THE DEBT RESOLUTION FORUM

Promoting Professional Standards

Debt Resolution in the UK

A study into the need for personal debt advice in the UK and the outcomes achieved for clients of fee-charging debt resolution companies.

Research fieldwork, analysis and report by Zero-credit

THE DEBT RESOLUTION FORUM
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Market Size

DRF OUTCOMES RESEARCH: MARKET SIZE

ABOUT THIS REPORT

In December 2011, the Debt Resolution Forum commissioned Zero-credit to complete three parallel research studies to explore the outcomes of fee charging debt solutions. These were an analysis of market size, a survey of members' clients and a series of case studies with members' clients. This report examines the UK Market for Debt Solutions between 2007 and 2011 and 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

1 STRATEGIC OVERVIEW

In July 2011, the Government announced its decision to appoint the Money Advice Service to deliver a National Debt Advice Gateway from April 2012. For the first eighteen months of fulfilling its new role, the Money Advice Service proposes “continuity and transition”, allocating almost £2.2 of its £34.5 million debt advice budget to the development of a longer-term model.

UK debt solutions are notoriously difficult to quantify because there is no requirement to record informal agreements for repaying personal debt. This may seem obvious when it is (quite rightly) possible for an individual to contact his or her creditors to negotiate repayments independently. However, as demand for intermediaries has grown, so too has the need to measure products and services that effect agreements as an outcome of advice sought.

We do not measure the UK market for mortgages according to the number of enquiries made: we use the tangible indicators of product volume and value. Across much of the literature reviewed for this research, there is a considerable tendency to confuse advice with solutions and the distinction between service referral and delivery is often blurred. This report attempts to address the confusion through a comprehensive analysis of the UK market for debt solutions.

Some may baulk at the term “market” to describe products and services that individuals may access free of charge, because the concept of impartial help, without profit motive, is an important one. However, when an array of solutions is on offer to anyone seeking advice, choice dictates that debtors are consumers. One has only to correlate the 400,000 or so enquiries with the 100,000 or so clients recorded by CCCS in 2010 to see that far from every contact results in engagement with the first port of call.

Our research for the Debt Resolution Forum in March 2012 found that just over two-fifths of its members’ clients had sought advice from another agency before selecting a fee-charging provider and that around one in five had sought free to client advice. This is likely to be replicated amongst other agencies committed to transparency and, given the frequent assertion that requests for debt help are a distress call in which the consumer does not shop around, is worthy of further investigation.

It is coming up to four years since the 2008 recession and personal borrowing has continued to stagnate at around £1.5 trillion since a period of dramatic growth from the start of the millennium. Our economy is at the mercy of a range of global factors that no amount of political spin can deny. Changing circumstances mean that demand for debt solutions reaches the mainstream in our society, for whom provision that is sustainable and fair is a pre-requisite. The OFT quite rightly refers to this as informed choice.

It is highly likely that subsequent analyses will improve on the data presented in this report and it is our hope that this research will serve as a catalyst for others to record, analyse and report data consistently in the public interest. Consumers have a right to transparency when credit agreements go wrong and this process begins with robust information about the advice and solutions they may access to address this.

2 EXECUTIVE SUMMARY

More than 463,000 people entered a debt solution in 2011, less than a quarter of those seeking advice. A further 677,000 were in solutions entered in previous years and still in progress in 2011.

The number of debt solutions starting in each year increased by 38% over the five year period 2007-2011, a phenomenon, which can be accounted for by unprecedented supply and demand in 2009.

Other than in Scotland, there was further contraction in the uptake of formal debt solutions, such as bankruptcies and IVAs, although demand for all solutions starting in 2011 grew by just under 3%.

The proportion of formal insolvency procedures to informal solutions fell from a ratio of 30%:70% to 22%:78% in the period 2007-2011.

At the end of 2011, there were some 515 specialist commercial debt adjusting Licence holders and around 2000 licensees trading in debt solutions on an occasional commercial basis.

Taking Group Licence holders into account, there were around 900 organisations eligible to provide debt adjusting on a non-commercial basis at the end of 2011.

There was a significant increase in managed solutions starting in the period 2007-2011, from 25% of all solutions starting in 2007 to 36% in 2011.

The number of bankruptcies across the UK as a whole fell by over 24% from 2010 to 2011 and after a spectacular increase in the uptake of DROs in 2010, growth in new starts within this segment came down to just over 15% from 2010 to 2011.

IVAs starting in 2011 contracted by 3%, whereas Protected Trust Deeds grew by just over 15%.

DMPs accounted for over a third of all debt solutions starting in 2011, up from a quarter of all solutions starting in 2007.

The Debt Arrangement Scheme continued to enjoy buoyant growth with a 73% increase in new starts in 2011.

The uptake of Assisted options continued to fall, accounting for around 8% of debt enquiries at money advice agencies in 2011. More than 80,000 people accessed Self-help resources in 2011.

The demographic profile of clients who paid DMP fees in 2011 tended to be older, more likely to have dependent children and to be a homeowner. These clients were also more likely to have lower middle incomes.

Clients starting IVAs in 2011 tended to fall in the middle age ranges, were less likely to have dependent children, and inclined to be income rich and asset poor.

Almost 40% of people entering debt solutions in 2011 live in the South of England, including Greater London.

Not-for-profit providers accounted for 14% of all IVAs and 33% of all DMPs starting in 2011. Both were an increase on the levels of not-for-profit solutions in progress, that were 12% and 29% respectively.

The total fee value for IVAs starting in 2011 was £65 million and the total fee value of DMPs in progress was £234 million.

More than 80% of Assisted options and Self-help resources are provided by the not-for-profit sector. There are strong indications that many Assisted options will convert to managed DMPs in the near future.

Funding and regulatory change saw larger providers jostling for position in the shake-up of supply at the end of 2011.

Smaller providers are more effective at reaching communities in innovative and personal ways.

A significant number of previously free to client advisers are turning to social enterprise models to secure local service delivery.

The number of solutions starting in each year is expected to have increased by 10% from the end of 2011 to the end of 2014.

3 MARKET DEFINITION

Formal solutions:	Bankruptcy Debt Relief Order (DRO) Individual Voluntary Arrangement (IVA) Protected Trust Deed (PTD)
Informal solutions:	Debt Arrangement Scheme (DAS) Debt Management Plan (DMP) Assisted Options Self-help Resources

This report analyses the UK market for debt solutions, which we define as delivered on either a commercial or non-commercial basis, as set out above. Sources used during the research include:

Official:	The Insolvency Service	The Office of Fair Trading
Associations:	ACCA Advice UK APDSI Debt Resolution Forum DEMSA	ICAEW ICAS Legal Centres Federation National Enterprise Network R3
Providers:	A1 Debt Advisory Solutions Abacus Access Finance Management Action for Debt Action Today Group Ashley Park Blue Financial Management Bright Oak Bristol Debt Advice Centre CCCS Carefree Cleardebt Community Money Advice Debt Advice Link Debt Correct Debt Simply Matters Debt Stop Direct Debt Support Trust Debtology	Debtwizard Dissolve Debt Express Debt Solutions First Step Finance Hastings & Co IVA Debtline MB Debt Counselling Money Matcher Payplan Personal Touch Debt Solutions Peter Pollock RSM Tenon Release Money Group Simply Debt Solutions Smooth Financial The Debt Advisor Varden Nuttall Wellbeing Services X-debt

Press:	Credit Today Insolvency Today Debt Management Today
Publications:	**Accenture**: A new model for dealing with personal debt, 2010 **Advice UK**: Sustainable Debt Advice Project briefings, September / October 2011 **BIS**: Helping Over-indebted Consumers, National Audit, February 2010 Debt Management - Fourteenth Report of Session 2010-12, March 2012 **CCCS**: Statistical Yearbooks 2006-2011 **Christians Against Poverty:** Annual Reports 2006-2011 **Citizens' Advice:** A life in debt, 2009 Quarterly Advice Trends 2009-2011 **Friends Provident Foundation**: Funding Money Advice Services, 2009 **Money Advice Service**: Debt Advice in the UK, February 2012 User Needs from Debt Advice: Individual and Stakeholder Views, February 2012 Debt Advice Business Plan, March 2012 **Money Advice Trust:** Annual reports 2006-2011 An Independent Review of the Fee Charging Debt Management Industry, 2009 Demand, Capacity and Need for Debt Advice in the United Kingdom, 2011 & 2012 **Oxera**: IVAs: Cashing in on Consumer Debt, 2007 **Parliamentary Debates:** Debt Advice and Debt Management, Backbench Business, December 2011 **R3**: Debt Management Plans, February 2010 The Value of the Insolvency Industry, March 2010 Debt and Insolvency: the full picture, April 2010 Afraid to take advice, February 2012 **Zero-credit**: Mystery Shopping series, November 2010 to date Debt Advice Trends to 2010, February 2011 The Welfare Costs of Personal Debt, August 2011

4 MARKET SIZE

One of the key distinctions to make in measuring the UK market for debt solutions is that of new starts compared to solutions that are already in progress. Indeed, it is impossible to understand demand for services without separating these data. Despite the considerable efforts of Credit Action to raise awareness of the extent of indebtedness in the UK, interest in debt statistics has remained relatively ad hoc and agenda driven in recent years. Several organisations have published research using a range of methodologies, but these have tended to capture an uncorroborated picture, with which neither the fee chargers nor the free providers can agree. This lack of data consistency is apparent in a number of submissions to the BIS Debt Management Committee held in December 2011 and published in March 2012.

For instance, the written evidence (Ev 69) of the British Bankers Association states at paragraph 4:

> *4. Nevertheless, the fee-charging debt advice sector has grown rapidly in the last decade and by the end of 2010 there may have been as many as 562,000 fee-charging plans in operation (compared to around 220,000 in the free advice sector) with fees paid for debt management services reaching within the region of £250 million.*

whilst at paragraph 15 the BBA asserts:

> *15. At least 75% of all DMPs are set up and run by commercial debt management companies who will usually charge both upfront fees and an ongoing management fee for the plan.*

At 72% of the total 782 debt management plans suggested, 562 is not more than 75%. In contrast, and reflecting R3's estimates from 2010, in paragraph 2.2 of its written submission (Ev 98), DEMSA suggests entirely different numbers for debt management plans:

> *2.2 Debt Management / IVA market size and structure:*

Estimated total DMPs in the UK	*500,000*
Estimated total DMPs managed for clients by private sector	*250,000*
Total number of DMPs managed by DEMSA members	*205,000*

It is equally disconcerting that the Money Advice Trust (Ev 129 Appendix A) should refer to the research it commissioned from Dr John Gathergood, which models free to client advice at more than four times that given by fee charging solution providers, should either of the above estimates be correct. Moreover, "Demand, Capacity and Need for Debt Advice in the United Kingdom" gives entirely different advice seeking figures for National Debtline to those submitted in the charity's Annual Reports and Accounts to the Charity Commission (2006-2010) and omits the 300,000 or so debt enquiries received by Advice UK Members each year.

It is simply not acceptable for individuals and organisations of this calibre to submit estimates to parliament that differ by more than a quarter of a million people in any year.

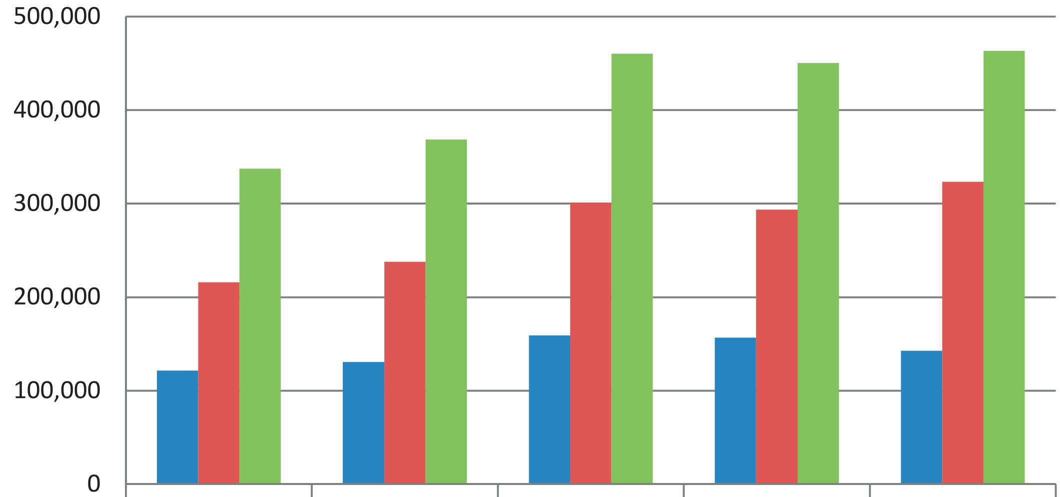
FORMAL		INFORMAL	
Solution	*Av. Length*	*Solution*	*Av. Length*
Bankruptcy	1 year	Debt Management Plan	8 years
Debt Relief Order	1 year	Debt Arrangement Scheme	8 years
Individual Voluntary Arrangement	5 years	Assisted Options	unknown
Protected Trust Deed	3 years	Self-help Resources	unknown

To understand the number of debt solutions that consumers are using in the UK, it is imperative to differentiate the length of each. As the above table illustrates, it is essential to compare the new starts for each type of solution in each year, and not simply the total number of people in a debt solution during each year. For this report, we have extrapolated estimates for informal solutions from a combination of published data, together with privately submitted records and estimates from the sources listed at Section 3, together with original research conducted with DRF members' clients.

There is a range of indicators, which suggest that demand for debt help and the uptake of solutions spiked in 2009. Most notably, these include a 123% increase in new applications for Category D Consumer Credit Licences (contracting by 28.9% in 2010), a 53.5% increase in the uptake of Debt Arrangement Schemes and significant evidence of increased advice seeking across the not-for-profit sector. By contrast, demand for solutions dampened in 2010, but reverted to a gradual increase in 2011. Between 2007 and 2011, the number of new debt solutions in the UK starting in each year had increased by 38.1%

Changes to insolvency regulations led to a downturn in the uptake of formal solutions in 2011, and this trend has been widely reported as a sign of recovery. However, the contrasting increase in demand for informal solutions indicates that more consumers are managing debt through agreements to repay, rather than to write off. The tension between creditor and consumer interests is an important dynamic to recognise in the context of funding for debt advice and solutions.

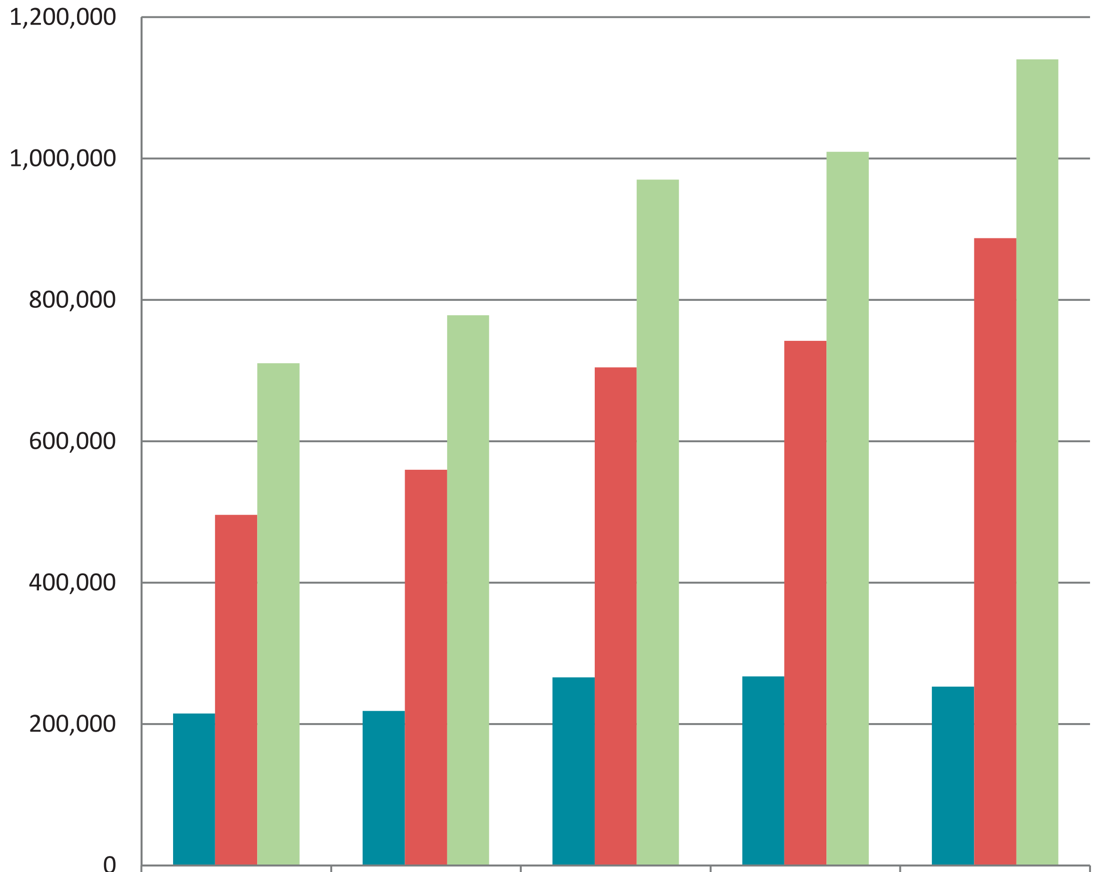
UK Debt Solutions Starting in 2007-2011



	2007	2008	2009	2010	2011
formal	121,650	130,592	159,098	156,791	142,870
informal	215,959	237,982	301,281	293,512	323,479
total	337,609	368,564	460,379	450,303	463,349

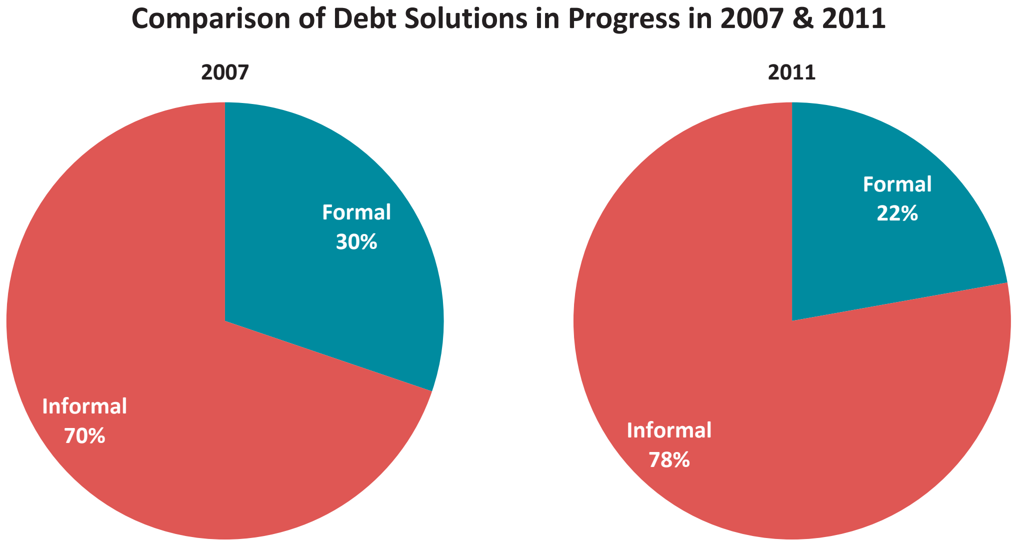
Our calculations to establish the number of debt solutions in progress combine the compromise that Bankruptcies and DROs complete within the year when they started, with an assumption that Assisted and Self-help solutions do similarly. This is a broad generalisation to enable comparison and requires further input, particularly from the Insolvency Service and creditors as well as from advice agencies that do not deliver solutions. From records and estimates submitted to Zero-credit, the relationship between new starts and existing solutions appears to be that across all sectors, around 35% of an IVA book is new, compared to around 23% for DMPs.

UK Debt Solutions in Progress 2007-2011



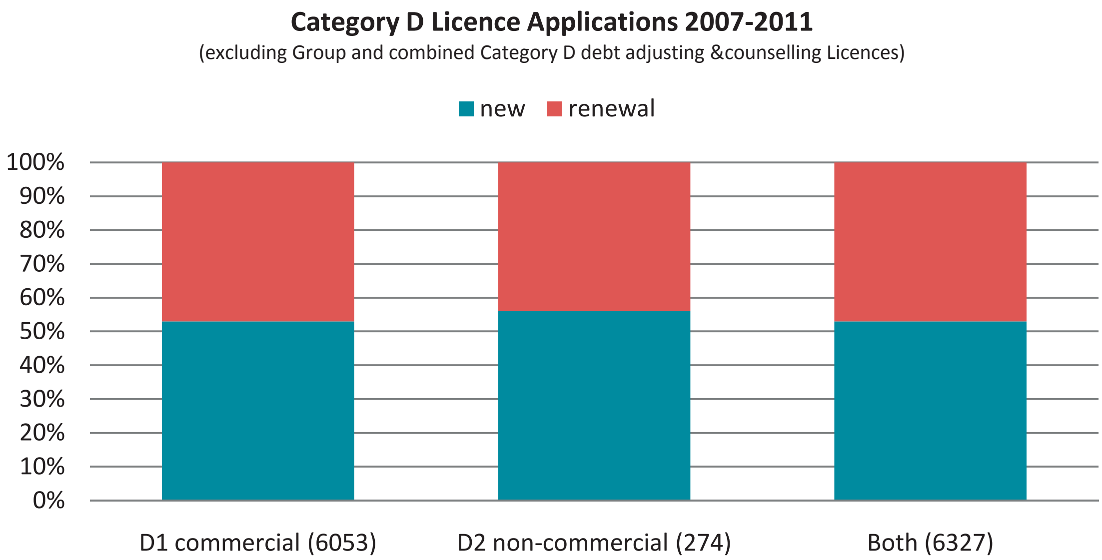
	2007	2008	2009	2010	2011
formal	214,719	218,450	265,978	267,616	253,047
informal	495,777	559,775	704,383	742,057	887,283
total	710,496	778,225	970,361	1,009,673	1,140,330

Between 2007 and 2011, the number of debt solutions in progress had increased by 60.5%. The ratio of formal to informal solutions that were in progress had also altered drastically between 2007 and 2011. This is particularly significant in the context of changes made to the over-indebtedness indicators since 2004 that place increased emphasis on an objective measure of the ability to repay above the consumer's subjective perception of debt difficulty.



5 SOURCES OF SUPPLY

Other than formal insolvency procedures, the provision of debt solutions is a relatively new concept that has emerged over the last twenty years. Growth in the relevant Consumer Credit Licence registrations has been particularly dynamic over the past five years, with more than half of all Category D applications (excluding Group Licences) being new.



To provide debt solutions, suppliers must hold a Consumer Credit Licence that includes Category D for debt adjusting. Most of those registering for Category D include Category E for debt counselling, and few Licence holders register for Category D without Category E. To some extent, registering for both categories is historic, because until quite recently Category D combined debt adjusting & counselling, with no distinction between commercial and non-commercial activity. Originally, all Consumer Credit Licences were generic, meaning that any organisation offering credit was licensed to provide debt adjusting & counselling.

Licence applicants often register a range of Categories that complement Categories D and E. For instance, many banks, building societies, communications, utilities and social housing providers register Categories D and E because it is effective and responsible for creditors to help resolve customers' debts. If fees are paid (by the consumer or a third party), applicants must register these Categories as commercial. Only services where no fee is paid may register as non-commercial. Fees always apply to formal solutions.

COURT FEES	PROFESSIONAL FEES
Bankruptcies	Debt Arrangement Schemes
Debt Relief Orders	Individual Voluntary Arrangements
Sequestration	Trust Deeds

At the end of 2011, there were more than 6000 Category D debt adjusting Licences registered with the OFT. This analysis excludes combined debt adjusting & counselling Licences (yet to be renewed) because by comparison to this total population, very few of their holders provide debt adjusting. Even with this constraint, the number of Licences does not reflect the number of holders because some agencies have more than one Licence: for instance, those approved by a Group Licence are increasingly registering independently to reflect activities beyond the remit of the Group (and particularly since Insolvency

Practice became subject to the revised Debt Management Guidance). Licences can transfer between holders that merge or acquire others also and some organisations simply prefer to register independent Licences for individual cost centres.

To some extent, this combination of approaches coupled with the significant numbers of providers registered on Group Licences explains why there are significantly more commercial Licences than non-commercial Licences. The range of organisations registering for Categories D and E can also make it difficult to isolate specialist debt solutions providers in both the commercial and non-commercial sectors. Not only do many creditors register to support consumers in debt, advice agencies such as CABx or Advice UK members often handle and manage a wide range of enquiries in addition to debt relief. Similarly, independent financial advisers may be the first source of help for their clients, so registration can often anticipate demand rather than reflect it. Around 2500 sole traders have Category D Licences.

The range of individuals and organisations registering for Category D is clear indication that a significant proportion of applicants err on the side of caution. If there is any possibility that advisers will help clients beyond debt counselling to assist or manage some level of debt adjusting, applicants will register for Category D as well as Category E. It is a premise of professional service to help clients irrespective of private, public or third sector activity, so smaller and generalist providers across all sectors may combine the delivery and referral of debt solutions because this ensures their capacity to provide a consistent service. This level of flexibility is both essential to customer service and problematic in defining sources of supply.

