not to say	5.6%	6.8%	6.0%
outstanding mortgage	33.4%	28.9%	31.8%

7. CONCLUSIONS

The demographic profile of respondents interviewed in 2013 was very similar to the sample taken in 2012, which was very much in line with the Market Analysis we conducted last year. On this basis, the results of this survey are reliable.

It is clear that DRF members' clients are more likely to be middle aged, mortgaged homeowners, who are in a relationship than the clients of free-to-client agencies. That they also demonstrate active advice seeking is important: these borrowers often consider themselves informed decision makers and not vulnerable.

The proportion of members' clients with dependent children continued to mirror that in the free-to-client sector, although these parents and carers were more often in a relationship than free advice seekers.

There were slightly more clients with issues of health, mobility and wellbeing than present in the UK population as a whole, but significantly fewer than recorded as using free face to face advice. It will be interesting to track the longer term trends in this respect as Universal Credit rolls out.

Without wider participation in surveys of this kind by debt professionals outside the DRF cohort, it is difficult to map the uptake of advice and solutions nationally. That said, the prevalence of smaller local and regional firms that are DRF members does help to provide a unique insight into significant proportion of SMEs that hold consumer credit licences. In both this and the 2012 survey there was some evidence to suggest that smaller firms are reaching into pockets of indebtedness under-served by some of the larger not-for-profit agencies. In the context of cuts to frontline face to face advice, this is a hypothesis that needs testing.

More than 90% of respondents had stayed with the original DRF member approached, since entering a solution. Only 6% of respondents had changed solution or provider and of these, half switched solution only.

The main reason for seeking help, cited in 2013, was a drop in income, whereas this had previously been a change in circumstances. As yet, experiences of increased outgoings remained relatively unchanged, so it will be interesting to see whether this continues to expand in future surveys because it is likely that reasons for seeking debt help reflect wider circumstances in the UK economy.

The 2013 survey recorded a substantial increase (from 45% to 67%) in active advice seeking prior to committing to a commercial debt solution. Interestingly, advice seeking from not-for-profit agencies and banks or creditors fell, whereas internet use soared. It was particularly interesting to observe the diversification in internet use as a decision making aid, with several reports of using internet forums and review sites to gauge a supplier's effectiveness.

Experiences of creditor interventions before entering a solution dropped from around nine in every ten respondents in 2012 to eight in every ten in 2013. However, the reverse was true of

experiences after starting a debt solution, where reports of no further contact dropped from eight out of ten to six out of ten in 2013. This is cause for concern, because the qualitative studies we conducted in autumn 2012 recorded instances of creditors refusing to accept clients' use of an intermediary. This contravenes the Irresponsible Lending Guidance.

A particular issue was the extent of IVA clients responding to this survey, who reported that interventions continued in spite of the legal protection this solution requires. In as much as debt resolution professionals are tarred with the same brush by unlicensed and non-compliant providers, so too are creditors. There is a real need for committed professionals to work together to eliminate rogue trade and unfair business practices and to deliver consistent experiences of debt resolution to clients who opt to use a free or fee charging intermediary.

There is some indication of a growing trend in issuing notices of legal action and this was particularly reported by one in five respondents who had first sought advice within the last year. Given the more mainstream, independent and informed profile of clients using fee chargers, creditors may need to give more consideration to the potential backlash from borrowers, who feel aggrieved by mis-selling scandals such as rate fixing and PPI. Should it prove to be the case that a significant minority of creditors are flouting IVA rules and continuing to pursue debts outside a legal agreement, the result is likely to be even greater alienation of lending institutions.

First impressions of DRF members recorded awareness of increased transparency and professional standards, most often from clients of Band 2 medium sized firms. Furthermore, the extent of pre-contract contact made by DRF members had halved since 2012, from 32% to 16%. Meanwhile, awareness of DRF membership more than doubled.

Testimonials about and referrals to DRF members seemed to be experiencing a steady increase from around a fifth in 2012 to approaching a quarter in 2013. A contraction in advertising by DRF members was also noted.

Pre-contract ratings across all eight attributes increased, such that DRF members were rated as either very good or good for all attributes. A significant improvement was seen in informing potential clients of other places to find help also, which was significant given the decrease in use of not-for-profit agencies before approaching a DRF member.

There was one concern regarding DRF members' performance and that was the contraction in respondents recalling receipt of a written proposal, from nine out of ten in 2012 to seven out of ten in 2013. However, within this recollection of specific paperwork remained unchanged.

Post-contract performance ratings changed only slightly, often increasing for tangibles like statements and repayment information, with the overall result that firms were rated as outstanding for five of the ten attributes and very good for the other five.

Improvements in financial capability since using a debt solution remained unchanged between 2012 and 2013, with around seven to eight out of ten feeling better about the four core skills.

There seemed to be a growing trend towards individual, rather than joint debt solutions, with around three-quarters now held "in my name only".

Just over 5% of solutions were reported as having lasted more than five years and creditor numbers peaked at 5. Around half of the respondents to this survey were able to state their income on entering a solution and this rose to two-thirds who could recall personal borrowing and mortgage (where applicable) levels.