Irrespective of whether a Licence holder refers or delivers debt solutions, some form of finance usually funds this activity. Even agencies like CABx that are reliant on the goodwill of volunteers may have localised contracts with service level agreements and grant funded posts, projects and resources. Until April 2012, there were five main sources of revenue for any individual or organisation delivering debt solutions in the UK and most of the non-commercial agencies had been receiving funds from more than one source for some time. For instance, Christians Against Poverty receives fair-share contributions from creditors in addition to supporters' donations. This report considers changes relating to the April 2012 inception of the Money Advice Service debt gateway in Section 7, Key Trends and Developments.

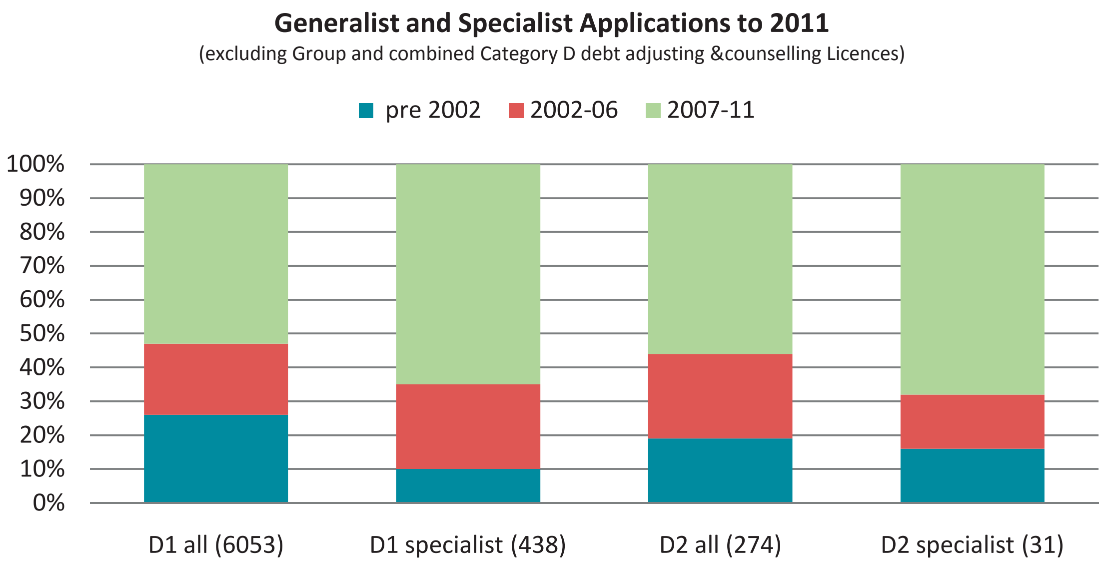
Source	**Funds**	**Recipient examples**
Creditors	Fair-share contribution or levy	CCCS
Service Providers	Professional fees reapplied	Debt Support Trust
Government	Budget from over-indebtedness strategy	FIF face to face projects
Grants / donations	Charitable or philanthropic gifts and awards	Christians Against Poverty
Service Users	Fees charged to the individual debtor	Baines & Ernst

In the revised Debt Management Guidance (March 2012), the OFT placed significant emphasis on consumers' informed choice, demanding absolute transparency for all commercial activity. In the immediate term, this does not solve the mismatch of not-for-profit activity that requires commercial registration, but it does take the lead for an increasingly consumer centric agenda. The OFT, Money Advice Service, Insolvency Service, and soon to be formed Financial Conduct Authority are all charged with working towards systems and regulation that enhance the user experience and transparency.

Currently, the Consumer Credit Licence Register includes businesses that offer debt adjusting simply to liaise with existing customers and there is no easy way to isolate the identities of those included on a Group Licence. Many of the latter have indistinguishable names that are easy to exploit because they do not have a significant digital presence. The recent explosion in online directories is a real adversary to the standards of certified professionals and the goodwill of volunteers and communities. Since the Personal Finance Research Centre completed “An Independent Review of the Fee Charging Debt Management Industry” for the Money Advice Trust in 2009, estimating provision from business directories has become an almost impossible task.

Consumers seeking debt help are confounded by unlicensed and non-complaint rogues. Even in branded directories such as Yell, Thompson Local and The Sun, business listings for debt advice or debt management include credit brokers, debt collection agencies, claims management firms and self-styled experts with little more than a catchy name, PO box and an 08 number. We estimate that around 40% of digital presence is opportunistic and that around a quarter of this is consistently shifting and active. Recent enforcement by the OFT has seen a great many rogue traders closed down both directly and indirectly, for fear of repercussions, and new guidance on Licensed names should also help to eradicate scams. However, the extent of fraudulent activity remains a very real issue when estimating market value.

This analysis therefore begins with the patterns in registration for Category D1 and D2 applications and renewals between 2007 and 2011. The hypothesis for identifying specialist providers is that these are most likely to identify themselves through the inclusion of the word debt in the Current Licensee Name or in any of the Current Trading Names. Occasionally, this process includes irrelevant Licensees or omits relevant providers, and the tendency for not-for-profit advice agencies to derive names from the phrase “Money Advice” also creates some anomalies. The following chart compares the growth in Category D Licence applications between all D1 and D2 applicants and specialist applicants (defined as those including the word debt in a licensed name).



The 438 D1 Licences above account for around 85% of currently licensed specialist providers of debt adjusting services. A remaining 15% have not yet renewed combined Category D Licences. On this basis, the total number of commercial Licences held by parties specialising in debt adjusting is in the region of 515. It is estimated that in addition to these around one-third of all D1 holders practice commercial debt adjusting on an occasional basis, bringing the total number of commercial providers to somewhere in the region of 2500.

Research by the Scottish Poverty Information Unit for the Friends Provident Foundation (Funding Money Advice Services) and by Dr Gathergood for the Money Advice Trust (Demand, Capacity and Need for Debt Advice in the United Kingdom), together with cross referencing to relevant associations and providers support the extrapolation of statistics for the not-for-profit sector. The principal holders of Group Licences in the not-for-profit sector are Citizens Advice and Advice UK, each with approximately 500 and

400 centres handling debt inquiries across the UK respectively.

After deducting agencies that hold both Group and individual Licences and including D2 licensed money advice centres, around 900 not-for-profit agencies hold Licences to provide debt adjusting on a non-commercial basis in the UK. However, it is important to recognise that by far the vast majority of these help consumers with a wide range of issues and that, on average, debt help accounts for around one third of the support given. The ratio of commercial to non-commercial solutions is a far more accurate measure of market share between for-profit and not-for-profit providers.

6 SEGMENTS

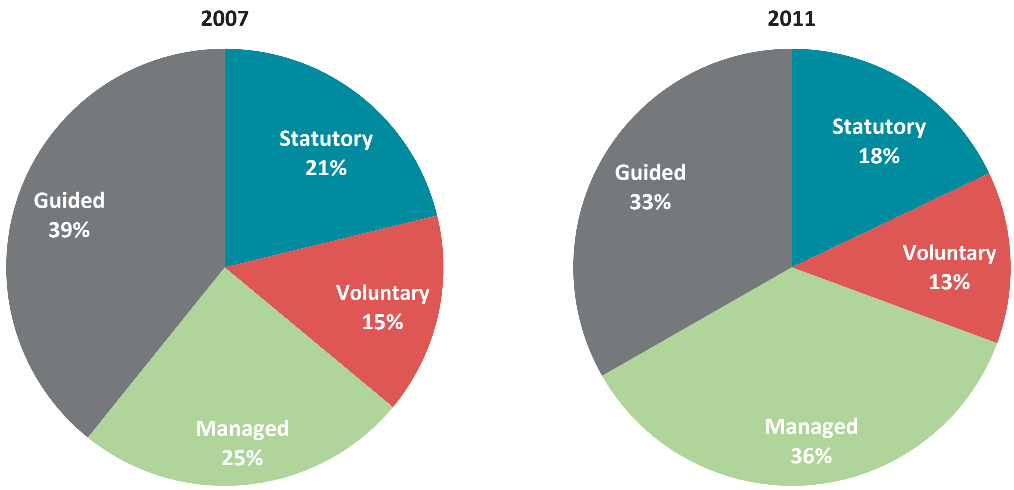
This research segments the formal and informal solutions outlined in Section 3 Market Definition, as statutory, voluntary, managed and guided as set out below.

FORMAL		INFORMAL	
Statutory	*Voluntary*	*Managed*	*Guided*
Bankruptcy	Individual Voluntary Arrangement	Debt Arrangement Scheme	Assisted options
Debt Relief Order	Protected Trust Deed	Debt Management Plan	Self-help resources

Whilst there are significant records for formal solutions that address insolvency, few data exist for informal agreements designed to tackle and resolve lower levels of indebtedness. In April 2010, R3 reported that around 30% of individuals in formal procedures had previously been in a Debt Management Plan - a statistic that had already started to question the levels of appropriate recommendation for informal solutions, before contractions in the numbers of formal solutions took place.

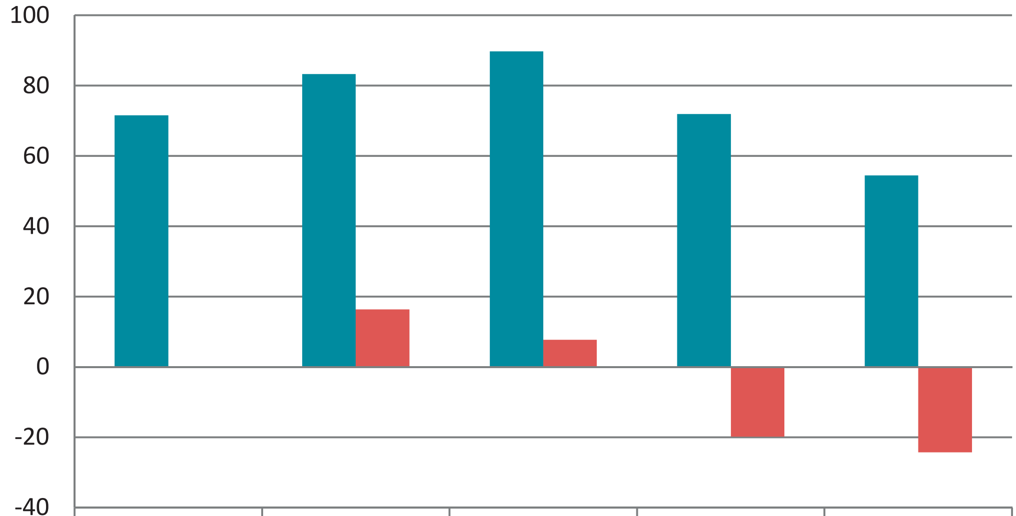
Of particular note when segmenting debt solutions is the significant contribution of independent advice agencies in delivering Assisted options and Self-help resources. The principle of consumers managing a plan after an intervention to negotiate repayments is an important one, because it is fundamental to the concepts of rehabilitation and independent money management. These are, of course, integral to embedding financial capability within our society. There are some in the free advice sector, who do not welcome the funding changes that the Money Advice Service proposes because a creditor-funded levy is not perceived as impartial. Fear of converting supply from Assisted to Managed plans is common and demands some reassurance that consumer interests are maintained. For instance, it is entirely contrary to Equalities Law for any provider or intermediary to assume that a debtor is incapable of accessing or maintaining an agreement from a particular provider or through a particular channel. Definitions of vulnerability should not be prejudicial.

Segmented Comparison of Debt Solutions starting in 2007 & 2011



Consumers are currently at liberty to reject an adviser's recommendation, and professional opinion tends to concur that formal procedures, in particular bankruptcy, remain heavily stigmatised. However, the cultural phenomenon that is debt stigma, questions even more pertinently, the rationale for insolvency figures that are falling, when experiences of over-indebtedness are not. There is a strong argument for consulting all consumers about the restrictions and entitlements accorded to debtors in different solutions, as this would ensure impartiality, removed from the anxiety of over-indebtedness.

Bankruptcies starting between 2007 and 2011



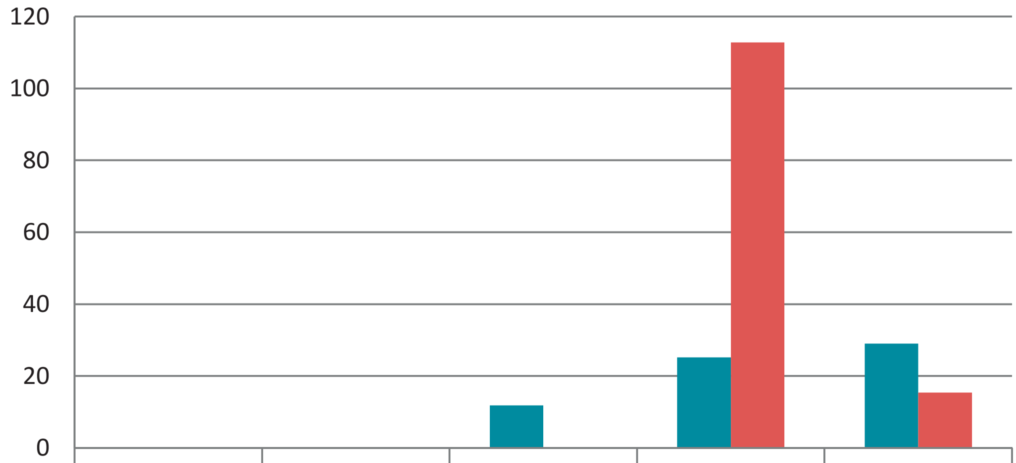
	2007	2008	2009	2010	2011
000s	71.536	83.284	89.716	71.937	54.483
% change	0	16.4	7.7	-19.8	-24.3

Bankruptcy is an insolvency procedure for which either the creditor or the debtor may petition. Most personal insolvencies in the UK are debtor petitioned, some with the help of a professional. Since June 2011, the Bankruptcy fee has been £700, comprising £175 in Court fees and £525 paid to the Insolvency Service to cover the costs of the Official Receiver. These are statutory fees and do not vary.

When a third party assists the debtor in completing a petition, fees may be charged and these are typically in the region of £500 per case, with levels of support ranging from help to complete forms to companionship at court. Some debtors are aware that these fees are discretionary, but not all. There is limited information about the extent of fee charging for assisting bankruptcy petitions and there is now evidence of this practice in both the for-profit and not-for-profit sectors, particularly since the implementation of cuts to public and third sector debt advice. The revised Debt Management Guidance requires the transparency of all fees charged, so it should be possible to identify the commercial value of assisting bankruptcy petitions in the not too distant future.

In addition to increasing the bankruptcy petition fees in June 2011, the Insolvency Service introduced significant changes to the restrictions and entitlements of debtors. These include the Bankruptcy Restriction Undertaking to address any negligence and / or recklessness, and the Income Payment Agreement requiring 100% of disposable income above £20 per month to be paid to creditors for a period of up to three years. The stringency of these changes may in some part account for the significant contraction in bankruptcies in 2011, and this trend is expected to continue into 2012.

Debt Relief Orders starting between 2007 and 2011



	2007	2008	2009	2010	2011
000s	0	0	11.831	25.179	29.061
% change				112.8	15.4

Introduced in 2009, demand for Debt Relief Orders rocketed in 2010, followed by smaller growth that has yet to settle, although demand is likely to remain buoyant for some time. Designed as a statutory procedure for people of low net worth, in many ways, DROs reflect some aspects of the Low Income Low Assets approach to Bankruptcy in Scotland. Applicants must have unsecured debts of less than £15,000, disposable income of less than £50 per month and assets valued at less than £300. Until April 2011, around one in eight people who met these criteria were unable to access the solution due to pension funds in excess of £300. Changes to this requirement should see strong and continued growth in DRO applications throughout 2012.

IVAs starting between 2007 and 2011

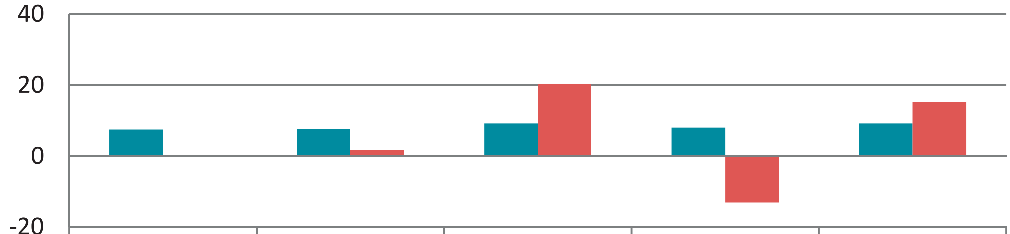
	2007	2008	2009	2010	2011
000s	42.605	39.675	48.363	51.695	50.132
% change		-6.9	21.9	6.9	-3.0

IVAs are a formal yet voluntary procedure, brought into effect by the Insolvency Act of 1986 as an alternative to bankruptcy. They were originally envisioned as a formal solution for the self-employed, whose livelihoods depend on a capacity to continue working. Their basic premise is that there are circumstances when comprehensive debt write-off is not appropriate and that through the intermediary services of an insolvency practitioner, individuals should have an option to negotiate a level of relief, sanctioned by their creditors. In many ways, this legislation set the precedent of a consumer market for debt resolution through an intermediary and so too, the conflict between debtors', creditors' and solution providers' interests.

As was the case for many debt solutions, the rise in personal borrowing drove increased supply and demand for IVAs. Thus, throughout most of the noughties, advertisements to write off personal debts became common, as did charges of flipping consumers between formal and informal solutions to optimise fees. To some extent, these criticisms remain (debt write-off may be a more alluring pitch than repayment), as indeed do questions as to the ratio of formal to informal solutions recommended by free to client providers.

In 2008, an IVA protocol came into force to ensure greater transparency for the procedure and to address the irregularities between some providers in this market. Now, only a minority of providers do not adhere to the IVA protocol. Considerable increases in the cost of living and uncertainties in employment make IVAs a tough commitment in the current climate and for this reason, their use is likely to remain on the negative side of stagnant in the near future.

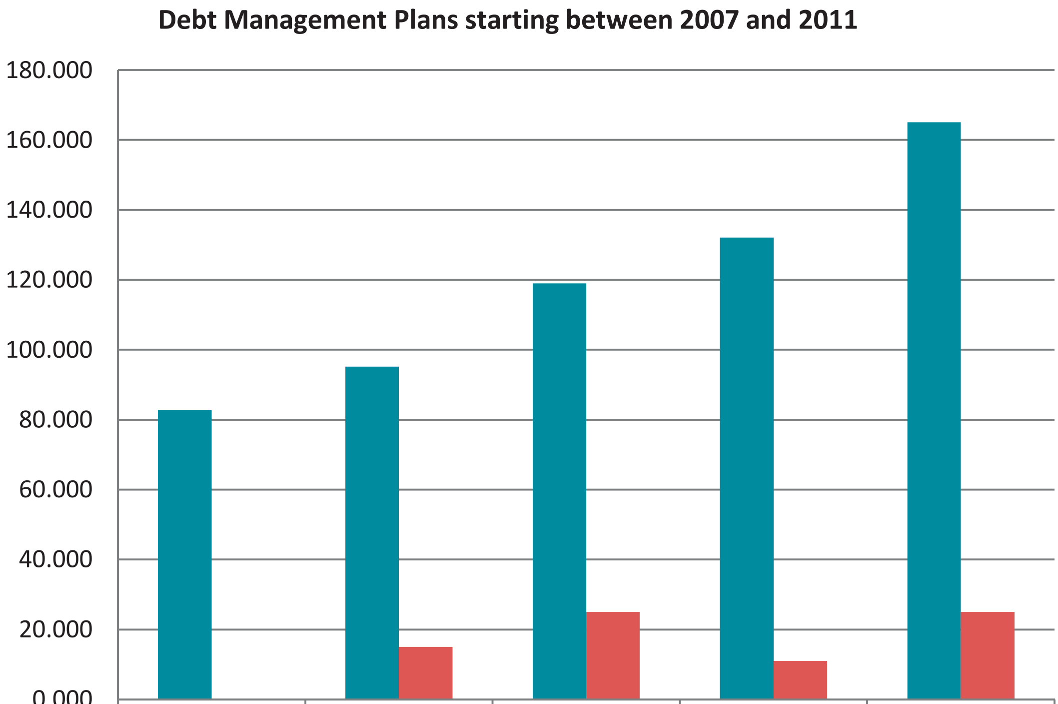
Protected Trust Deeds starting between 2007 and 2011



	2007	2008	2009	2010	2011
000s	7.509	7.633	9.188	7.980	9.194
% change		1.7	20.4	-13.1	15.2

Protected Trust Deeds are often compared to IVAs because they are a formal yet voluntary procedure to address insolvency in Scotland. However, there is a significant cultural difference between the two because some form of trust deed has existed in Scotland for almost 200 years. In this context, it is easy to see why the uptake of Protected Trust Deeds is high in comparison to other solutions in Scotland and continues to grow when the number of IVAs fell slightly in 2011.

In 2008, the Protected Trust Deed process was significantly formalised with the Bankruptcy & Diligence Act, leading to centralised monitoring and review by the Accountant in Bankruptcy. Additional consultation to effect procedures that strike a better balance between creditors' and debtors' interests was instigated at the request of the Scottish Parliament in 2010 and this solution is now one of a suite of measures for which the consumer has the assurance of consensual development and regulation. The consultation explains the drop in uptake during the period of regulatory uncertainty in 2010, and a return to demand that reflects the extent of over-indebtedness in the population as a whole in 2011. Small but steady growth is anticipated.



	2007	2008	2009	2010	2011
000s	82.771	95.187	118.984	132.072	165.090
% change		15.0	25.0	11.0	25.0

Throughout 2007 to 2011 Debt Management Plans remained the largest segment within the range of debt solutions available to UK consumers, growing from a quarter of all supply starting in 2007 to over a third in 2011. The growth and consequent revenue potential of this segment is one of the main reasons for conflict between free-to-client and fee charging providers and it is important to recognise the profit motive of repayment as well as fees, particularly when considering current insolvency trends in England and Wales.

Recognising the dynamic of conflicting interests is entirely different to criticising any particular sector or provider, not least because there are merits in almost all models. Both creditor and debtor may have reason to dispute repayments, so the origin of funding to administer a solution is extremely pertinent. The fact that the Money Advice Service has started to levy funds from secured lenders to provide advice and solutions to handle predominantly unsecured debt automatically removes the accountability of debtors to SMEs and local traders, for instance. The Government may wish to reflect on this when considering its requests for banks to invest in smaller businesses.

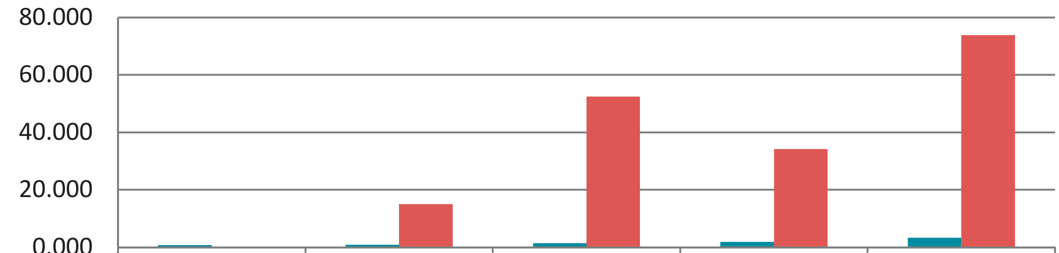
Whereas Scotland monitors and reviews the uptake of all debt solutions, the rest of the UK is subject to substantially variable estimates and considerable lobbying to claim the largest share of informal solutions supplied. Quite simply, this is nonsense because debt management is a relatively young consumer market that derives from the introduction of an intermediary, made possible by the 1986 Insolvency Act and the introduction of the IVA. Accordingly, supply is characterised by a diversity of providers and models, and evidence of this is apparent in the hugely opportunistic response to recession that led to 1141 new D1 Licence applications in 2009, up 128% on the previous year.

Considerable regulatory work by the OFT has secured a drop in new market entrants to around 800 commercial applicants per annum (including businesses requiring a D1 licence as a matter of course) and there is little doubt that recent Guidance as to Licensee and trading names will assist in the ongoing removal of unethical supply. However, while provider numbers will continue to fall, the number of Debt Management Plans starting in each year will not.

Another key driver for growth in the debt management segment is the shift in advice funding from the public purse to a model that promotes creditor accountability. Projects previously operating under the Financial Inclusion Fund now receive their budget from the Money Advice Service, and many have been required to increase caseloads. This means caseworkers who might previously have negotiated a solution and assisted in the early months of repayment are more likely to refer the client to a third party to administer the solution. Indeed, there is further evidence of this trend in the invitations to tender for case referrals from Citizens Advice and Advice UK during 2011.

Debt Arrangement Schemes starting between 2007 and 2011

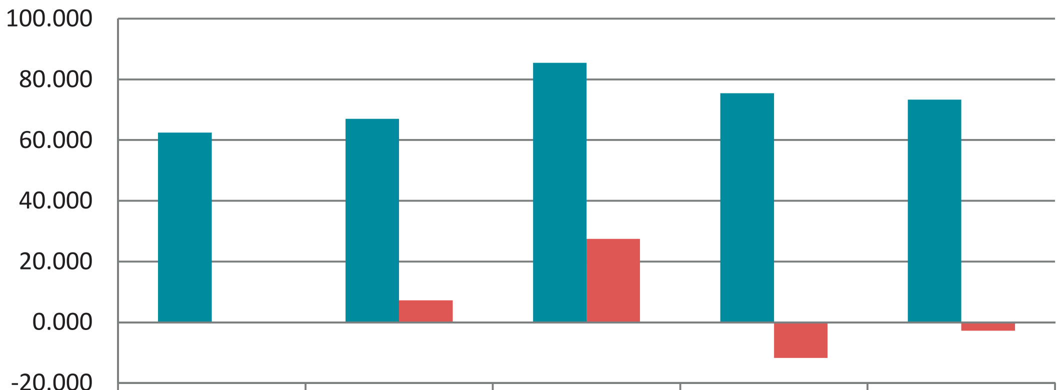
(2007 = relevant solutions estimate)



	2007	2008	2009	2010	2011
000s	0.811	0.933	1.423	1.909	3.319
% change		15.0	52.5	34.2	73.9

In 2008, the Scottish Government started to include informal solutions in the range of debt management procedures that it monitors. There was a dip in the growth rate of demand for Debt Arrangement Schemes in 2010 that corresponds to the review of how all debt solutions balance the rights of creditors against the needs of debtors. Growth was therefore unusually buoyant in 2011, but is likely to remain significant for so long as difficult economic circumstances prevail.

Assisted Options starting between 2007 and 2011



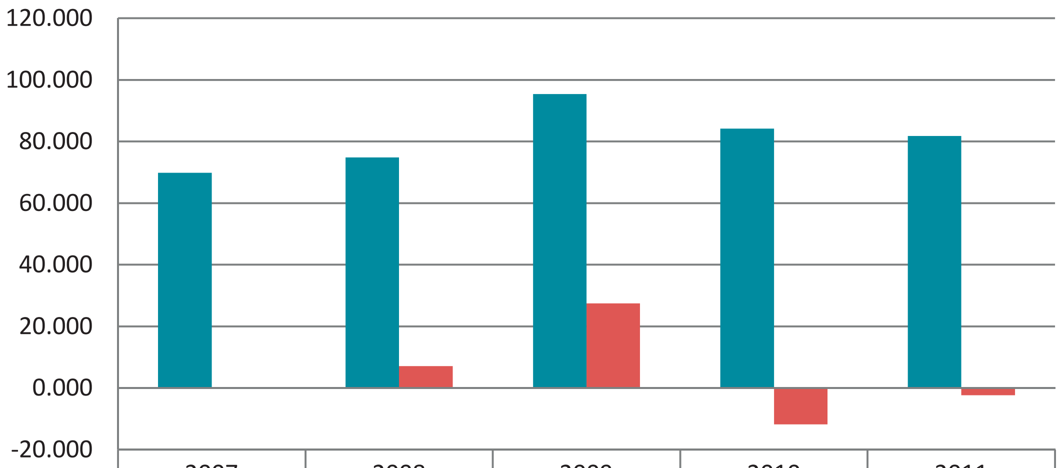
	2007	2008	2009	2010	2011
000s	62.508	67.032	85.466	75.381	73.270
% change		7.2	27.5	-11.8	-2.8

It is rare for commentators to refer to Assisted Options as a debt solution in their own right because they are very much a feature of the money advice sector, where volunteering prevails and the unit costs of commerce are a relatively new concept. Often delivered as part of a holistic approach, it can be difficult to distinguish when autonomy occurs in an Assisted Option. However, that a service may be too complex to measure easily should not undermine its value. Assisted Options may range from a few phone calls to agree some breathing space between jobs, to regular appointments to support budgeting and repayments. Some clients may repay debts at a level commensurate with a managed plan, others may find only token payments affordable.

The advice client profile of both Citizens Advice and Advice UK is considerably more vulnerable than that of others in the not-for-profit sector, and between them, these agencies assisted some 800,000 people with debt problems in 2011. It is therefore reasonable to extrapolate from the 10% of people living below the poverty line in the UK an uptake of Assisted Options in the region of 9% of all debt advice clients. Whereas Bureaux enjoy branding that is recognised by almost all consumers and will help those whom some believe can afford to help themselves, Advice UK Members reach into the very fabric of our society, with a localism that passes under the radar.

Assisted Options are in decline because they do not comply with an efficiency model that economizes on the delivery channel. Their currency is people: volunteers, benefactors, donors, personal recommendation and the reassurance of face-to-face communications. Those who can afford or become able to pay for this level of service invariably contribute to it also, which is why these agencies penetrate every aspect of our consciousness of help. Funding changes will effect a rapid decline in Assisted Options from 2012 and this may have a significant bearing on debtors' motivation to repay creditors. Assisted Options may not achieve the fastest return on investment, but their effectiveness in engaging people to resolve problems has the long-term benefits of sustainability and resilience.

Self-help Resources starting between 2007 and 2011



	2007	2008	2009	2010	2011
000s	69.869	74.830	95.408	84.150	81.800
% change		7.1	27.5	-11.8	-2.3

Innovation in the development of Self-help Resources is relatively recent, ranging from diagnostic tools to digital repayment systems. These are not to be confused with lead generation gimmicks that claim to assess a debtors' situation within seconds. Until 2008, money advice agencies dominated the Self-help segment, with paper-based guides to preparing a statement of accounts and letters to creditors. It is, of course, far harder to assess the outcomes from these than for a system where the client logs on. However, a significant proportion of consumers attempt some degree of negotiation before seeking an intermediary, especially when debt levels are low. Of consumers who start a repayment plan that they have negotiated themselves, around two in five continue with it to completion.

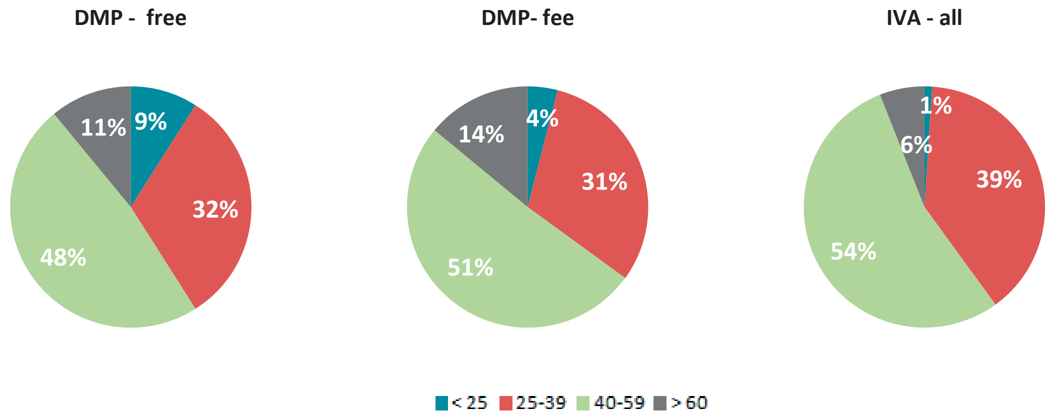
Technological advances have seen new product development in the Self-help segment from the free to client and fee-charging sectors. Lesser-known models are Debtology, a smart phone application that has informed decision making in mind and Debt-Line, which charges consumers to pay into a digital plan without ever speaking to an account manager. The anonymity and accessibility of such services may be particularly appealing to Generation Y and they most certainly have potential for resolving lower debt levels. The next two to three years is likely to see the range of Self-help Resources diversify significantly, and most particularly into distinct advice giving and solution handling applications. Resources that lead the user into a managed solution may not satisfy the principles of fair business practice. In the immediate term, the uptake of Self-help Resources will remain relatively unchanged, before increasing to significantly higher levels.

7 CONSUMER DEMAND

Recent years have witnessed a significant change in the profile of debt advice seekers, reflected in the demography of those using debt solutions. For some time, CCCS has led the way in publishing comprehensive client statistics. However, these by no means provide the fullest picture: agencies like CABx and Advice UK members tend to serve a less affluent clientele, whilst IVA firms attract people with higher debt levels and commercial DMP clients tend to owe less money than those seeking free solutions. It is worth noting that due to the considerable opportunism of 2009 there are still significant numbers of consumers who are simply the victims of an incompetent or unethical response to recession and about whom little is known.

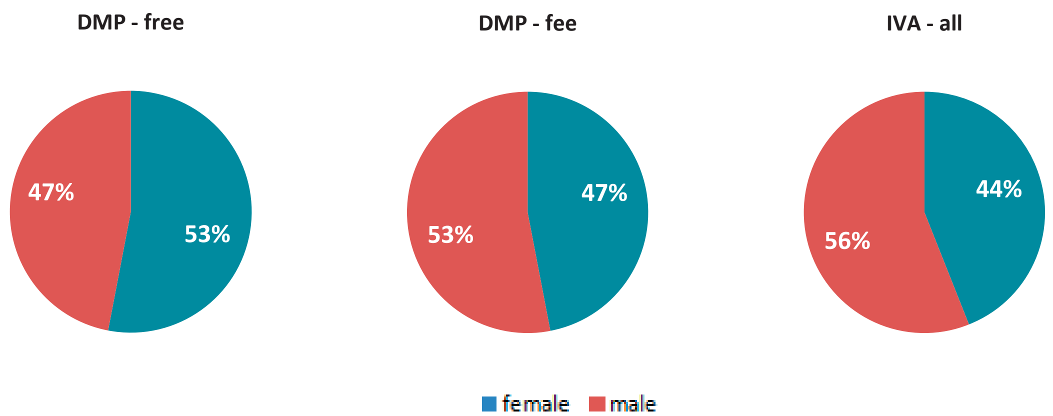
Few providers besides CCCS record client data consistently, so the following estimates draw on extensive consultation and extrapolation from information shared by free to client and fee charging providers. This research has captured the imagination of many who are committed to transparency and Zero-credit welcomes an open culture of discussion and contribution. The differentiation of client profiles by free and fee charging providers is only possible for DMPs at this stage, whereas IVA client profiles combine all providers because fees are always charged. The emergence of solutions at lower fee levels, from previously free providers that have established a social enterprise, may create a need to break these analyses down further in future.

Age Ranges of Debt Solutions Clients in 2011



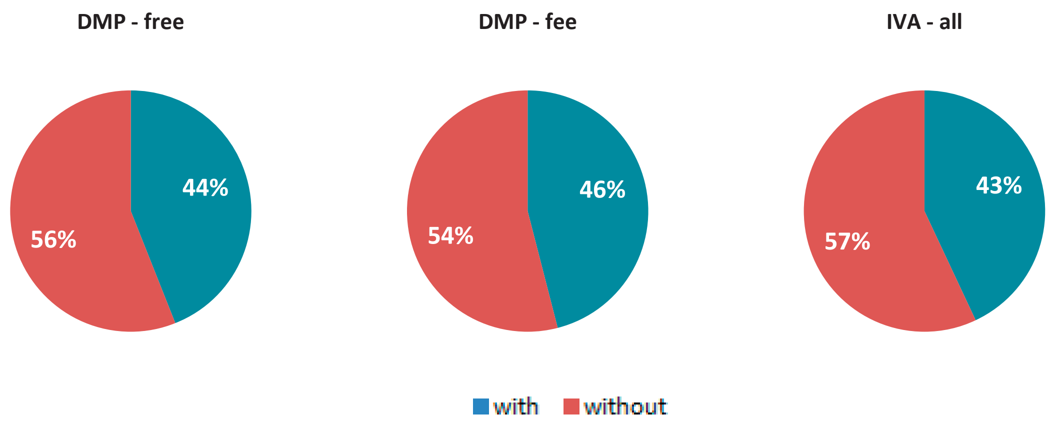
Free to client DMP providers tend to serve a younger client base than fee charging providers. IVA clients tend to dominate the middle age bands, when employment and lifestyle commitments are most likely.

Genders of Debt Solutions Clients in 2011



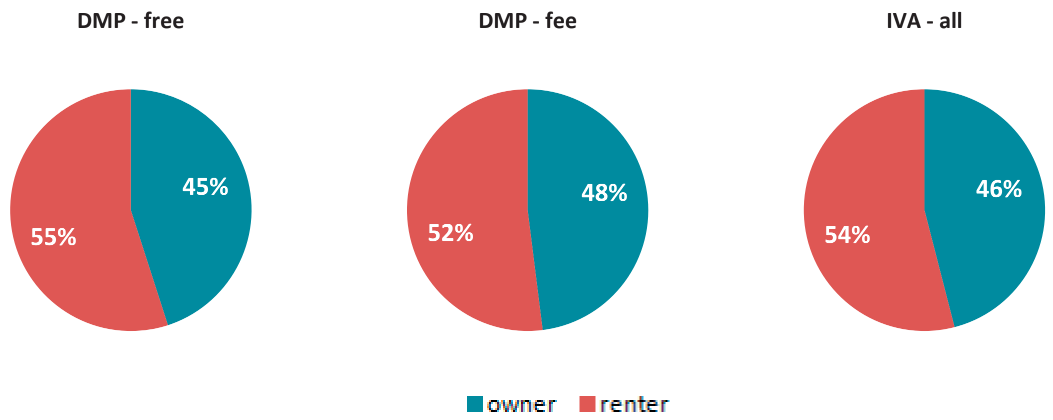
The issue of whether to record indebtedness as an individual or household experience creates some question over the reliability of providers' gender datasets. The tendency of professionals to come from a formal insolvency background does mean that in the commercial sector, couples are often recorded with the male partner as head of the household. This would tend to indicate that free to client providers may experience more applications from single women than fee chargers do, although further investigation of this hypothesis is necessary.

Debt Solutions Clients with Dependent Children in 2011

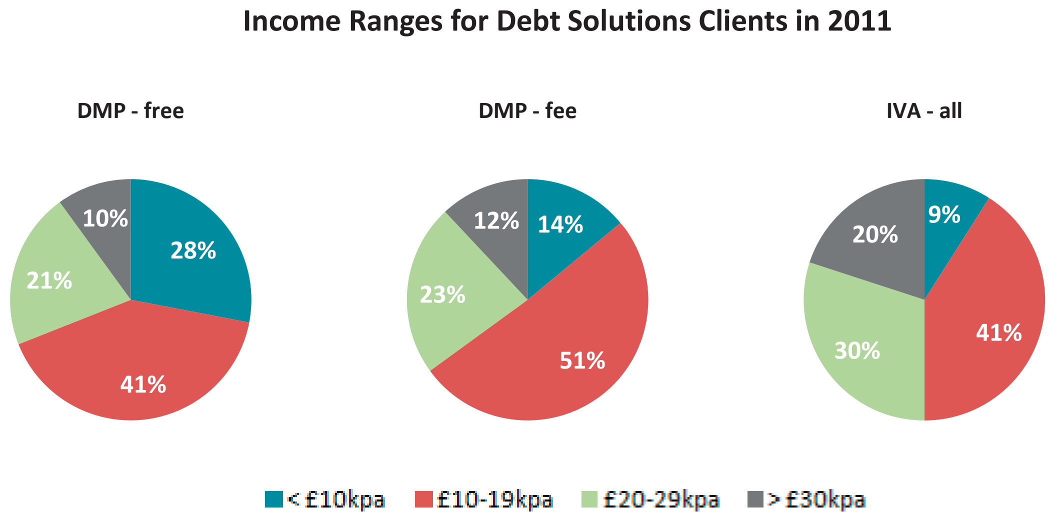


A greater proportion of clients without dependent children use free to client DMPs compared to those using DMPs with fees. IVA clients are less likely to have dependent children than DMP clients.

Debt Solutions Clients by Tenure in 2011



Whilst some providers record tenure other than owning or renting a property, many do not. There is a higher proportion of tenants accessing free to client DMPs than DMPs with fees. IVA providers are more likely to record other tenure types and as well as having a higher proportion of tenants in their client base than fee charging DMP providers. Several IVA providers reported clients living with family or friends.

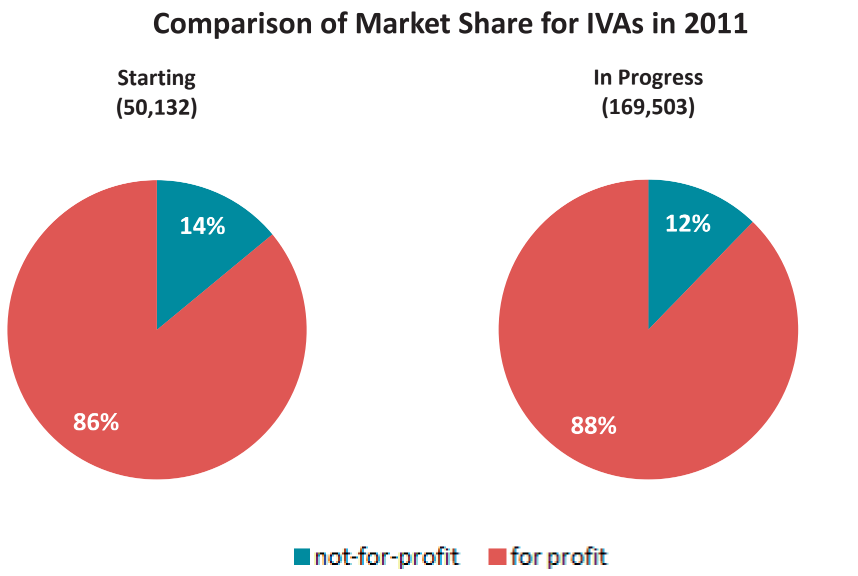


Clients who use free DMPs have lower incomes than those who use DMPs with fees. More than half of clients who pay for a DMP have an income between £10 and £19k per annum and over a third take home more than this. In 2011, the average debt level of a CCCS client was £20,023, compared to £19,744 from the fee charging providers we surveyed. There appears to be some tendency for those on lower middle incomes, with lower debt levels to access DMPs with fees. IVA clients have higher incomes than DMP clients, which in the context of higher tenancy levels would tend to indicate that these clients are earnings rich and asset poor by comparison to others using debt solutions.

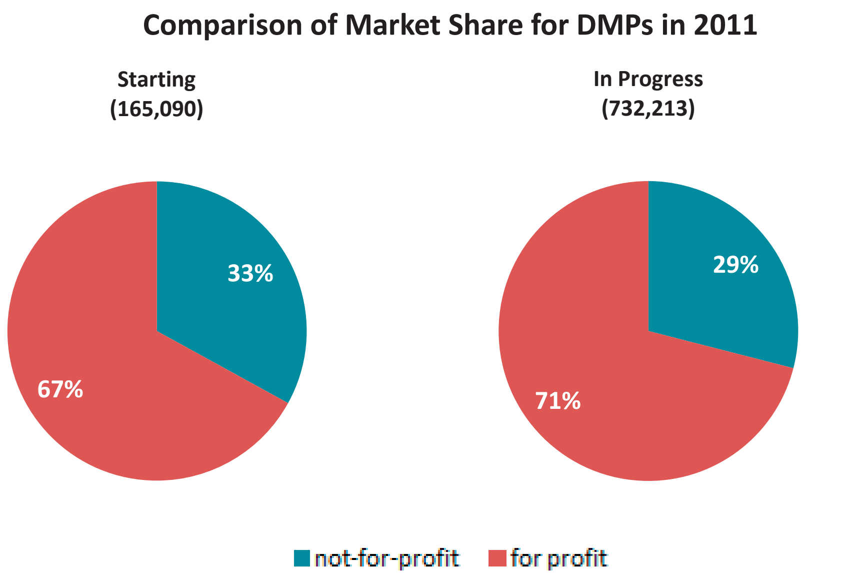
We found limited variation in client regions from the solutions providers we surveyed and the above table combines free to client and fee chargers' datasets to create an analysis for the UK as a whole.

8 MARKET SHARE

As mentioned previously in this report, little is known about the extent of fee charging for supporting clients through statutory insolvency procedures. Whilst there is no doubt that advisers may have a role in completing forms and providing moral support when there are challenging circumstances, most would agree that unless a case is particularly complex, fees for administering insolvency are contrary to the nature of the procedure. The requirement for Insolvency Practitioners to register for Category E Licences should increase the transparency of fee charging for these solutions.

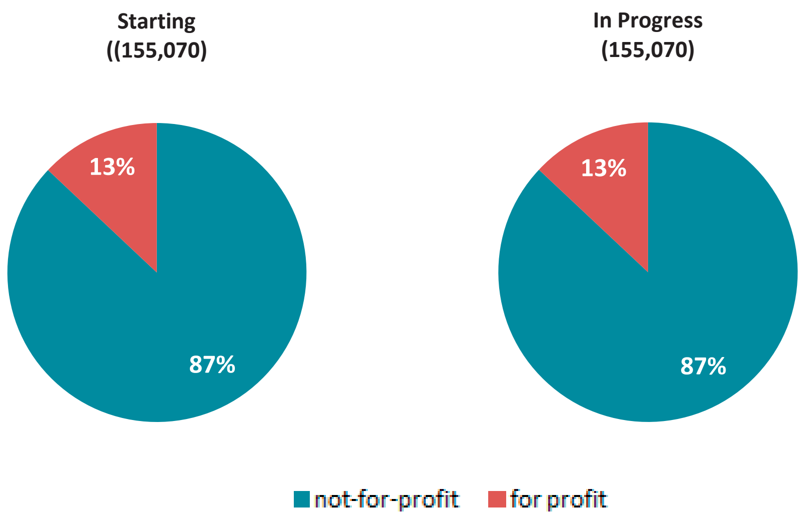


Whilst all formal solutions incur fees, not-for-profit providers necessarily deliver voluntary insolvency procedures: they should not be providing a full service if they did not. However, voluntary solutions make up a small part of the not-for-profit portfolio and a great many advice agencies refer clients to other professional IVA practitioners and firms. There were more not-for-profit voluntary solutions starting than in progress in 2011 because IVAs from not-for-profit providers are a feature of the shift into social enterprise among previously free to client providers. With fees averaging in the region of £1300 per client per annum, IVAs starting in 2011 had a value of around £65 million.



More than 55,000 free DMPS started in 2011, accounting for almost a third of all new supply. This is a higher proportion than for solutions in progress, accounted for in part by an increase in referrals to free DMP providers and a tightening of regulations for the fee charging sector. At the end of 2011, there were some 213,000 free DMPs compared to some 519,871 DMPs with fees. Fees average around £450 per client per annum, so the value of all DMPs in progress in 2011 was around £234 million. By contrast, CCCS handled a total (new starts and in progress) of some 113,000 DMPs in 2010 from a total budget of £32 million and this equates to an annual unit cost of around £283.

Comparison of Market Share for Guided Solutions in 2011



By contrast, not-for-profit advice and solutions providers dominate the supply of Assisted Options and Self-help Resources, accounting for almost nine out of ten guided solutions.

Key Not-for Profit Solutions Providers

CCCS
Licensed since 1992, CCCS is the largest specialist debt charity in the UK. The organisation employs over 650 staff, who respond to around 400,000 enquires annually, through its telephone and digital services. The charity is funded almost entirely by donations from creditors and takes on some 30,000 new Debt Management Plans and around 1000 new IVAs each year.

Christians Against Poverty
Founded by John Kirkby in 1996 to tackle the debts that trap people in poverty, CAP has experienced overwhelming support and success in recent years. A key strength is the charity's commitment to empowering people through its rapidly extending network of centres. CAP helps over 20,000 people each year and around half of these use debt solutions provided by the charity. Funds come from individual and creditor donations.

Payplan
Funded by contributions from a combination of creditors, trade unions and major employers, Payplan has delivered free debt management plans for almost 20 years. However, it is a company, not a charity. Payplan often takes the lead in supporting others from the not-for-profit sector to develop new services and resources. The company handles some 25,000 new DMPs each year and around 6000 new IVAs.

Key For Profit Solutions Providers

Think Money Group
Employing over 900 staff, trading styles under the Think Money Group include Gregory Pennington (DMPs) and Freeman Jones (IVAs). The company has helped around half a million people since it started in the mid nineties and is at the forefront of innovations in money management.

Paymex Group
With origins in debt collection at formation in 1996, Paymex has grown to become one of the most diverse and respected debt specialists in the UK. Trading styles include Baines & Ernst (informal solutions), Blair Endersby (IVAs) and Baker Evans (bankruptcies). Over the last decade, Paymex companies have helped some 140,000 people.

Fairpoint
Trading styles under the Fairpoint umbrella include Debt Free Direct and Clearstart. Following in the footsteps of ThinkMoney and Paymex, Fairpoint has started to deliver money management resources through its recent acquisition of Moneyextra.com. The company helps around 130,000 people each year and is the largest IVA provider in the UK.

9 KEY TRENDS & DEVELOPMENTS

The principal trend influencing the uptake of debt solutions over the last five years has been the impact of recession on the highest levels of personal borrowing that this country has ever seen. With around £1.5 trillion in secured and unsecured lending, indebtedness reaches the mainstream. For this reason, we see a focus on standards and training from the relevant professional associations, coupled with an emphasis on transparency and informed choice from the regulator. From a government perspective, the aim has been to shift expenditure from the public purse towards making creditors accountable, through the establishment of a National Debt Advice Gateway funded by an industry levy. Reform is afoot.