However, a tendency for a significant minority of respondents to this survey to perceive debt repayments managed by an intermediary as synonymous with having "none or manageable" debt was noted and this requires careful consideration. It may be that respite is an important short

term outcome that precedes recovery, but it is important for long term sustainability that debtors are aware of their financial circumstances. Further research is necessary to investigate this.

It was interesting to note that for all detailed questions relating to personal financial circumstances, respondents who had sought other advice before using a DRF member were more likely to recall specific amounts than those who had not sought any other advice. Throughout the survey there were strong indications that active advice seeking involves knowledge and understanding that could be documented to create a best practice guide for those less confident in their financial circumstances.

The DRF started this process with its qualitative explorations of active advice seekers' experiences and behaviour last year. However, this line of research requires expansion among clients of other suppliers if it is to provide a truly incisive action plan. In view of the dynamic growth and diversification of internet use, we recommend this as a priority for standards bearers and the regulator alike.

8. RECOMMENDATIONS

a. The Good News

DRF members serve a distinct group of borrowers who are significantly different to those using free to client services. Their demographic profile shows many of the characteristics of people who enjoy social cohesion within communities that have higher levels of social capital and resilience.

Clients' capacity for informed decision making is apparent in the growing inclination to shop around for advice before entering a contract for any kind of debt resolution. This is a characteristic of independent learning, which is fundamental to lifelong financial capability.

The contraction in creditor intervention prior to entering a debt solution is evidence of forbearance from some lenders, demonstrating their responsiveness to public opinion. Given the role of intervention as a driver to advice seeking, the growth in autonomous shopping around is all the more significant.

DRF members experience outstanding customer retention. However, consumers' disinclination to switch financial services provider in general may be a contributory factor to this and researching whether the phenomenon applies to the debt sector (and more specifically DRF members) was not the aim of this survey.

Clients' awareness of key regulatory guidance and professional standards seems to be increasing. Both this and the diversification of internet use as an advice seeking source demonstrate consumers' progression in finding financial advice and information.

For pre-contract service attributes, clients rated DRF members as good to very good. There was an improvement in supporting clients with other places to find help and this was important because the use of free advice agencies before approaching a DRF member had contracted, despite an overall increase in shopping around.

Improved performance for post-contract attributes was also noted and yet again in 2013, this was higher than pre-contract. With post-contract ratings now in the range of very good to outstanding, it was clear that DRF members pursue a sustained relationship with their clients.

As in 2012, the highest performers in the DRF membership cohort were the smaller firms with fewer than 3000 clients and in 2013, the outstanding customer service of firms in the Band 2 category (1-

3000 clients) came to the fore.

b. The Not So Good News

Client's recollection of receiving a written proposal before entering a contract dropped significantly. Focusing on the mismatch between actual and recalled proposals within the IVA client base and the fact that the range and extent of specific documents recalled was the same as in 2012, the contraction is undoubtedly a perception rather than a failure of service delivery. 72% recall is not bad, but it is considerably lower than 88% and this change needs to be addressed.

Clients' perceptions of post-contract creditor intervention is cause for concern because it challenges the authority of debt resolution professionals, increases dissatisfaction with lenders and undermines the value of debt collection as a driver to advice seeking. Word of mouth is a powerful tool for spreading misinformation such as "lenders have no right to chase this debt". Particularly among clients in IVAs, customer perceptions of creditor contact as intervention must be a priority.

c. The Next Steps

When around 70% of debt solutions are commercial, 40% of consumer credit licensees are sole traders and the DRF has a proven track record in engaging and nurturing smaller firms, the FCA would be well advised to consider DRF standards and members' business models when designing improved regulation with regard to the commercial debt sector.

Over the next two to three years, the pivotal role of the DRF must be to bring more suppliers into its fold, such that consumers who choose to pay for debt resolution are better protected. For the foreseeable future, self-regulation will be a critical component in the consumer credit market and those who are wary of its effectiveness will want to see it applied without exception.

As consumers' capacity for informed search and selection of debt resolution evolves, so too will the sophistication of criteria. Regulatory and professional standards invariably focus on easily quantified tangibles, like income to debt ratios or complaint handling timeframes, whereas consumers often prefer to focus on the added value of intangibles, like empathy.

To maintain the outstanding customer perceptions of members' performance, the DRF needs to develop strategic partnerships with consumer bodies, such that indicators remain responsive to the changing debt advice and resolution landscape and the individual who chooses to pay for a service is at the heart of shaping sustainable outcomes.

Whilst solution and provider switching is marginal, the DRF needs to maintain a close eye on clients' reasons for leaving. From the perspective of outcomes that are fair to borrowers and lenders, zones of tolerance for exiting a contract need to be developed across for and not for profit models, such that an industry standard that is consistent, accountable and transparent is formed.

DRF members need to work more closely with creditors on perceptions of post-contract intervention to ensure that customers experience the spirit of OFT Guidance for Debt Management and Irresponsible Lending. In as much as creditor intervention and debt collection may be a driver to advice seeking, clients are likely to perceive relief from these as their just reward for addressing a debt problem.

The DRF needs to lobby policy makers and regulators to conduct further research into the attributes of effective advice seeking. The growth and diversification of the internet as an advice source is evidence that behaviour is changing, so it is imperative to develop digitally native approaches to services delivered through this channel.



Zero-credit Ltd
17 Ashby Road
Moirā
Swadlincote
DERBYSHIRE
DE12 6DJ