The trouble with change is that it is rarely welcome. The UK market for debt solutions is young and dynamic and it has caught the policy makers unaware. Years of buying into “no more boom and bust” have led to a consistent underinvestment in regulation with the result that supply was sullied as soon as the opportunity to exploit consumers became apparent. Make no mistake that debt repayments are a big deal, for the consumer who feels angry at lenders, for the lenders who want debts repaid, and for the intermediaries who tread this negotiable path. A handful of early market entrants enjoy large market shares, but these are challenged by the innovation and intimacy of smaller providers, who seek a different approach to channelling consumers into a predetermined solution.

Notable developments in the UK market for debt solutions include the emergence of social enterprise to address shortfalls in public spending and the use of technology to personalise rather than streamline the advice seeking process, for instance:

- Debt Advice Northants is a new service set up by the Community Law Service from Northampton & County that offers low cost debt advice, debt management and bankruptcy support services. The service is provided by fully qualified and experienced debt advisers, who until recently were covered by the Advice UK Group Licence.

- Money Matters Action is a Community Interest Company founded by former employees of Birmingham City Council who invested voluntary redundancy settlements in its formation. When the City’s debt support service was cut, the company’s founders wanted to ensure that local people still had access to quality advice and solutions. Profits are invested in financial education.

- Money Saviour is another Community Interest Company, created to meet demand for accessible debt advice. The company aims to fill a gap in local provision by working with organisations to provide a holistic service to communities, tenants and employees. The company is passionate about social and financial inclusion and uses its profits to support local business and the community.

- Founded by the FIF project manager at Bristol Debt Advice Centre, and part-funded by Payplan, Debtology is a smart phone application that diagnoses financial circumstances. It then points consumers to a range of solutions from providers, who do not charge fees. The app costs a few pounds to cover the ongoing costs of its development.

- MoneyMax from Community Interest Company, IncomeMax, extends the concept of assessing benefits entitlement to broader money management, debt advice and information about appropriate solutions. Working only with Commissioning Organisations and Organisational Members, profits create funds and resources for vulnerable people on an occasional basis.

- DIY debt help is a website with price comparison tool, created by the commercial provider Bridgewood, to help consumers explore all options when considering a debt solution. It promotes self-assessment and contact with creditors in the first instance, followed by not-for-profit advice seeking, and only then turning to a for-profit provider if the service is not what is required.

Intrinsic motivation is critical to effecting sustainable outcomes, because without a desire to repay, debtors will default. The indebted population is diversifying rapidly and efforts to address this demand that we innovate. Submissions to the BIS Inquiry reveal a paucity of consistent and constructive information and a degree of hubris that surveys evidence as some economical parking space. The Government has taken a bold decision to hold the market to account in its decision to require creditors to finance debt advice and solutions and it now needs to question providers incisively. Given the importance of solutions starting in 2011 for projecting trends, it is telling that not one expert witness at the BIS enquiry shared this information. The anti-competitive behaviour of many providers in this market speaks volumes.

10 FUTURE FORECASTS

At approaching half a million new solutions each year, the UK market for debt solutions is substantial and any attempt to deny this ignores the significant numbers of consumers seeking advice. Current trends will see insolvencies continue to contract and unless intervention to secure the impartiality of advice is achieved, routes into solutions may be channelled through financially incentivised referrals. Under current arrangements, our projections for the UK debt solutions market include a 10% increase in the number of all solutions starting between the end of 2011 and 2014, or well over half a million consumers.

% change	2012	2013	2014
Bankruptcy	-8	-7	4
Debt Relief Order	11	8	3
Individual Voluntary Arrangement	-2	-4	5
Protected Trust Deed	8	7	8
Debt Management Plan	16	13	11
Debt Arrangement Scheme	66	68	32
Assisted options	-31	-36	-25
Self-help resources	2	3	6

THE DEBT RESOLUTION FORUM
Promoting Professional Standards

Provider KPIs

DRF OUTCOMES RESEARCH: CONSUMER RESEARCH – PROVIDER KPIs

ABOUT THIS REPORT

In December 2011, the Debt Resolution Forum commissioned Zero-credit to complete three parallel research studies to explore the outcomes of fee charging debt solutions. These were an analysis of market size, a survey of members' clients and a series of case studies with members' clients. This report focuses on the key performance indicators for providers resulting from the consumer research, and 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

INTRODUCTION

A total of 601 telephone interviews were conducted with DRF Members' clients throughout February and March 2012. Average interview length was 15 minutes, although some lasted significantly 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 601 interviews, 833 clients were contacted: of these 222 declined to take part and 10 completed the interview in part only. The latter are not included in the dataset for this report.

Research of this kind was new to many DRF Members, so there was some reluctance to transfer client contact details to create a sample frame, particularly where informed consent for third party contact was unclear. Most companies overcame these issues and ultimately, three quarters of DRF Members took part. Originally, we had proposed a stratified random sample to achieve a representative dataset with 95% accuracy at +/- 4%. However, with a significant minority of firms unable to transfer data without considerable disruption, a quota sample was agreed. Where appropriate, this report compares the achieved sample with data collated from the Market Size research and we found this to be broadly in line with the target confidence level.

In order to ensure a representative sample, companies, and in some instances trading styles, were banded by size, according to the number of clients stated as active at the start of 2012. Upper and lower quotas were set for each band, so that where sample was not available, the shortfall could be made up by interviewing across a client base for the same band. Throughout the fieldwork period, companies submitted a random 10% sample of clients, from which we selected respondents at random as follows:

Band 1	Band 2	Band 3
Less than 1000 clients	1000 to 3000 clients	More than 3000 clients
4-5 interviews each	19-23 interviews each	57-72 interviews each
44 completed in total	84 completed in total	473 completed in total

In anticipation of ever-increasing transparency, the questionnaire drew heavily on the consultation version of the Debt Management Guidance released by the OFT in 2011. From this, we established a number of key performance indicators for pre and post contract service attributes, together with a range of demographic and financial information. The questionnaire is available in Appendix A to this report.

This report focuses almost entirely on key performance indicators, analysing responses by debt solution entered, provider band, when debt help was first sought and whether other sources of help were used. A subsequent report will profile detailed analyses of the client demographic and financial circumstances.

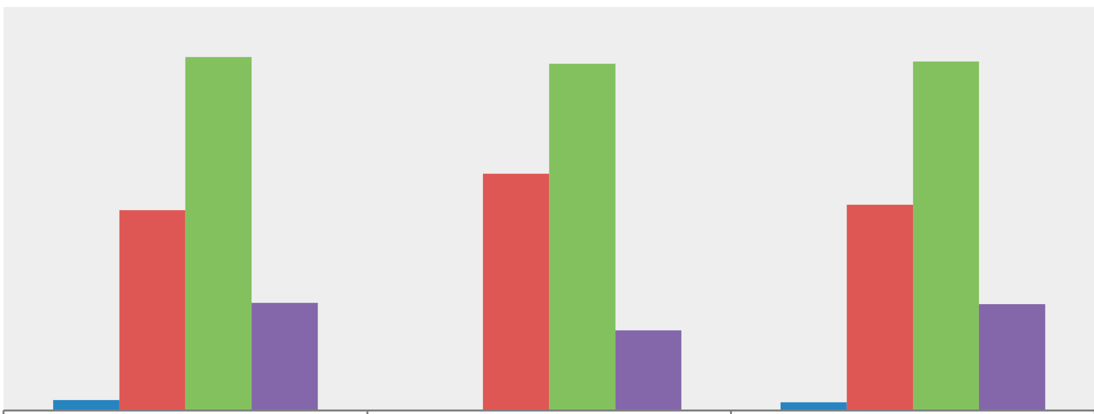
1 DEMOGRAPHY

1.1 AGE

The age profile of respondents to this survey differed significantly from demand recorded by the free to client sector, a pattern reflected in the client profile data returned by DRF Members for the Market Size research. Over two-thirds of respondents identified themselves as aged 40 or over, compared to around half of the client base recorded in the free to client sector. The most significant difference could be seen in the over 60 age group, where around 14% of fee chargers' clients are over 60 compared to some 6% in the free to client sector.

Whilst the age profile of DMP clients interviewed for this research mirrored that recorded for the sample as a whole, there was a higher proportion of people aged 25-39 amongst respondents who stated their solution as an IVA, a smaller proportion of over 60s and no one under the age of 25 reporting an IVA as their solution. In total, there were only seven people out of the 601 interviewed, who stated their age as under 25, compared to just under one in ten recorded for this age group in the free to client sector. The proportion of younger clients participating in this research (1.2%) was also lower than that returned by DRF members for the Market Size research (3%) and a tendency for younger respondents to decline an interview has been noted. Further research is necessary to establish how best to engage with this age group for performance monitoring surveys of this kind.

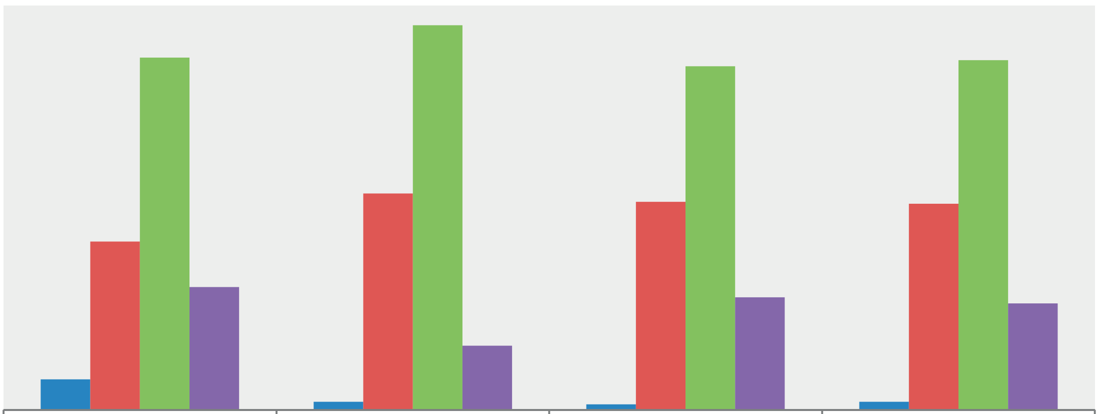
1.1.1 age by solution



	DMPs 399	IVAs 159	Total 601
18-24	1.5%	0.0%	1.2%
25-39	29.8%	35.2%	30.6%
40-59	52.6%	51.6%	51.9%
over 60	16.0%	11.9%	15.8%

Respondents who were clients of Band 1 companies were more likely to fall into the 18-24 and over 60 age groups than respondents who were clients of companies in other bands. There was also a higher proportion of respondents aged 40-59 amongst Band 2 companies.

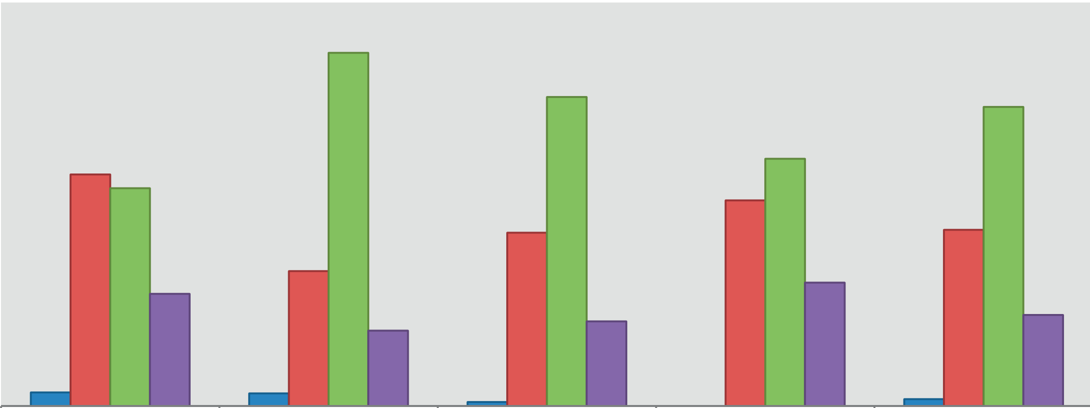
1.1.2 age by band



	Band 1 44	Band 2 84	Band 3 473	All 601
18-24	4.5%	1.2%	0.8%	1.2%
25-39	25.0%	32.1%	30.9%	30.6%
40-59	52.3%	57.1%	51.0%	51.9%
over 60	18.2%	9.5%	16.7%	15.8%

It would seem that a change in the age profile of debt solutions clients may be emerging because the comparison of when debt help was first sought revealed a gradual increase in the proportion of those aged 18-24 over the past five years. Similarly, the apparent downward trend in first seeking help amongst respondents aged 25-39 and over 60 seemed to be in reverse over the past year and there was a significantly larger proportion of respondents aged 25-39 stating that they had sought debt help in the last year, compared to previous years. The age profile of new clients is a trend to watch, particularly among smaller companies.

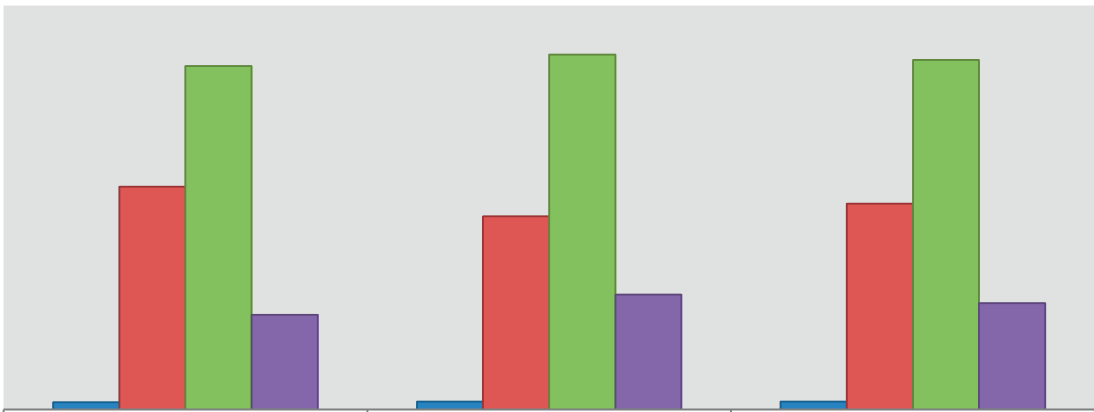
1.1.3 age by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
18-24	2.4%	2.2%	0.7%	0.0%	1.2%
25-39	40.2%	23.4%	30.1%	35.7%	30.6%
40-59	37.8%	61.3%	53.6%	42.9%	51.9%
over 60	19.5%	13.1%	14.7%	21.4%	15.8%

The age profile of respondents seeking help from other agencies before entering a solution showed that those in the 25-39 age group were more inclined to shop around for advice than other age groups. The small number of under 25s participating in this research makes it impossible to comment on the advice seeking patterns of this age group.

1.1.4 age by other help sought



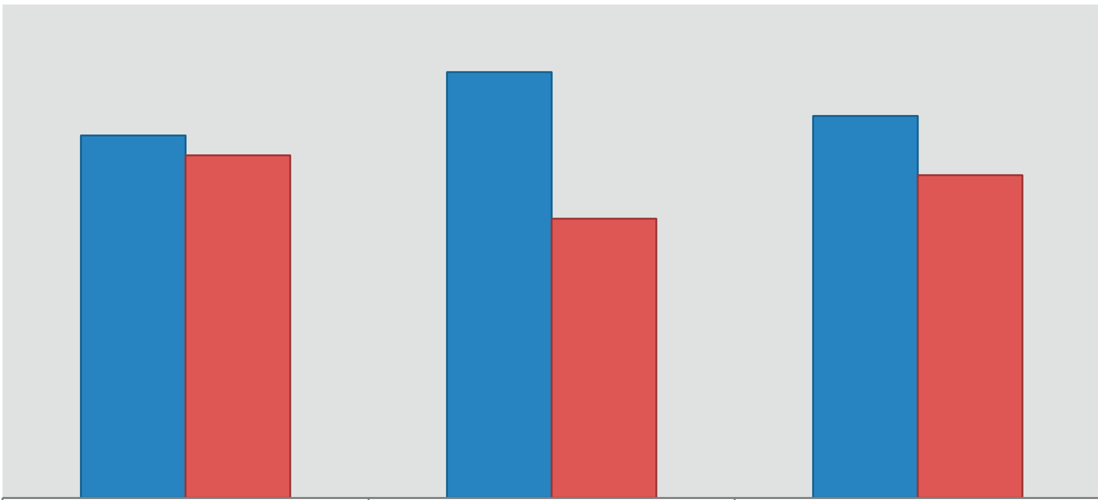
	sought help 263	not sought 334	All 601
18-24	1.1%	1.2%	1.2%
25-39	33.1%	28.7%	30.6%
40-59	51.0%	52.7%	51.9%
over 60	14.1%	17.1%	15.8%

1.2 GENDER

The higher proportion of male to female respondents across the sample as a whole does not necessarily reflect a bias in provision among DRF Members. The classification of indebtedness as an individual or household problem can be unclear because individuals have the discretion to dictate whether they resolve an issue alone or in partnership. The professional origins of the commercial sector often means that firms record couples' information with the male partner as head of the household and our fieldwork team was briefed to speak to the named contact only. Further research amongst all solutions providers is essential to clarifying gender profiles and behaviours.

It was also interesting to note the significant number of men who said that their debt solution was an IVA. Typically, the IVA clients interviewed had been using their solution for longer than the DMP clients interviewed, so it is possible that the greater proportion of men using IVAs relates to a recent increase in over-indebtedness amongst women. On the other hand, there may also be a difference in how men and women prefer to settle their debts and this requires further investigation.

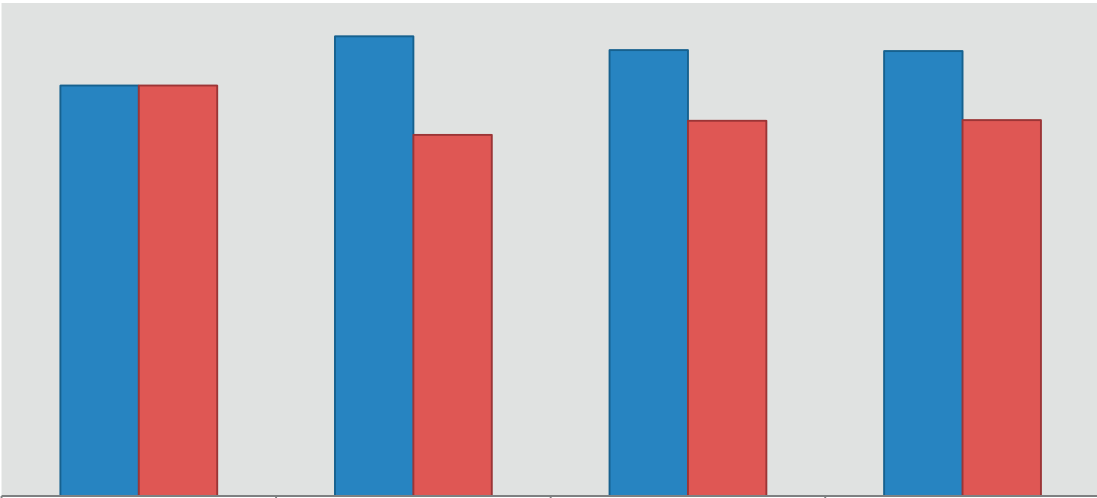
1.2.1 gender by solution



	DMPs 399	IVAs 159	Total 601
male	51.4%	60.4%	54.2%
female	48.6%	39.6%	45.8%

In several cases, Band 2 and 3 companies offered both IVAs and DMPs, whereas Band 1 companies were almost exclusively DMP providers. To some extent, this is likely to account for the 50:50 split between male and female respondents who were Band 1 clients. However, Band 1 clients, and to a lesser extent Band 2 clients, tended to display a different demographic to respondents in solutions with larger providers.

1.2.2 gender by band

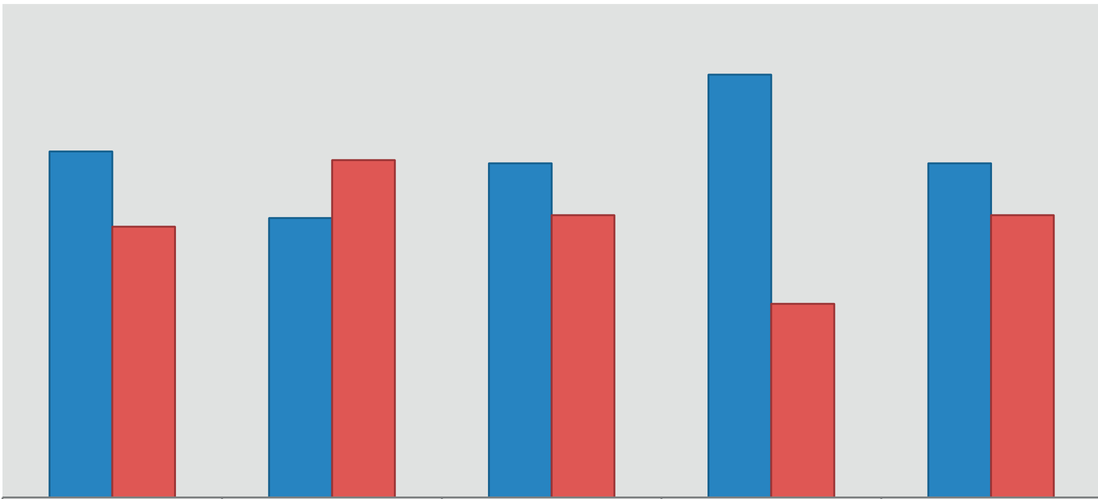


	Band 1 44	Band 2 84	Band 3 473	All 601
male	50.0%	56.0%	54.3%	54.2%
female	50.0%	44.0%	45.7%	45.8%

From the responses to this survey, it would seem that until a year ago, the proportion of women seeking debt help was increasing. This is most certainly a trend that has been widely reported from other debt related statistics and that several professionals consider likely to continue.

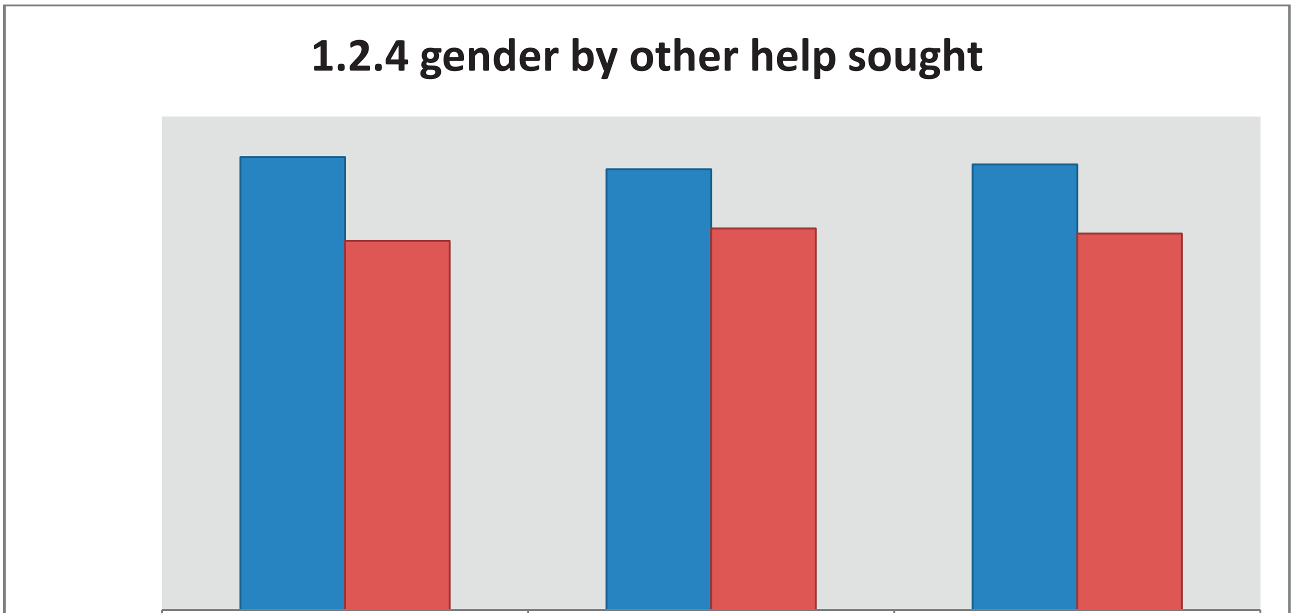
In these data, the recent increase in men seeking debt help for the first time coincides with a sudden increase in the 25-39 age group seeking debt help for the first time over the last year, and gradual increases in homeowners, couples and families seeking debt help for the first time over the past five years. This would tend to indicate a relationship with under and unemployment and a comparison of economic activity datasets from National Statistics with client demographics is proposed for a subsequent report on this survey.

1.2.3 gender by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
male	56.1%	45.3%	54.2%	68.6%	54.2%
female	43.9%	54.7%	45.8%	31.4%	45.8%

The male respondents to this survey were marginally more likely to seek help from other agencies before entering a solution than the females were. This is significant because men were also more likely to report using an IVA as a debt solution and IVA clients were more likely to explore other sources of advice than those in other debt solutions. Providers in the free to client sector rarely report their IVA data and this information is essential to indentifying any possibility of a gender bias in solution choice and decision-making.

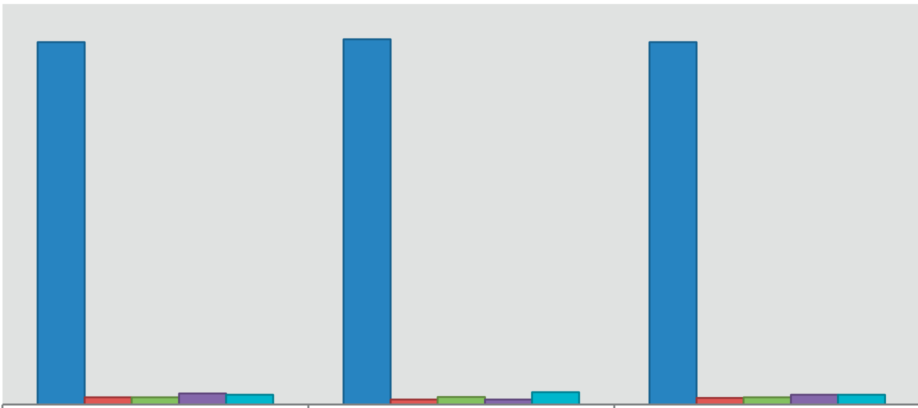


	sought help 263	not sought 334	All 601
male	55.1%	53.6%	54.2%
female	44.9%	46.4%	45.8%

1.3 ETHNICITY

Over 90% of respondents to this survey were White British, compared to around 86% of the population as a whole (2001 Census). There were higher proportions of people of Mixed heritage and Black / Black British origins in the sample compared to National population data also. The proportion of IVA clients who stated their ethnicity as White British was slightly higher than the proportion for other solutions and it may become relevant to explore perceptions of debt solutions across cultures in the future. Other organisations do not yet publish ethnicity records, so the data for this survey cannot be compared.

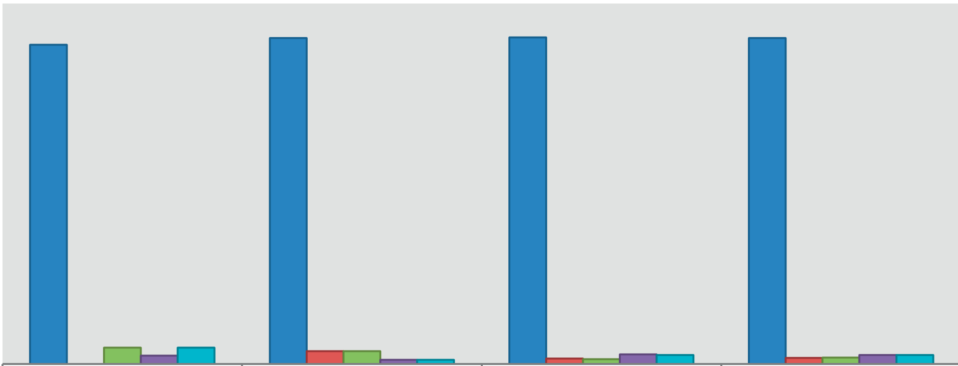
1.3.1 ethnicity by solution



	DMPs 399	IVAs 159	Total 601
White British	90.5%	91.2%	90.5%
Mixed heritage	1.8%	1.3%	1.7%
Asian / Asian British	1.8%	1.9%	1.8%
Black / Black British	2.8%	1.3%	2.5%
Other	2.5%	3.1%	2.5%

Whilst minority ethnic respondents were proportionately fewer than in the National population, clients of Band 1 companies were more likely to come from a diversity of backgrounds than clients of other companies. However, among the clients of Band 2 companies, there was a higher proportion of mixed heritage respondents than in other bands. Smaller companies are often linked to a local or regional community and will reflect its demography accordingly. Further research is necessary to establish the relationship between provider size and the diversity of client base.

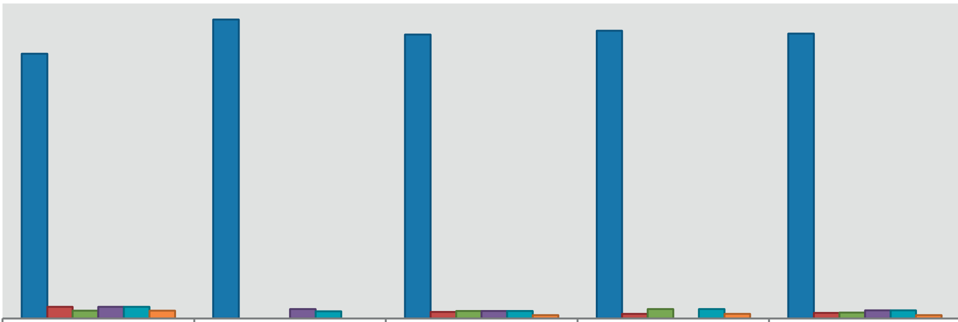
1.3.2 ethnicity by band



	Band 1 44	Band 2 84	Band 3 473	All 601
White British	88.6%	90.5%	90.7%	90.5%
Mixed heritage	0.0%	3.6%	1.5%	1.7%
Asian / Asian British	4.5%	3.6%	1.3%	1.8%
Black / Black British	2.3%	1.2%	2.7%	2.5%
Other	4.5%	1.2%	2.5%	2.5%

Responses to this survey indicated a recent spike in demand for debt help amongst minority ethnic groups, following a gradual increase over the past five years. Again, the validity of this as a wider trend requires further research.

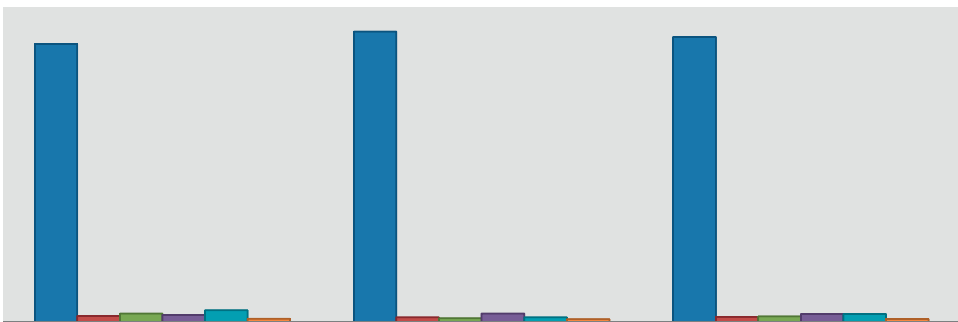
1.3.3 ethnicity by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
White British	84.1%	94.9%	90.2%	91.4%	90.5%
Mixed heritage	3.7%	0.0%	2.0%	1.4%	1.7%
Asian / Asian British	2.4%	0.0%	2.3%	2.9%	1.8%
Black / Black British	3.7%	2.9%	2.3%	0.0%	2.5%
Other	3.7%	2.2%	2.3%	2.9%	2.5%
prefer not to say	2.4%	0.0%	1.0%	1.4%	1.0%

It was also interesting to note that minority ethnic respondents were more likely to have sought initial help from an agency other than their solution provider. This is noteworthy because minority communities are often considered more socially excluded than the White British population. For this reason, many regions have social cohesion strategies that promote a wide range of free advice agencies.

1.3.4 ethnicity by other help sought



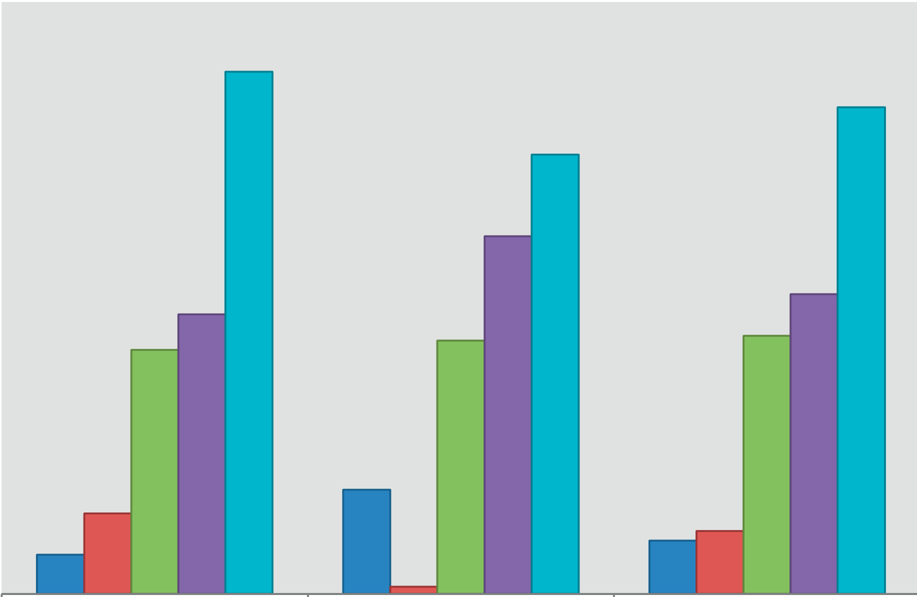
	sought help 263	not sought 334	All 601
White British	88.2%	92.2%	90.5%
Mixed heritage	1.9%	1.5%	1.7%
Asian / Asian British	2.7%	1.2%	1.8%
Black / Black British	2.3%	2.7%	2.5%
Other	3.8%	1.5%	2.5%
prefer not to say	1.1%	0.9%	1.0%

1.4 TENURE

The sample delivered a relatively even split of owners to renters, with both at just under half of all respondents. Respondents using a DMP were most likely to be homeowners, with or without a mortgage, whereas there were higher proportions of private tenants and respondents living with family or friends amongst respondents with an IVA.

Case study respondents in IVAs tended to have moved in with friends and family after their solution had started. In some instances, this was after the sale of a residential property and in others to retain equity whilst also addressing relationship breakdown.

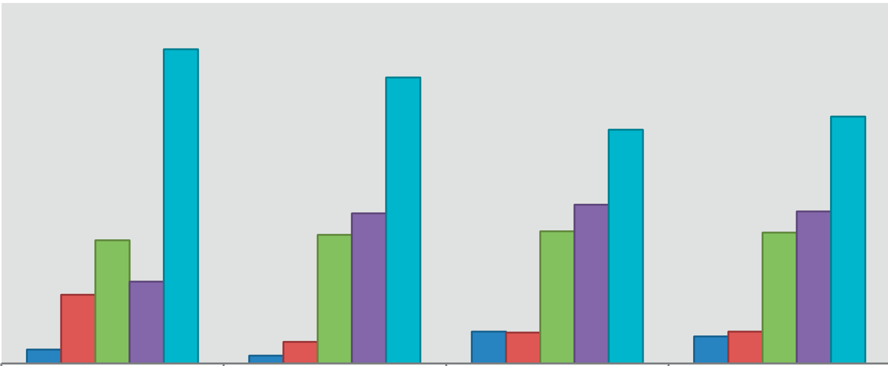
1.4.1 tenure by solution



	DMPs 399	IVAs 159	Total 601
living with family / friends	3.3%	8.8%	4.5%
home owner no mortgage	6.8%	0.6%	5.3%
social tenant	20.6%	21.4%	21.8%
private tenant	23.6%	30.2%	25.3%
home owner mortgage	44.1%	37.1%	41.1%

The differences in client profile between bands was particularly marked when it came to tenure, with almost two thirds of respondents who were clients of Band 1 companies and over half of respondents who were clients of Band 2 companies being homeowners. Our analysis of category D and E Consumer Credit Licence applications 2007-2011 for the Market Size research revealed that smaller firms had often entered the debt management market from a mortgage or financial advice background. In several Case Studies (for this research programme and for its extension to October 2012), clients had first contacted an IFA before referral to a solution provider. It is therefore reasonable to assume that there may be significant numbers of homeowners on the client databases of smaller companies about which relatively little is known. A better understanding of all providers and recognition of the differences between the clientele of each is essential to mapping demand and provision of debt advice and solutions accurately.

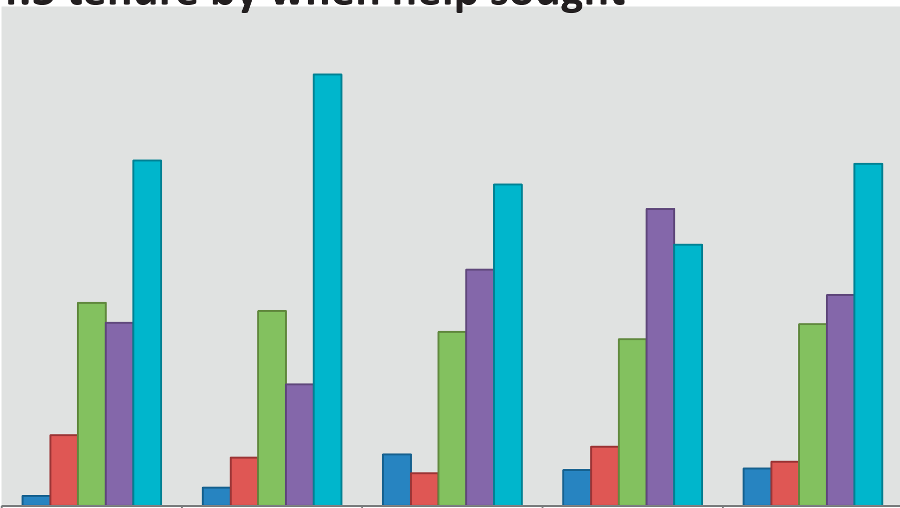
1.4.2 tenure by band



	Band 1 44	Band 2 84	Band 3 473	All 601
living with family / friends	2.3%	1.3%	5.3%	4.5%
home owner no mortgage	11.4%	3.6%	5.1%	5.3%
social tenant	20.5%	21.4%	22.0%	21.8%
private tenant	13.6%	25.0%	26.4%	25.3%
home owner mortgage	52.3%	47.6%	38.9%	41.1%

The comparison of tenure by when help was first sought revealed a gradual increase in the uptake of debt solutions by respondents who were social tenants, or homeowners without a mortgage, over the past five years. This would tend to indicate that recent demand for debt solutions has been fuelled by consumers seeking to resolve difficulties with unsecured borrowing, as opposed to debts secured against a property.

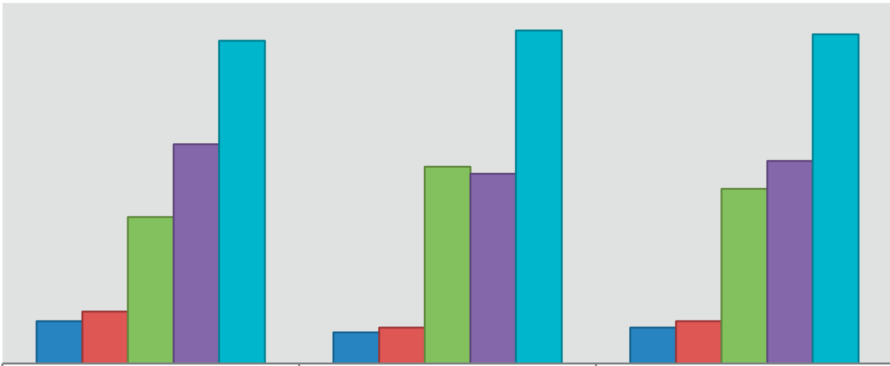
1.4.3 tenure by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
living with family / friends	1.2%	2.2%	6.2%	4.3%	4.5%
home owner no mortgage	8.5%	5.8%	3.9%	7.1%	5.3%
social tenant	24.4%	23.4%	20.9%	20.0%	21.8%
private tenant	22.0%	14.6%	28.4%	35.7%	25.3%
home owner mortgage	41.5%	51.8%	38.6%	31.4%	41.1%

There was a marked difference in the behaviour of social and private tenants, with social tenants less likely and private tenants more likely to have sought help from an agency other than their solution provider. In view of the significant investment by social landlords in tenant participation and communications since the start of the Millennium, further research is necessary to ascertain the wider prevalence of this finding.

1.4.4 tenure by other help sought



	sought help 263	not sought 334	All 601
living with family / friends	5.3%	3.9%	4.5%
home owner no mortgage	6.5%	4.5%	5.3%
social tenant	18.3%	24.6%	21.8%
private tenant	27.4%	23.7%	25.3%
home owner mortgage	40.3%	41.6%	41.1%

Homeowners were under-represented compared to the UK population as a whole, and this is a characteristic shared with other debt solutions providers. In recent years, the DRF client base seems to have been shifting towards homeowners, although responses to this survey pointed to some change in this during 2011. This is another trend to watch, given the gradual shift towards private rented accommodation across the UK housing market, effected by the economic downturn.

Table 1.4.1 Comparison of DRF Consumer Survey Respondents with CCCS Client Records by Tenure

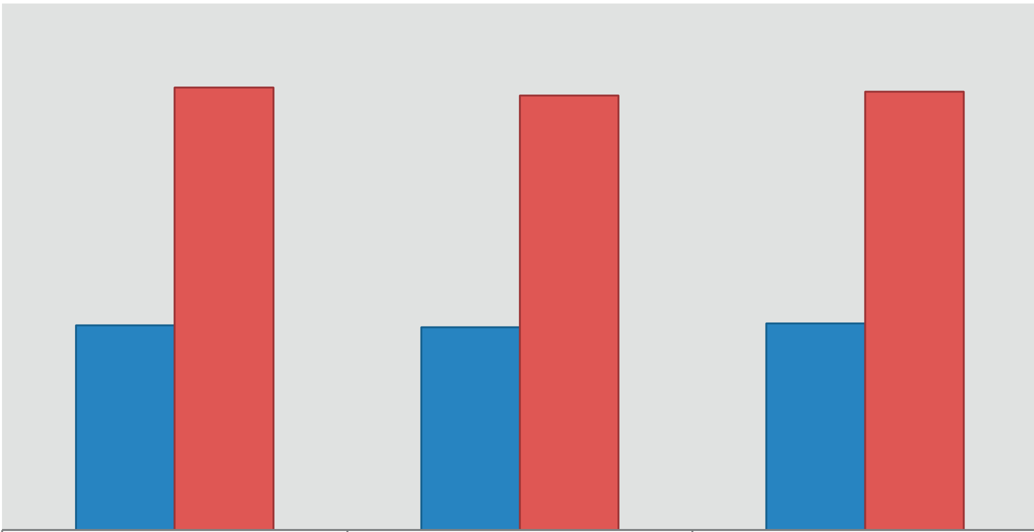
%	DRF respondents by tenure		CCCS clients by tenure	
	owners	renters	owners	renters
2011	52	48	45	55
2010	64	36	48	52
2009	55	45	49	51
2008	29	71	49	51
2007	42	58	42	58

Sources: Q21how many years since respondents started their solution and CCCS Statistical yearbooks

1.5 RELATIONSHIPS

Two-thirds of respondents to this survey stated that they were in a relationship and there was almost no variation in this between solutions. By contrast, the recent CCCS Statistical Yearbook stated that couples accounted for 48% of the charity's client base in 2011. Whilst other free to client agencies do not publish data for relationship status, there is usually a strong correlation between their client profiles. On this basis, it is reasonable to suggest that DRF Members attract a very different client base to the not-for-profit sector.

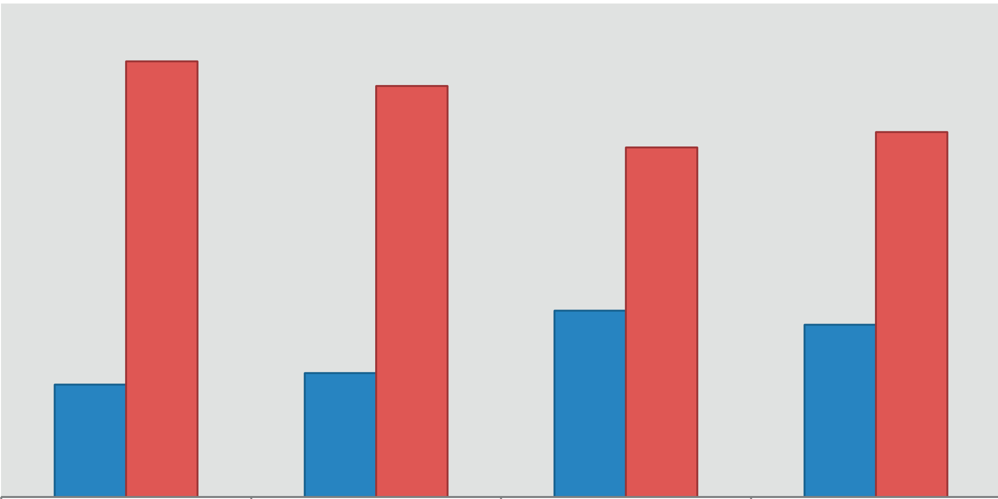
1.5.1 relationships by solution



	DMPs 399	IVAs 159	Total 601
single	31.1%	30.8%	31.4%
in a relationship	67.2%	66.0%	66.6%

The tendency for couples to use a paid solution was particularly apparent in the comparison of respondents' relationship status by band, where around three quarters of Band 2 clients and some four fifths of Band 1 clients were in a relationship. This further reinforced the suggestion of a very different client base experienced by DRF Members, and by smaller providers in particular. It is important to recognise that despite significant numbers of commercial CCLs, relatively little is known about smaller solutions providers.

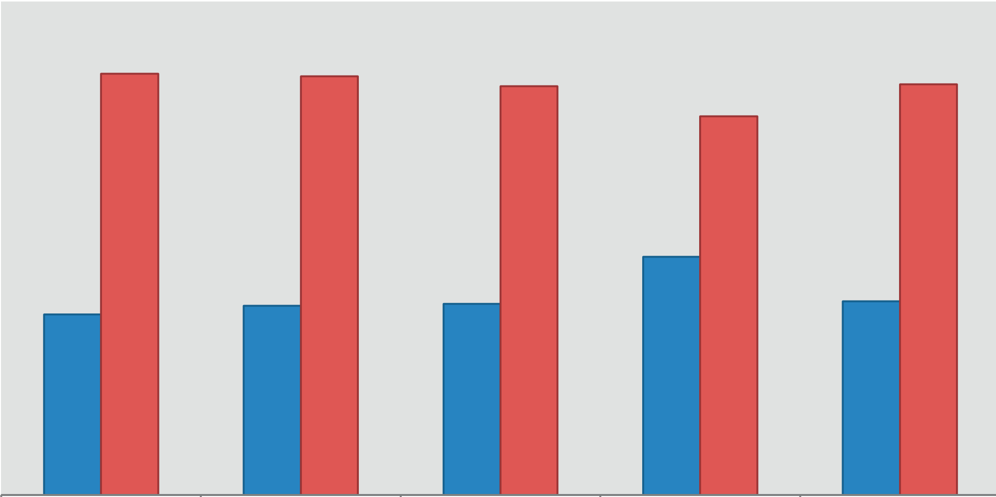
1.5.2 relationships by band



	Band 1 44	Band 2 84	Band 3 473	All 601
single	20.5%	22.6%	34.0%	31.4%
in a relationship	79.5%	75.0%	63.8%	66.6%

There was limited variation in relationship status relative to when help had first been sought, further signifying that fee-paying clients have had a different demographic to those using free solutions for some time.

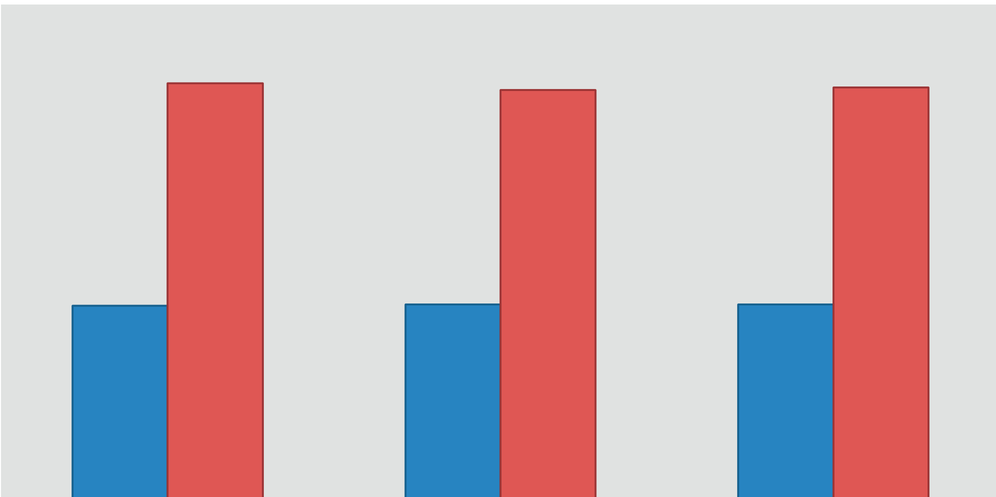
1.5.3 relationships by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
single	29.3%	30.7%	31.0%	38.6%	31.4%
in a relationship	68.3%	67.9%	66.3%	61.4%	66.6%

This was also apparent in the likelihood of couples and singles to seek alternative sources of debt help before entering a solution, which differed negligibly from the sample as a whole.

1.5.4 relationships by other help sought

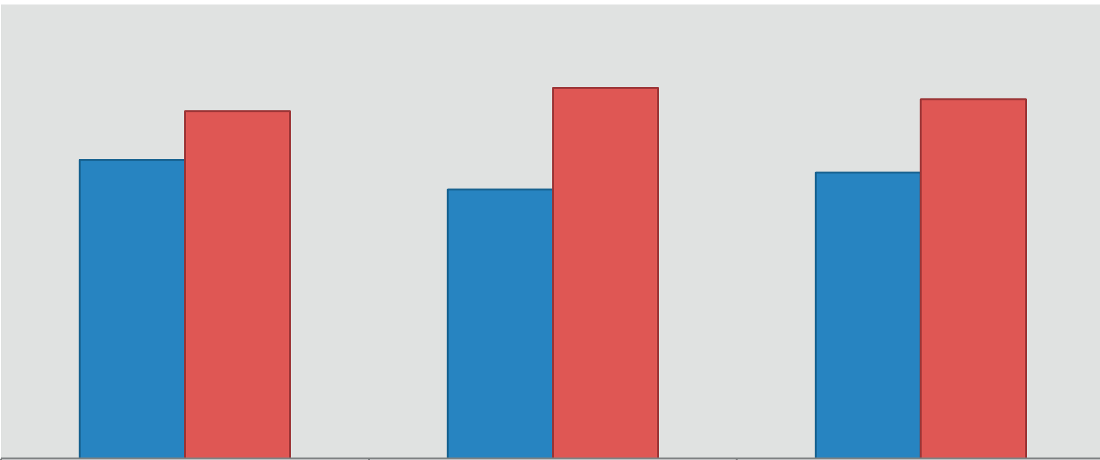


	sought help 263	not sought 334	All 601
single	31.2%	31.4%	31.4%
in a relationship	67.3%	66.2%	66.6%

1.6 DEPENDENT CHILDREN

Just over half of the respondents to this survey did not have dependent children - an almost identical proportion to the client base recorded by CCCS in 2011 (56%). The fact that these data are so similar poses a very real question about households that use paid solutions to recover from over-indebtedness. In almost all other aspects of demography, the profile of respondents to this survey differed significantly from the client base of the free to client sector, being older, more inclined towards home ownership, and in a relationship. That respondents who were either using or had used an IVA were less likely to have dependent children than those with DMPs was another indication that debtors using paid solutions differ from the profile of free to client debt advice and solutions clients that is generally reported in the public domain.

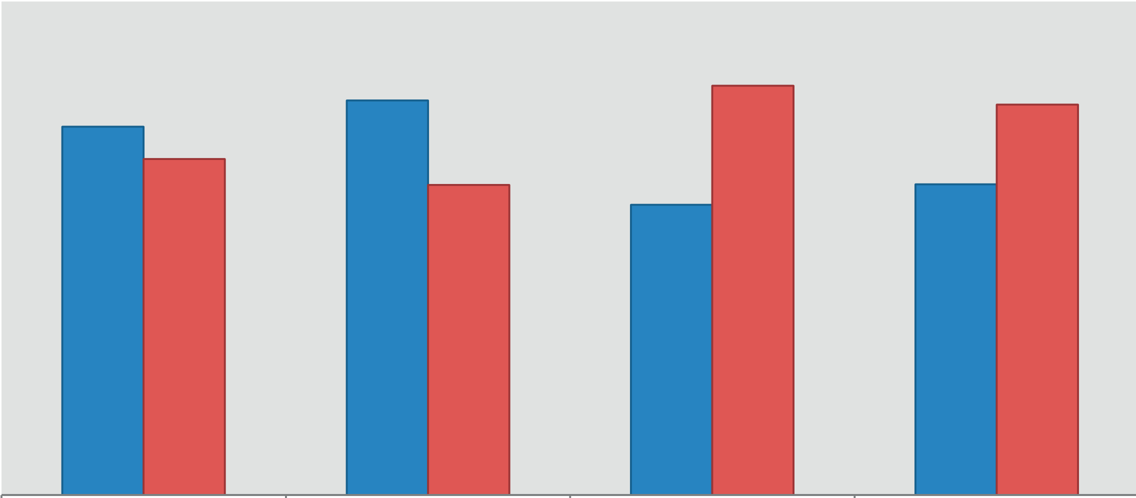
1.6.1 dependent children by solution



	DMPs 399	IVAs 159	Total 601
yes	46.1%	41.5%	44.1%
no	53.6%	57.2%	55.4%

Yet again, the contrasting client profile of paid solutions providers seemed exaggerated amongst smaller providers, with a greater tendency to serve families apparent in the responses of Band 1 and 2 clients.

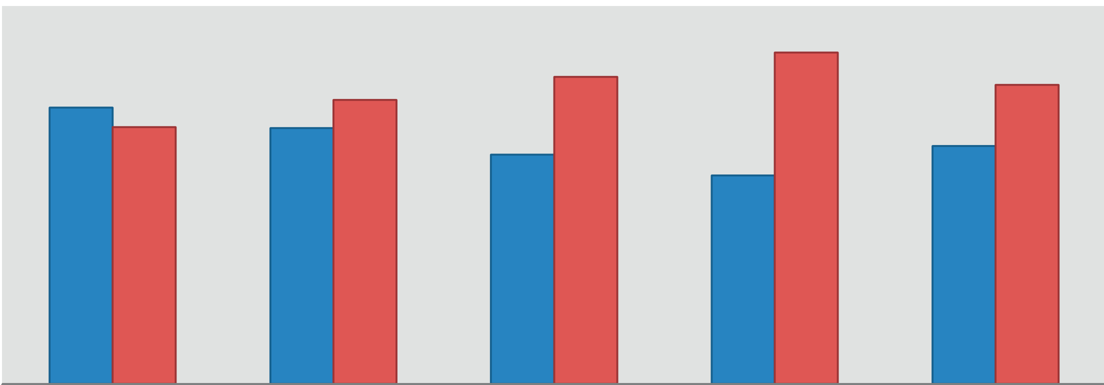
1.6.2 dependent children by band



	Band 1 44	Band 2 84	Band 3 473	All 601
yes	52.3%	56.0%	41.2%	44.1%
no	47.7%	44.0%	58.1%	55.4%

A recent increase in the proportion of families using paid solutions was apparent in the analysis of when help was first sought.

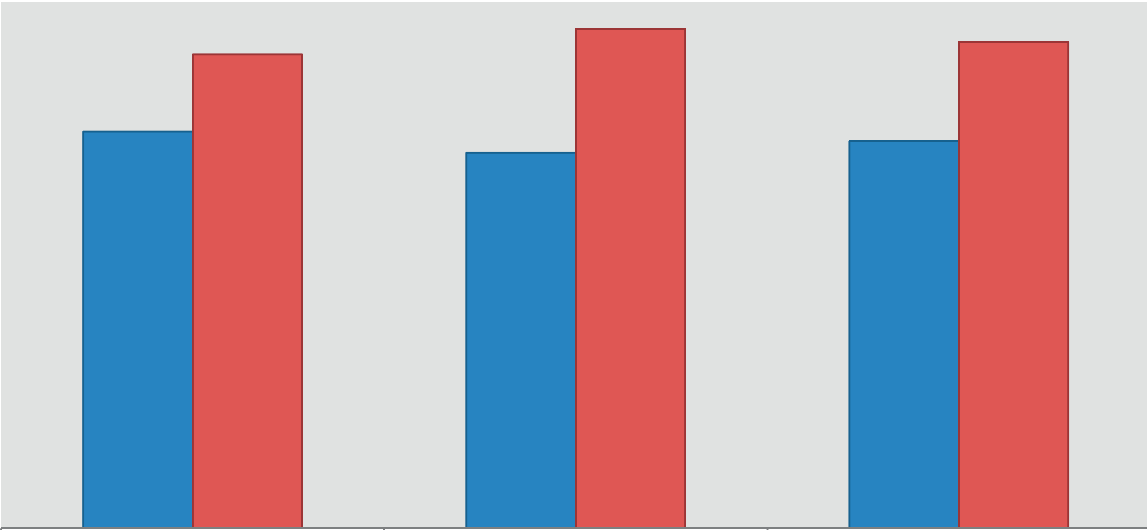
1.6.3 dependent children by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
yes	51.2%	47.4%	42.5%	38.6%	44.1%
no	47.6%	52.6%	56.9%	61.4%	55.4%

Respondents with children were also more likely to have looked at other sources of debt help.

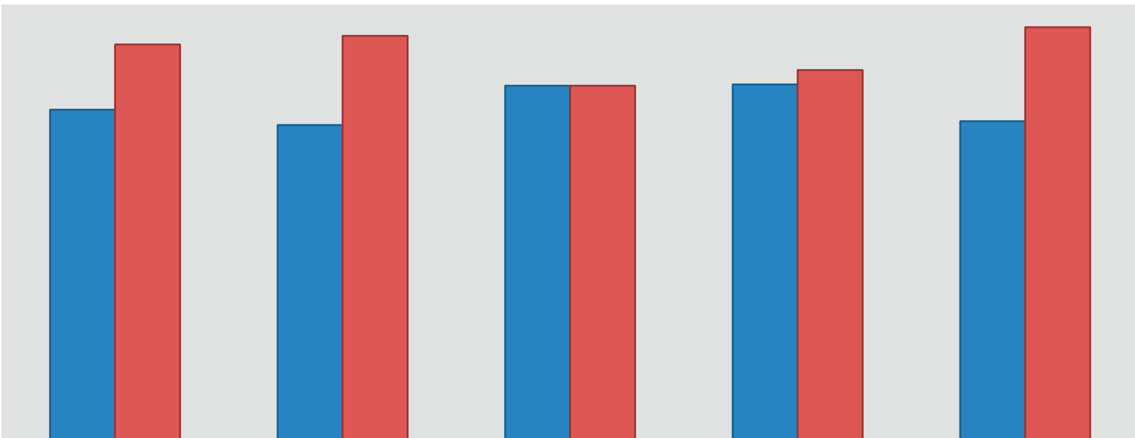
1.6.4 dependent children by other help sought



	sought help 263	not sought 334	All 601
yes	45.2%	42.8%	44.1%
no	54.0%	56.9%	55.4%

They were more likely to have sought help from a not-for-profit advice agency too.

1.6.4.1 dependent children by other main advice sources

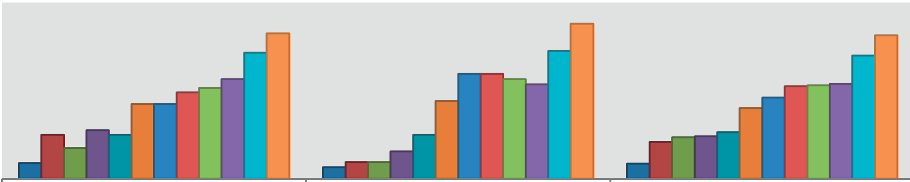


	other debt company	bank/ creditors	charity	MAS	All 601
yes	45.5%	43.4%	48.8%	49.0%	43.9%
no	54.5%	55.7%	48.8%	51.0%	56.9%

1.7 REGION

Respondents tended to come from the more densely populated regions of the UK, with over a quarter located in the South East and Greater London areas. Scottish figures may well be skewed, because a different range of solutions is on offer there and the sub-sample of respondents was relatively small at 28.

1.7.1 region by solution



	DMPs 399	IVAs 159	Total 601
Northern Ireland	1.8%	1.3%	1.7%
North East	5.0%	1.9%	4.2%
Scotland	3.5%	1.9%	4.7%
East Anglia	5.5%	3.1%	4.8%
Wales	5.0%	5.0%	5.3%
East Midlands	8.5%	8.8%	8.0%
Yorkshire & Humberside	8.5%	11.9%	9.2%
Greater London	9.8%	11.9%	10.5%
West Midlands	10.3%	11.3%	10.6%
South West	11.3%	10.7%	10.8%
North West	14.3%	14.5%	14.0%
South East	16.5%	17.6%	16.3%

Overall, ranking by region was similar to the CCCS 2011 client profile, with some subtle differences. However, the likelihood that these extend beyond the DRF membership brings into question the charity's presentation of London as the UK's debt capital ("London in the Red" 3rd May 2012) and it may well be pertinent to map indebtedness against recent analysis of poverty at the parish level by Church Urban Fund:

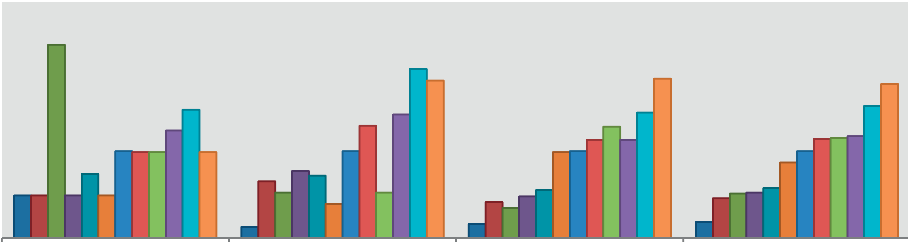
Table 1.7.1 Comparison of DRF Respondents and CCCS Clients by Region

rank	DRF Respondents	%	CCCS clients	%
1	South East	16.3	Greater London	16.4
2	North West	14.0	North West	13.0
3	South West	10.8	South East	12.9
4	West Midlands	10.6	West Midlands	10.1
5	Greater London	10.5	Yorkshire & Humberside	10.0
6	Yorkshire & Humberside	9.2	South West	8.5
7	East Midlands	8.0	East Midlands	6.5
8	Wales	5.3	East of England	5.8
9	East Anglia	4.8	Wales	5.2
10	Scotland	4.7	Scotland	5.1
11	North East	4.2	North East	4.6
12	Northern Ireland	1.7	Northern Ireland	1.9

Sources: Q30Respondent Region and CCCS Statistical yearbooks

By band, it was possible to see that smaller companies were far more likely to have a local or regional connection. This was significant because the client profile for Band 1 and 2 companies was often different to that of larger providers and tended to indicate a strong community based element that may not be in line with current thinking around debt advice channels.

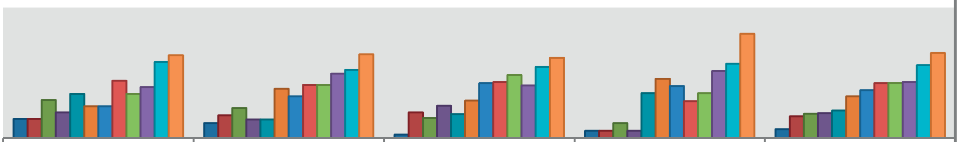
1.7.2 region by band



	Band 1 44	Band 2 84	Band 3 473	All 601
Northern Ireland	4.5%	1.2%	1.5%	1.7%
North East	4.5%	6.0%	3.8%	4.2%
Scotland	20.5%	4.8%	3.2%	4.7%
East Anglia	4.5%	7.1%	4.4%	4.8%
Wales	6.8%	6.6%	5.1%	5.3%
East Midlands	4.5%	3.6%	9.1%	8.0%
Yorkshire & Humberside	9.2%	9.2%	9.2%	9.2%
Greater London	9.1%	11.9%	10.4%	10.5%
West Midlands	9.1%	4.8%	11.8%	10.6%
South West	11.4%	13.1%	10.4%	10.8%
North West	13.6%	17.9%	13.3%	14.0%
South East	9.1%	16.7%	16.9%	16.3%

The comparison of when respondents had first sought debt help revealed that in several regions demand had been gradually increasing across the UK over the past five years.

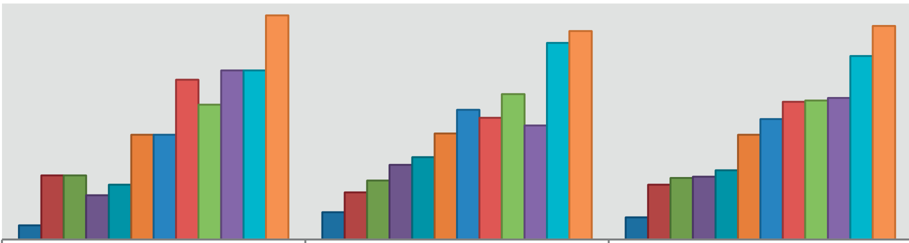
1.7.3 region by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
Northern Ireland	3.7%	2.9%	0.7%	1.4%	1.7%
North East	3.7%	4.4%	4.9%	1.4%	4.2%
Scotland	7.3%	5.8%	3.9%	2.9%	4.7%
East Anglia	4.9%	3.6%	6.2%	1.4%	4.8%
Wales	8.5%	3.6%	4.6%	8.6%	5.3%
East Midlands	6.1%	9.5%	7.2%	11.4%	8.0%
Yorkshire & Humberside	6.1%	8.0%	10.5%	10.0%	9.2%
Greater London	11.0%	10.2%	10.8%	7.1%	10.5%
West Midlands	8.5%	10.2%	12.1%	8.6%	10.6%
South West	9.8%	12.4%	10.1%	12.9%	10.8%
North West	14.6%	13.1%	13.7%	14.3%	14.0%
South East	15.9%	16.1%	15.4%	20.0%	16.3%

It was therefore interesting to note that respondents from regions such as Greater London and the South East, where demand has been consistently high over the past five years, were more likely to explore alternative sources of advice. This would tend to indicate a maturity of demand, with increased capacity for informed decision-making.

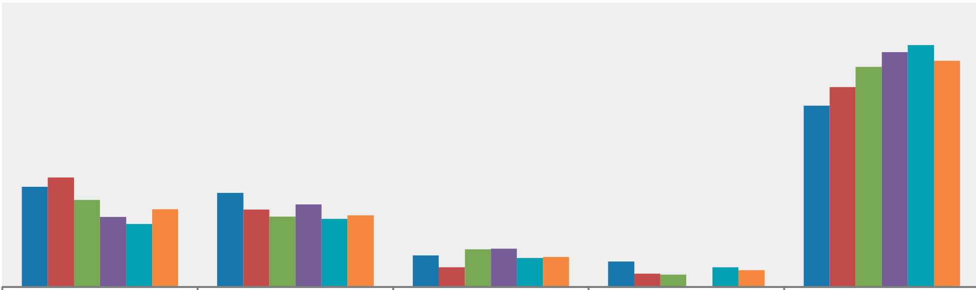
1.7.4 region by other help sought



	sought help 263	not sought 334	All 601
Northern Ireland	1.1%	2.1%	1.7%
North East	4.9%	3.6%	4.2%
Scotland	4.9%	4.5%	4.7%
East Anglia	3.4%	5.7%	4.8%
Wales	4.2%	6.3%	5.3%
East Midlands	8.0%	8.1%	8.0%
Yorkshire & Humberside	8.0%	9.9%	9.2%
Greater London	12.2%	9.3%	10.5%
West Midlands	10.3%	11.1%	10.6%
South West	12.9%	8.7%	10.8%
North West	12.9%	15.0%	14.0%
South East	17.1%	15.9%	16.3%

Seeking advice from a range of agencies before entering a solution was most often reported by respondents from the South West.

1.7.4.1 top five advice seeking regions by main advice sources



	not-for-profit agency	bank / creditors	other debt company	another source	did not seek other help
South West	24.6	23.1	7.7	6.2	44.6
Greater London	26.9	19	4.8	3.2	49.2
South East	21.4	17.3	9.2	3	54.1
West Midlands	17.2	20.3	9.4	0	57.8
North West	15.5	16.7	7.1	4.8	59.5
All 601	19.1	17.6	7.3	4.1	55.6

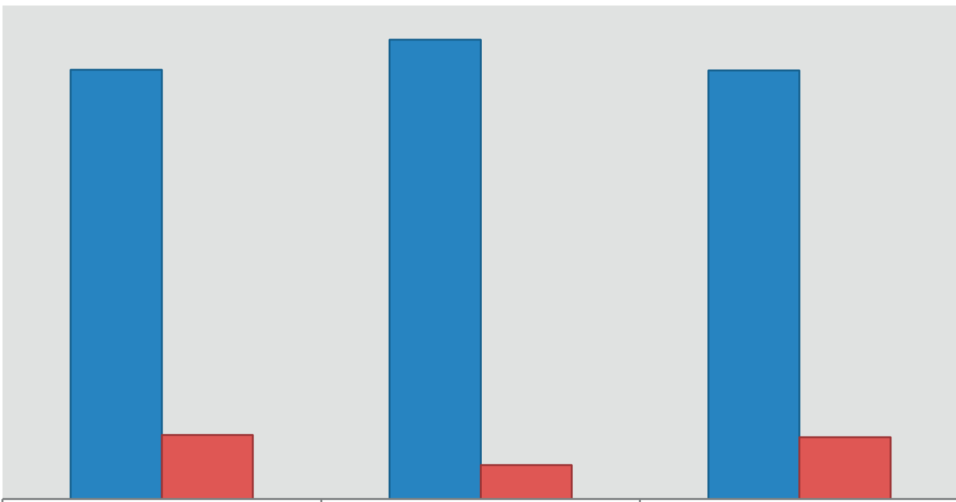
2 DECISIONS

2.1 USING A PAID SOLUTION

A total of 75, or 12.5% of the 601 respondents interviewed, had completed their debt solution with a DRF Member and only four respondents had either changed provider (3) or preferred not to say who their current provider was (1). This tends to indicate that clients of DRF Members are content to remain with their current debt solution provider.

The proportion of respondents reporting a completed solution varied by solution type, with those in IVAs less likely to have completed their solution than those on a DMP. Of the 75 who stated that their debt solution had come to an end, almost 7 out of 10 had completed a Debt Management Plan. There was some evidence to suggest that DMPs were serving as a short term solution and this will be explored in more detail in a subsequent report for this survey, focusing on the client demographic and financial circumstances.

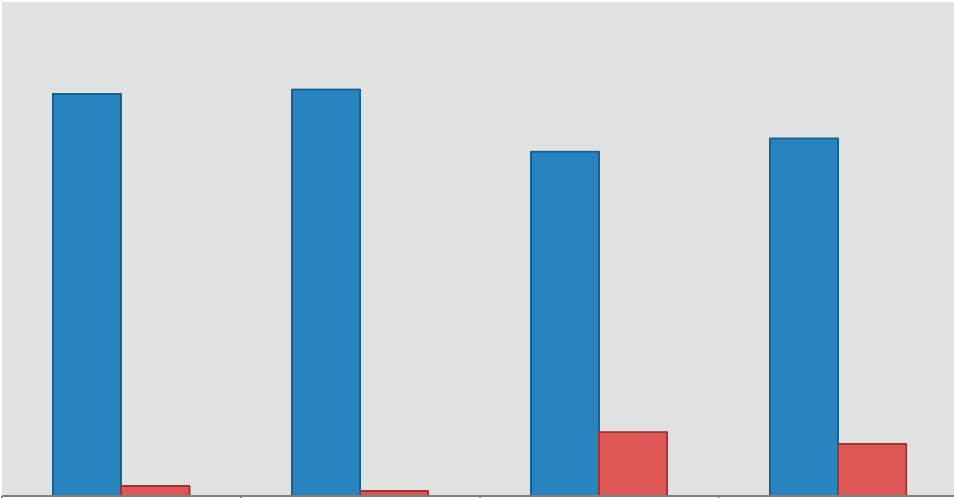
2.1.1 still providing by solution



	DMPs 399	IVAs 159	All 601
yes	87.0%	93.1%	86.9%
no - come to an end	13.0%	6.9%	12.5%

By Band, respondents who were clients of larger companies were more likely to have completed their debt solution. To some extent, this may be accounted for by the general tendency for larger companies to have been active for longer than smaller companies.

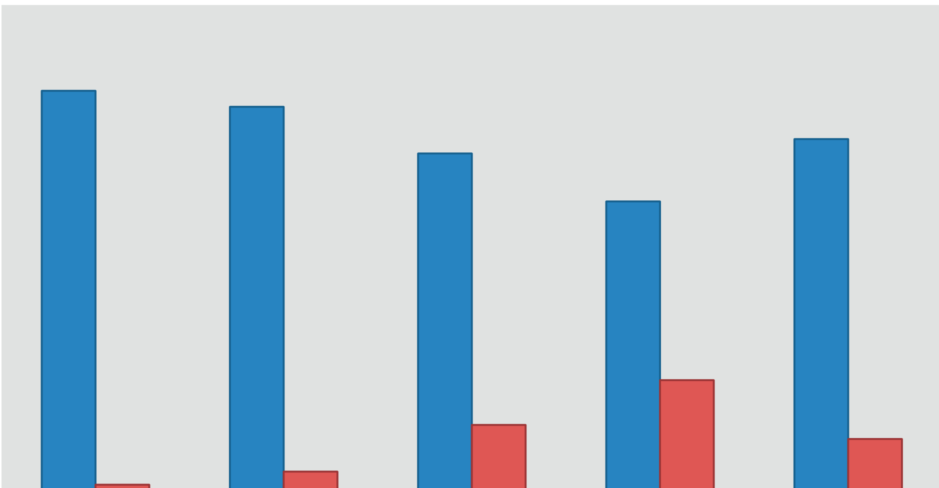
2.1.2 still providing by band



	Band 1 44	Band 2 84	Band 3 473	All 601
yes	97.7%	98.8%	83.7%	86.9%
no - come to an end	2.3%	1.2%	15.4%	12.5%

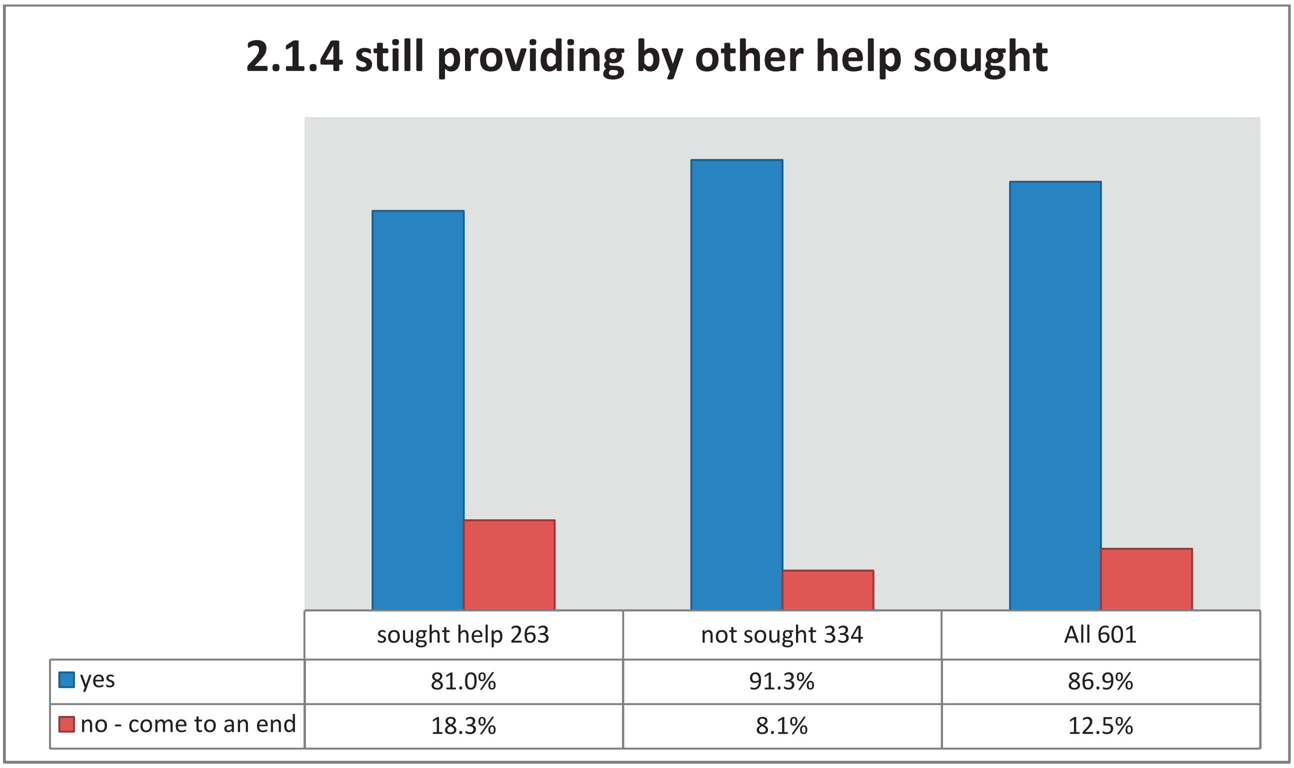
As might be expected, there was a distinct increase in completed solutions amongst respondents who indicated that they had first sought debt help some time ago.

2.1.3 still providing by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
yes	98.8%	94.9%	83.3%	71.4%	86.9%
no - come to an end	1.2%	4.4%	16.0%	27.1%	12.5%

Respondents who had sought help from an agency other than their solution provider were more than twice as likely to have completed their solution than those who had not. This will be an important indicator to observe, as support for informed decision-making progresses.



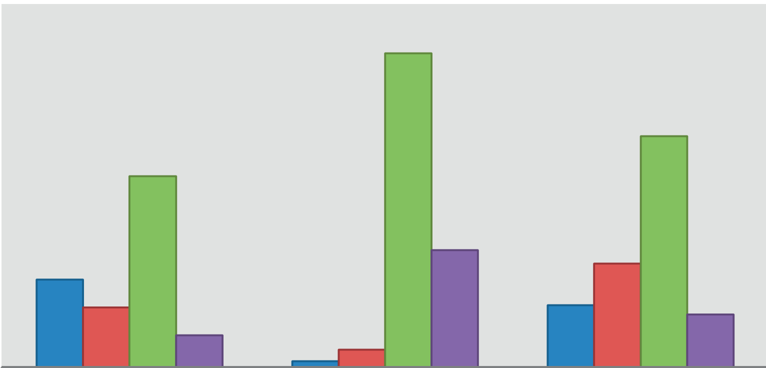
	sought help 263	not sought 334	All 601
yes	81.0%	91.3%	86.9%
no - come to an end	18.3%	8.1%	12.5%

2.2 1st HELP SOUGHT

Just over half of the respondents interviewed stated that they had first sought debt help within the last 2 to 5 years. There was a marked difference between respondents using DMPs and IVAs, with almost 7 out of 10 IVA clients first seeking help within the last 2 to 5 years, and over a quarter first seeking help more than 5 years ago.

The implication that around a quarter of IVA clients may have previously entered another solution before starting an IVA requires further research, not least as in April 2010 (Debt and Insolvency: The Full Picture), R3 reported: *"A significant proportion of people in formal insolvency procedures say they were previously in a DMP, suggesting a 'journey' from informal insolvency to formal insolvency in a considerable number of cases."*

2.2.1 help first sought by solution



	DMPs 399	IVAs 159	Total 601
within the last year	19.3%	1.3%	13.6%
one but less than two years ago	13.1%	3.8%	22.8%
two but less than five years ago	42.1%	69.2%	50.9%
more than five years ago	7.0%	25.8%	11.6%

Respondents who were Band 1 or 2 clients were more likely to state that they had first sought debt help recently, within the last year or one but less than two years ago. However, there were no IVA providers in Band 1, few in Band 2 and several in Band 3 and as commented previously, it is a general principle that smaller companies tend to be younger companies.

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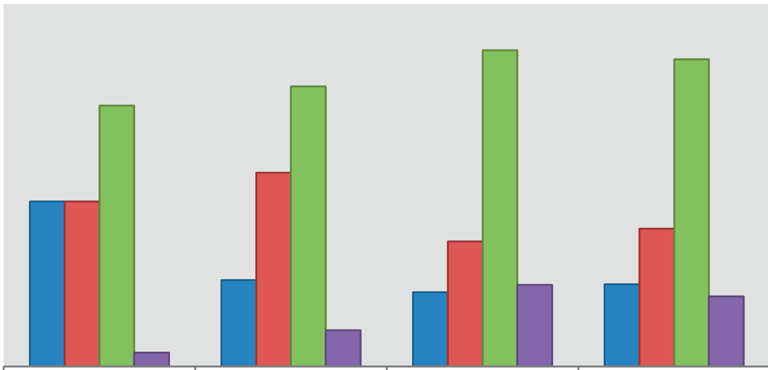
2.2.2 help first sought by band

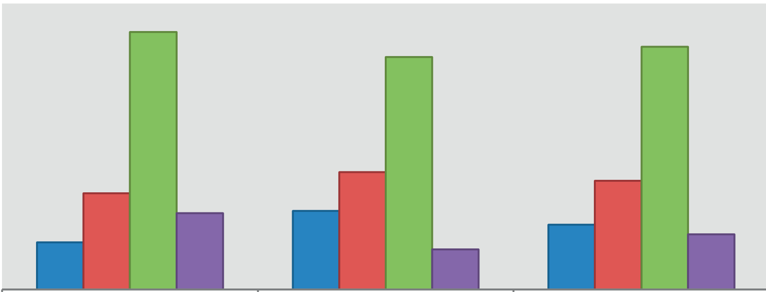


	Band 1 44	Band 2 84	Band 3 473	All 601
within the last year	27.3%	14.3%	12.3%	13.6%
one but less than two years ago	27.3%	32.1%	20.7%	22.8%
two but less than five years ago	43.2%	46.4%	52.4%	50.9%
more than five years ago	2.3%	6.0%	13.5%	11.6%

NB There is no graph for 2.2.3 help first sought by when help sought because they are the same variables.

Responses to this survey would tend to indicate that there has been a decline in shopping around for advice and support in the last year or two and this seems contrary to the OFT's efforts to promote informed decision-making. This may well be accounted for by consumers' perception of an urgent need for a debt solution, as economic uncertainty increases. It is also worth noting a parallel emphasis on the need for speed in decision-making, promoted by many in the payday lending sector.

2.2.4 help first sought by other help sought

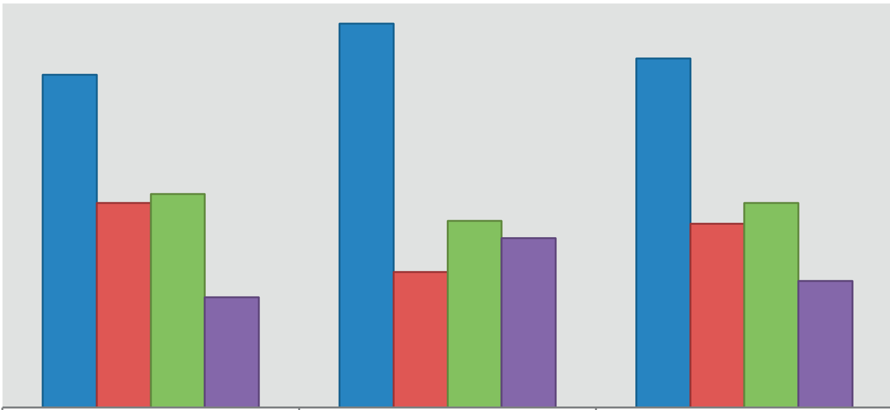


	sought help 263	not sought 334	All 601
within the last year	9.9%	16.5%	13.6%
one but less than two years ago	20.2%	24.6%	22.8%
two but less than five years ago	54.0%	48.8%	50.9%
more than five years ago	16.0%	8.4%	11.6%

2.3 1st HELP REASONS

In line with professional commentary across the sector, respondents cited the main reason for seeking debt help as a change in circumstances. Almost one in four respondents gave this reason. However, it was interesting to see this was more prevalent amongst IVA respondents than DMP respondents because the former had been debt solution clients for a longer period of time than the latter.

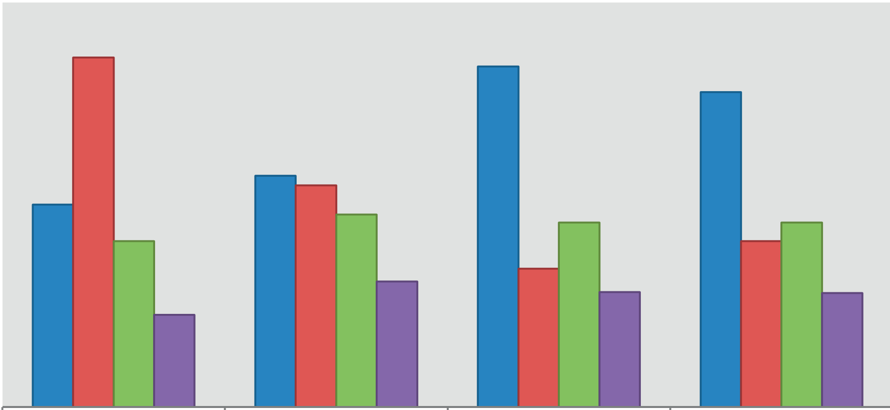
2.3.1 reasons by solution



	DMPs 399	IVAs 159	Total 601
a change in circumstances	37.1%	42.8%	38.9%
a drop in income	22.8%	15.1%	20.5%
increased outgoings	23.8%	20.8%	22.8%
overspending	12.3%	18.9%	14.1%

Given the differing demographic profile of respondents who were clients of Band 1 and 2 companies, compared to clients of Band 3 companies, it was significant to see that a drop in income was so often cited as the main reason for seeking debt help by these respondents. More than two fifths of Band 1 clients gave this as their main reason, which may be highly relevant to the numbers of homeowners and families approaching this kind of provider.

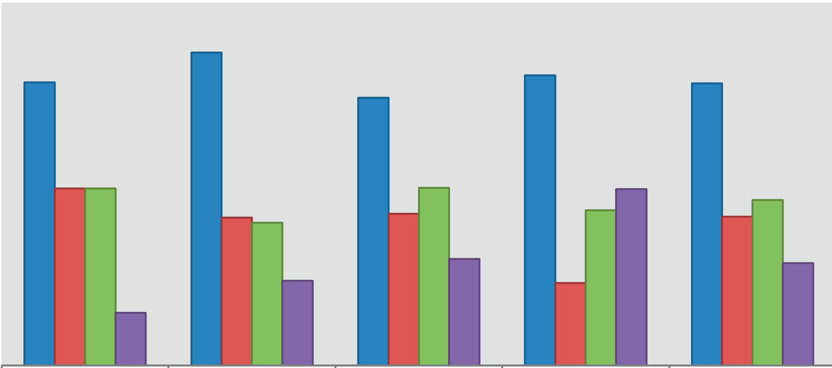
2.3.2 reasons by band



	Band 1 44	Band 2 84	Band 3 473	All 601
a change in circumstances	25.0%	28.6%	42.1%	38.9%
a drop in income	43.2%	27.4%	17.1%	20.5%
increased outgoings	20.5%	23.8%	22.8%	22.8%
overspending	11.4%	15.5%	14.2%	14.1%

The analysis of reasons for seeking debt help against when help was first sought also revealed a growing proportion of respondents citing a drop in income. It is likely that this reflects the wider economic downturn and an increasing prevalence of short and part-time working to combat joblessness.

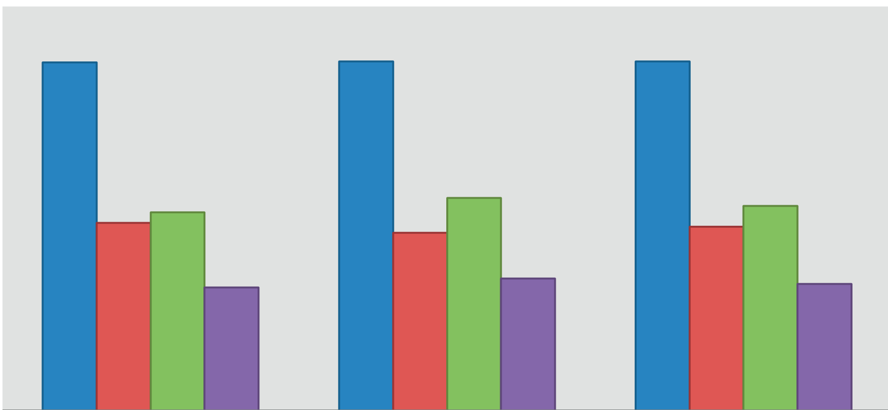
2.3.3 reasons by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
a change in circumstances	39.0%	43.1%	36.9%	40.0%	38.9%
a drop in income	24.4%	20.4%	20.9%	11.4%	20.5%
increased outgoings	24.4%	19.7%	24.5%	21.4%	22.8%
overspending	7.3%	11.7%	14.7%	24.3%	14.1%

There was limited variation in the reasons for seeking help between repsondents who had sought other advice and those who had not.

2.3.4 reasons by other help sought



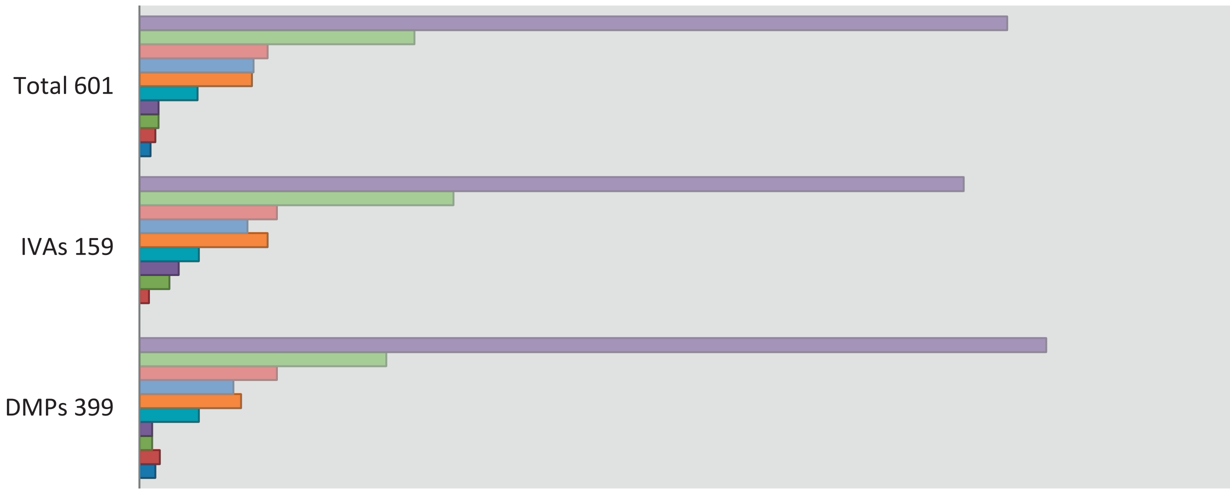
	sought help 263	not sought 334	All 601
a change in circumstances	38.8%	38.9%	38.9%
a drop in income	20.9%	19.8%	20.5%
increased outgoings	22.1%	23.7%	22.8%
overspending	13.7%	14.7%	14.1%

2.4 1st HELP SOURCES

Over two-fifths of respondents stated that they had sought help from another agency before entering a debt solution with a DRF Member and approaching one in five had sought help from a not-for-profit agency, such as a charity, government or council or the Money Advice Service.

Respondents who were using or had used a DMP were less likely than IVA clients to use other sources of help before entering a solution. Further research is necessary to explore whether the higher levels of indebtedness often experienced by IVA clients encourages them to seek more information before committing to a solution. This would most certainly help to inform strategies for earlier intervention and the prevention of over-indebtedness.

2.4.1 other help by solution



	DMPs 399	IVAs 159	Total 601
did not seek other help	58.1	52.8	55.6
bank/creditors	15.8	20.1	17.6
Money Advice Service	8.8	8.8	8.2
other debt company	6	6.9	7.3
charity	6.5	8.2	7.2
government /council	3.8	3.8	3.7
accountant/solicitor/IFA	0.8	2.5	1.2
friends/family	0.8	1.9	1.2
internet search	1.3	0.6	1.0
prefer not to say	1	0	0.7

It was interesting to note that the advice seeking patterns reported by DRF members' clients was very different to that presented by CCCS from its Client Survey Data at Appendix Three of the Statistical Yearbook for 2011. Clearly, the questions asked of survey respondents were not identical, but it would seem that CCCS clients tend to rely on informal networks for help and support, whereas DRF members' clients were more likely to approach financial services professionals.

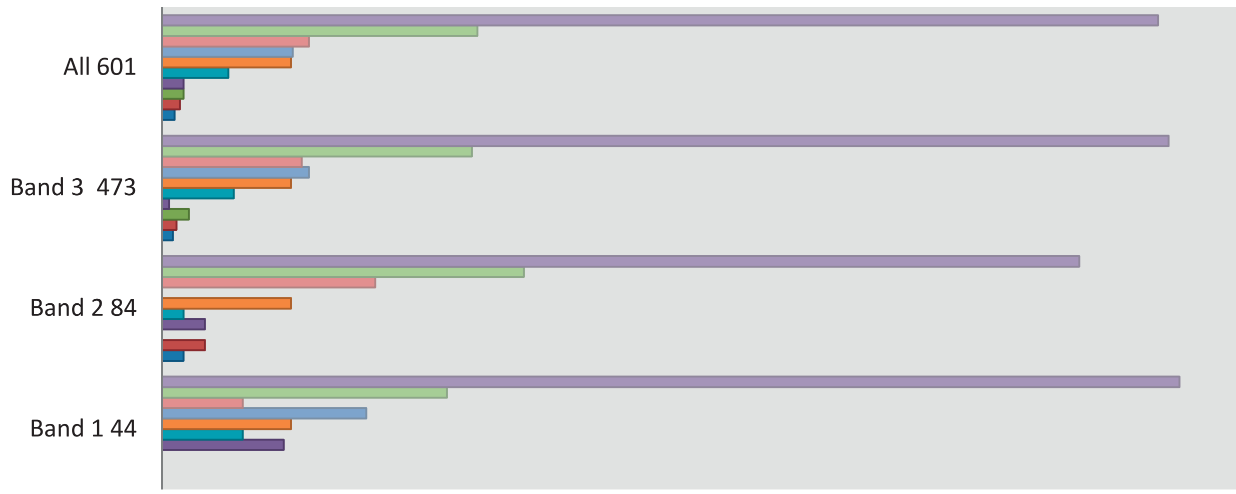
Table 2.4.1 Advice Seeking by CCCS Clients

Prior to contacting any debt advice charity was there anybody you had spoken to about your debt problems?	%
partner	42
close family / friends	25
no one	23
other	8
doctor / other medical professional	2
TOTAL	100

Source: Appendix Three, CCCS Statistical Yearbook 2011, Base = 2060

Respondents who were clients of Band 2 companies were more likely to shop around for help and advice before entering a solution than respondents who were Band 1 or 3 clients.

2.4.2 other help by band

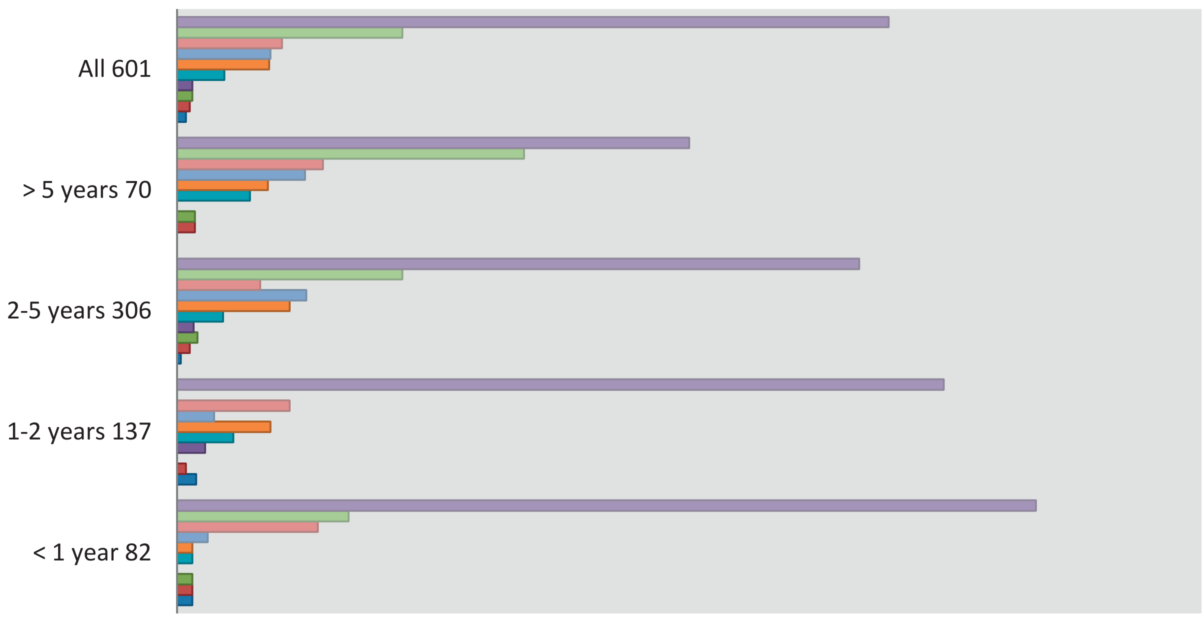


	Band 1 44	Band 2 84	Band 3 473	All 601
did not seek other help	56.8%	51.2%	56.2%	55.6%
bank/creditors	15.9%	20.2%	17.3%	17.6%
Money Advice Service	4.5%	11.9%	7.8%	8.2%
other debt company	11.4%	0.0%	8.2%	7.3%
charity	7.2%	7.2%	7.2%	7.2%
government /council	4.5%	1.2%	4.0%	3.7%
accountant/solicitor/IFA	6.8%	2.4%	0.4%	1.2%
friends/family	0.0%	0.0%	1.5%	1.2%
internet search	0.0%	2.4%	0.8%	1.0%
prefer not to say	0.0%	1.2%	0.6%	0.7%

Given the emphasis that the OFT has placed on informed-decision making, it was disappointing to see that the proportions of respondents who did not seek other help before entering a solution were greater amongst those who had first sought debt help in recent years. This trend is also contrary to the vision of consumer-centric advice sought by the Money Advice Service. To understand its wider prevalence and impact on consumer wellbeing, further research across the client base of both free to client and fee charging providers is necessary.

It was also interesting to note the number of respondents who stated that they had approached the Money Advice Service for help, before the agency existed under this name. Respondents may have used its predecessor Money Made Clear, but it is more likely they were referring to not-for-profit agencies, such as Advice UK members. In general, confusion around names was very common, even amongst clients visited for the case studies. The tendency to merge names that sound broadly familiar is perhaps best demonstrated by the response “Greginson Peck” (for Gregory Pennington), given as a source of other help by a respondent to this survey. In this report, responses indicating help sought from the Money Advice Service are included in the collation of not-for-profit sources. Our screening of 81 clients for a subsequent series of case studies in May 2012 recorded 19.75% of DRF members’ clients approaching a not-for-profit agency before entering a solution.

2.4.3 other help by when help sought



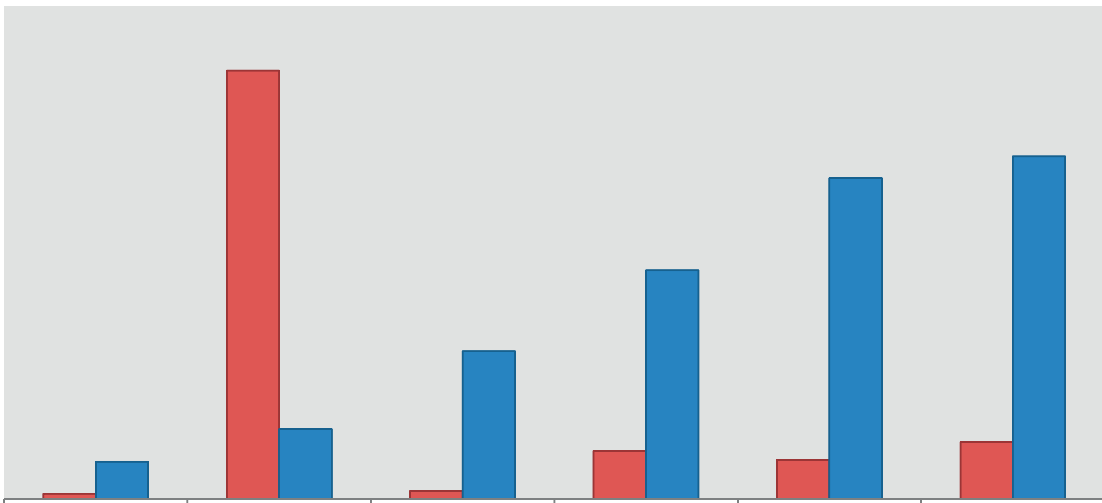
	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
did not seek other help	67.1%	59.9%	53.3%	40.0%	55.6%
bank/creditors	13.4%	0.0%	17.6%	27.1%	17.6%
Money Advice Service	11.0%	8.8%	6.5%	11.4%	8.2%
other debt company	2.4%	2.9%	10.1%	10.0%	7.3%
charity	1.2%	7.3%	8.8%	7.1%	7.2%

NB there is no chart 2.4.3 because the same variables apply.

2.5 DEBTORS' EXPERIENCE OF CREDITORS

The OFT's Irresponsible Lending Guidance sets out a range of new responsibilities for creditors with regard to handling account arrears and debt collections. In theory, creditors should restrict account sanctions once the debtor has entered some form of formal advice or debt repayment solution. From the sample as a whole, it was apparent that almost eight out of ten respondents reported that sanctions had stopped since entering a solution with a DRF member and it is likely that this proportion will rise in coming years.

2.5 Experiences Before and Since a Solution



	money withdrawn from other account	none of these	payment not accepted	continued communication	charges, interest, penalties increased	notices of legal action
Since	1.0	78.2	1.5	8.8	7.2	10.5
Before	6.8	12.8	27.0	41.8	58.6	62.6

A greater proportion of respondents who were DMP clients experienced account sanctions before a debt solution had started than IVA clients. However, once a solution had been put in place there were fewer differences between the two sub-sets of respondents. It was interesting to see that some IVA clients perceived sanctions to continue after a solution had been entered because creditor action should come to a halt once an agreement is in place. However, the case studies revealed a range of conflicting emotions and recollections amongst debtors who had been in a solution for some time, particularly when circumstances other than indebtedness had been challenging.

2.5.1 (a) experiences before a solution by solution

	DMP 299	IVA 159	ALL 601
money withdrawn from other account	6.5	8.2	6.8
none of these	11.0	18.2	12.8
token payment not accepted	29.1	23.3	27.0
confusing communication	40.6	44.0	41.8
same, or increased, interest, penalties and charges	60.2	52.2	58.6
notices of legal action	64.2	58.5	62.6
calls or visits at unreasonable times	68.7	66.0	67.9

2.5.1 (b) experiences since a solution by solution

	DMP 299	IVA 159	ALL 601
money withdrawn from other account	0.8	1.3	1.0
token payment not accepted	1.3	1.3	1.5
same, or increased, interest, penalties and charges	6.8	6.9	7.2
confusing communication	8.0	7.5	8.8
calls or visits at unreasonable times	8.5	8.2	9.5
notices of legal action	8.8	9.4	10.5
none of these	79.2	81.8	78.2

Respondents who were clients of smaller companies in Bands 1 or 2 were far more likely to continue experiencing account sanctions after a solution had been put in place. This was especially prevalent amongst Band 1 clients. It is particularly significant that smaller companies seemed to be less effective at stopping creditor sanctions because, as the Market Size research revealed, they account for a significant proportion of supply. If creditors are negotiating more favourably with larger debt management companies, then this could predicate against the more diverse and localised client base of smaller solutions providers.

2.5.2 (a) experiences before a solution by band

	Band 1 44	Band 2 84	Band 3 473	ALL 601
money withdrawn from other account	6.8	3.6	7.2	6.8
none of these	13.6	9.5	13.3	12.8
token payment not accepted	13.6	26.2	28.3	27.0
confusing communication	31.8	40.5	42.9	41.8
same, or increased, interest, penalties and charges	63.6	65.5	56.9	58.6
notices of legal action	43.2	60.7	64.7	62.6
calls or visits at unreasonable times	65.9	53.6	70.6	67.9

2.5.2 (b) experiences since a solution by band

	Band 1 44	Band 2 84	Band 3 473	ALL 601
money withdrawn from other account	2.3	4.8	1.1	1.0
token payment not accepted	4.5	2.4	1.1	1.5
same, or increased, interest, penalties and charges	18.2	10.7	5.5	7.2
confusing communication	20.5	10.7	7.4	8.8
calls or visits at unreasonable times	20.5	7.1	8.9	9.5
notices of legal action	25.0	10.7	9.1	10.5
none of these	56.8	73.8	81.0	78.2

There was also evidence that respondents who had most recently sought help with a debt problem were more likely to continue experiencing account sanctions after a solution had been entered. However, it should be noted that in some instances, creditors will maintain sanctions until repayments are made regularly and this is one of the reasons for professional contention around the charging of up-front fees.

2.5.3 (a) experiences before a solution by when help sought

	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	ALL 601
money withdrawn from other account	6.1	5.1	8.5	4.3	6.8
none of these	14.6	12.4	13.4	8.6	12.8
token payment not accepted	30.5	24.1	26.8	27.1	27.0
confusing communication	41.5	38.0	43.1	42.9	41.8
same, or increased, interest, penalties and charges	53.7	62.0	57.5	62.9	58.6
notices of legal action	57.3	59.1	66.3	60.0	62.6
calls or visits at unreasonable times	63.4	65.7	69.6	71.4	67.9

2.5.3 (b) experiences since a solution by when help sought

	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	ALL 601
money withdrawn from other account	1.2	0.0	1.3	1.4	1.0
token payment not accepted	2.4	0.7	2.0	0.0	1.5
same, or increased, interest, penalties and charges	12.2	6.6	6.9	4.3	7.2
confusing communication	14.6	8.0	7.8	7.1	8.8
calls or visits at unreasonable times	13.4	8.8	7.8	12.9	9.5
notices of legal action	14.6	9.5	9.2	14.3	10.5
none of these	65.9	80.3	81.4	75.7	78.2

Respondents who had sought a range of help before entering a solution were more likely to report experiences of account sanctions before entering a solution than those who had not used other sources of help and advice. Evidence emerging from the May 2012 case studies is that sanctions are often a prompt to take action and seek help. However, it is clearly in debtors' interests to seek a range of advice before sanctions occur, so that an informed choice about an appropriate solution and reliable provider can be made.

2.5.4 (a) experiences before a solution by other help sought

	sought 263	not sought 334	ALL 601
money withdrawn from other account	6.8	6.9	6.8
none of these	9.5	15.6	12.8
token payment not accepted	29.7	24.9	27.0
confusing communication	46.0	38.3	41.8
same, or increased, interest, penalties and charges	65.0	53.9	58.6
notices of legal action	68.4	57.8	62.6
calls or visits at unreasonable times	72.2	64.4	67.9

2.5.4 (b) experiences since a solution by other help sought

	sought 263	not sought 334	ALL 601
money withdrawn from other account	0.8	1.2	1.0
token payment not accepted	0.8	2.1	1.5
same, or increased, interest, penalties and charges	9.1	5.7	7.2
confusing communication	5.7	11.4	8.8
calls or visits at unreasonable times	10.6	8.7	9.5
notices of legal action	11.8	9.6	10.5
none of these	77.2	78.7	78.2

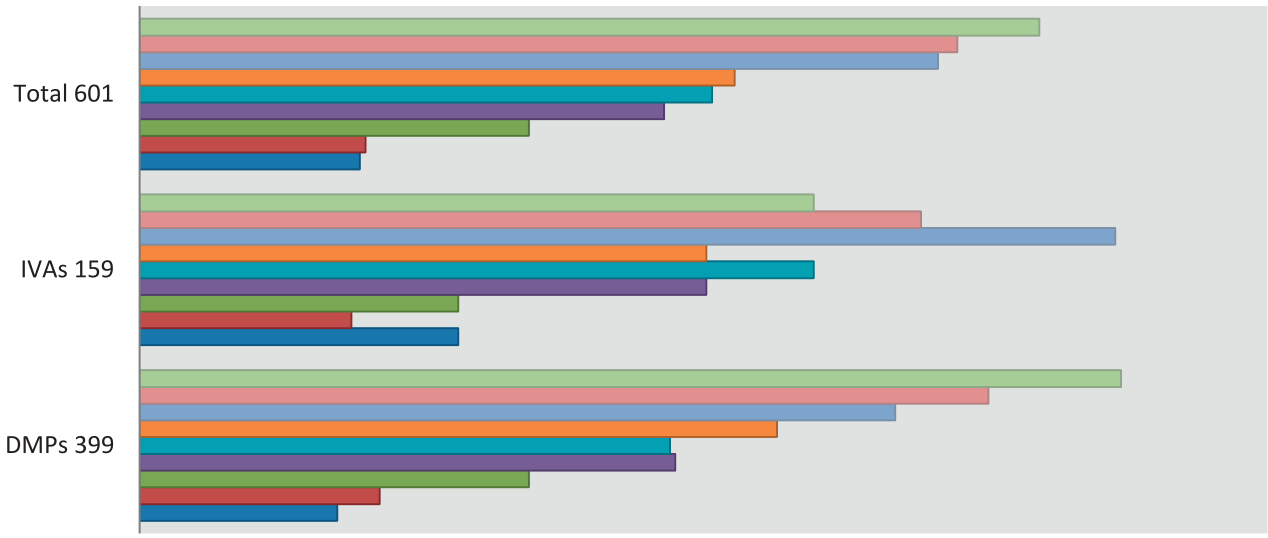
3 DELIVERY

3.1 1st IMPRESSIONS FROM INITIAL CONTACT WITH DRF MEMBERS

Just under a third of respondents to this survey stated that they had been contacted by their solution provider. Respondents were not asked how this had come about because the question does not lend itself to a short telephone interview easily. Some companies, like Ashley Park / Express Debt have internal referral procedures because they are part of a larger personal finance group. Others clearly had good relationships with other professionals because around one in five respondents stated that the DRF member they were using had been recommended to them.

The case studies revealed that some respondents were not always clear about how contact had been made and both the case studies and this survey provided evidence that some clients either forget or prefer to forget the specifics of their circumstances. Confusion over agency and solution names was common, as was ignorance of income, mortgage and borrowing levels, even with an appointment to discuss financial circumstances. On this basis, there may continue to be an issue with the perceived transparency of referrals for some time and DRF would do well to establish clear signposts to address this.

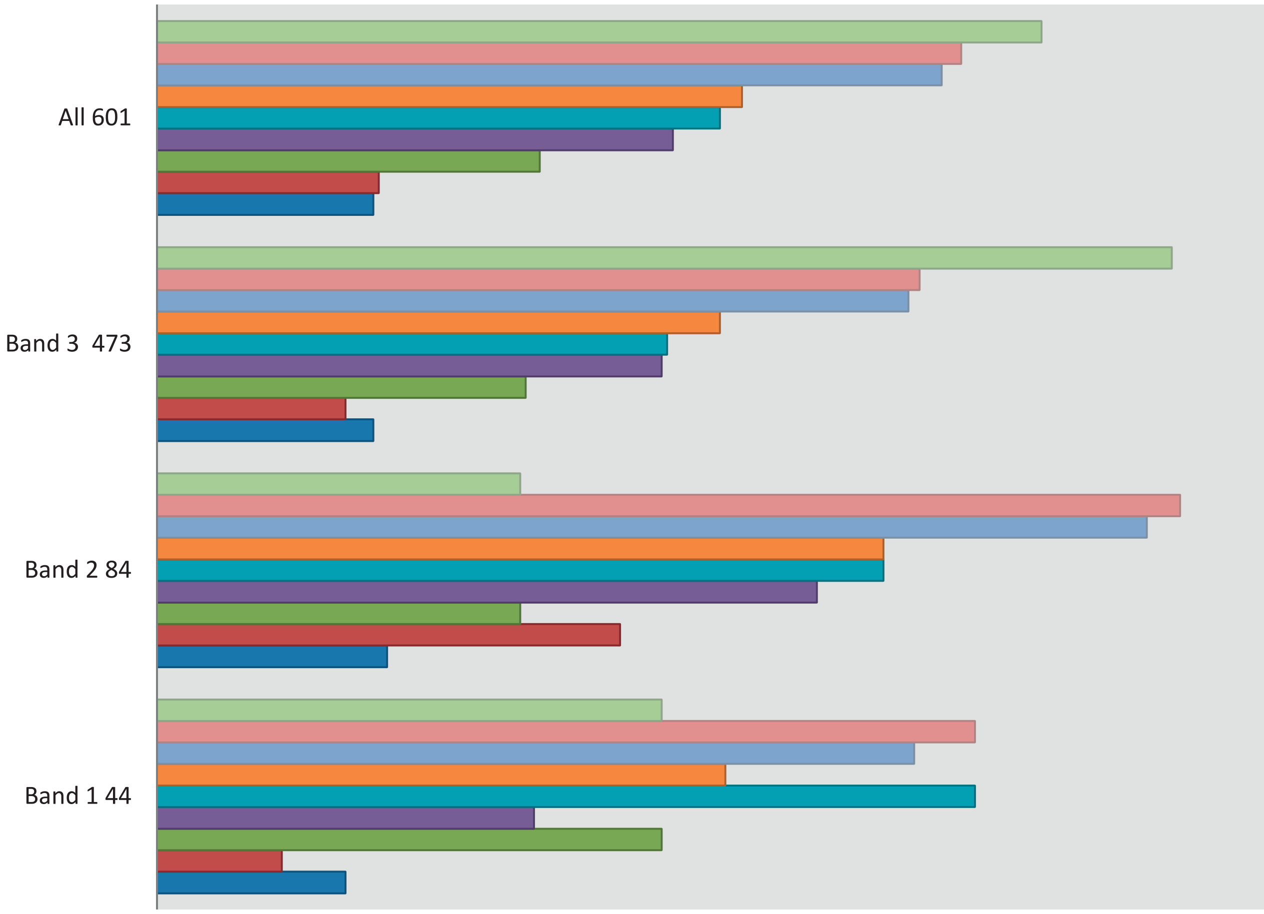
3.1.1 1st impressions by solution



	DMPs 399	IVAs 159	Total 601
they contacted me	34.8%	23.9%	31.9%
clear contact details	30.1%	27.7%	29.0%
top of an internet search	26.8%	34.6%	28.3%
overview of debt solutions	22.6%	20.1%	21.1%
testimonials / referrals	18.8%	23.9%	20.3%
fee examples	19.0%	20.1%	18.6%
advertisements	13.8%	11.3%	13.8%
CCL number	8.5%	7.5%	8.0%
DRF / professional standards	7.0%	11.3%	7.8%

Respondents who were clients of smaller companies, in Band 1 or 2, were less likely to state that one of the first things they noticed about their provider was being contacted by them and more likely to comment that the DRF Member they were using had been recommended. This reinforces the probability that word of mouth and community networks drive a significant proportion of demand for fee-charging solutions. However, given the levels of confusion around advice agencies' and solutions providers' names, DRF would do well to develop guidance on tracking recommendations received by its members.

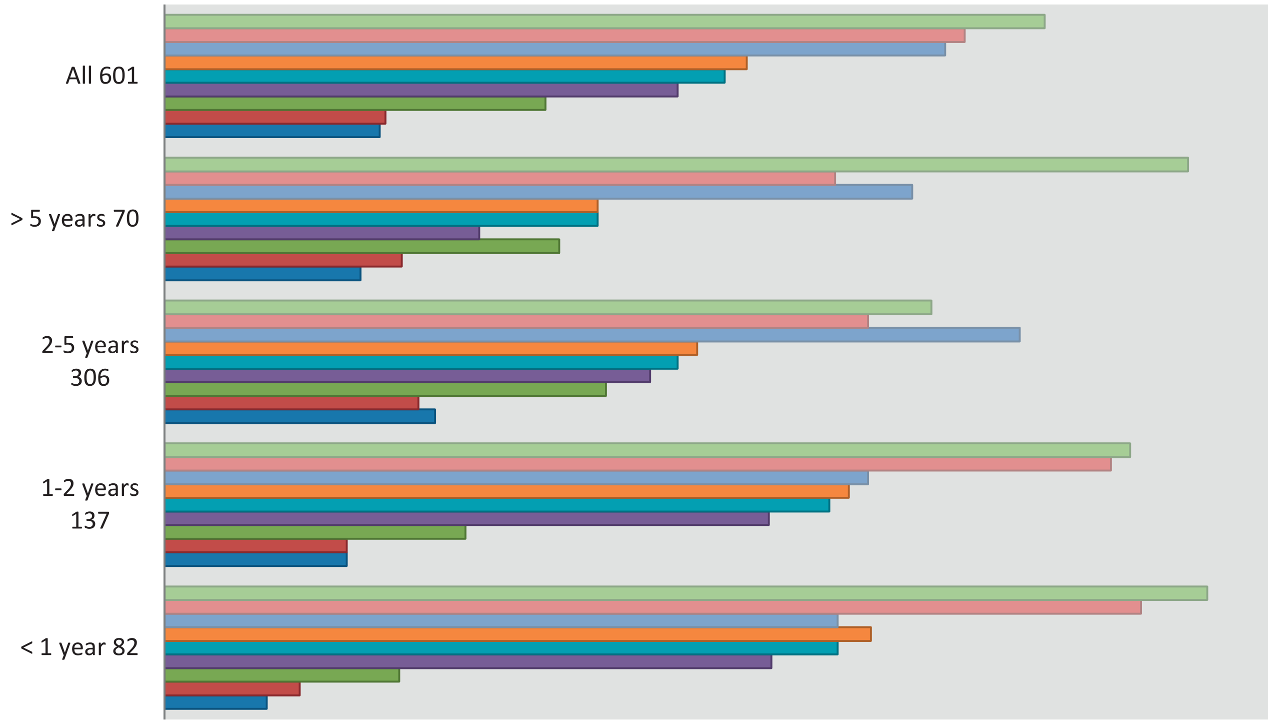
3.1.2 1st impressions by band



	Band 1 44	Band 2 84	Band 3 473	All 601
they contacted me	18.2%	13.1%	36.6%	31.9%
clear contact details	29.5%	36.9%	27.5%	29.0%
top of an internet search	27.3%	35.7%	27.1%	28.3%
overview of debt solutions	20.5%	26.2%	20.3%	21.1%
testimonials / referrals	29.5%	26.2%	18.4%	20.3%
fee examples	13.6%	23.8%	18.2%	18.6%
advertisements	18.2%	13.1%	13.3%	13.8%
CCL number	4.5%	16.7%	6.8%	8.0%
DRF / professional standards	6.8%	8.3%	7.8%	7.8%

Relating what respondents noticed about DRF members when making initial contact to when debt help had first been sought, it was interesting to see that the more recently a respondent had sought help, the less likely they were to have spotted a DRF member at the top of an internet search. It was also clear that experiences of being contacted by a DRF Member were more prevalent in recent years. The evidence of improved transparency in the proportions of respondents noticing clear contact details, examples of fees, and overviews of debt solutions demonstrated the value of DRF interventions regarding compliance and further guidance on signposting infomred consent to referrals is recommended.

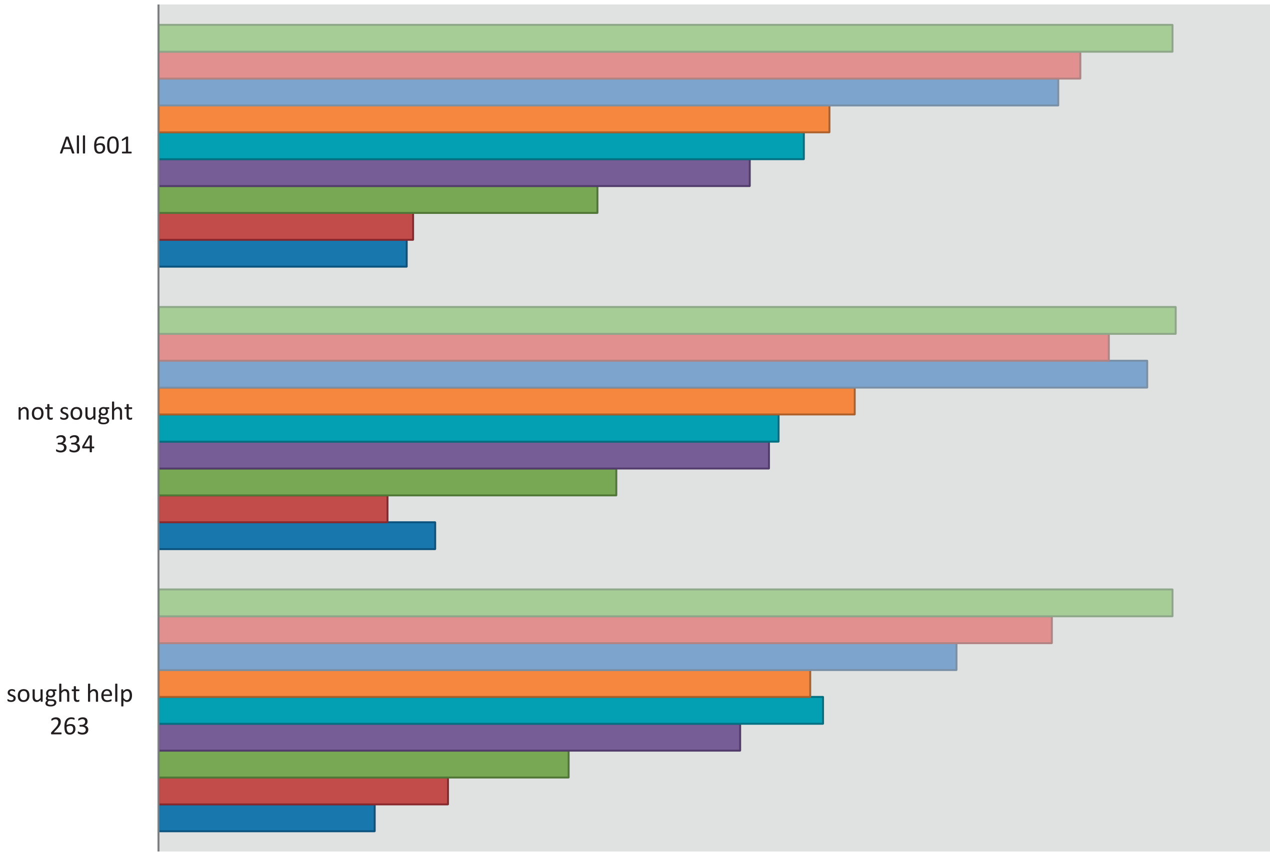
3.1.3 1st impressions by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
they contacted me	37.8%	35.0%	27.8%	37.1%	31.9%
clear contact details	35.4%	34.3%	25.5%	24.3%	29.0%
top of an internet search	24.4%	25.5%	31.0%	27.1%	28.3%
overview of debt solutions	25.6%	24.8%	19.3%	15.7%	21.1%
testimonials / referrals	24.4%	24.1%	18.6%	15.7%	20.3%
fee examples	22.0%	21.9%	17.6%	11.4%	18.6%

Respondents who had not sought help other than from their solution provider were more likely to say that they noticed their provider came top of an internet search than those who had sought other help. Other than this, there was limited difference in the responses of these two sub-sets.

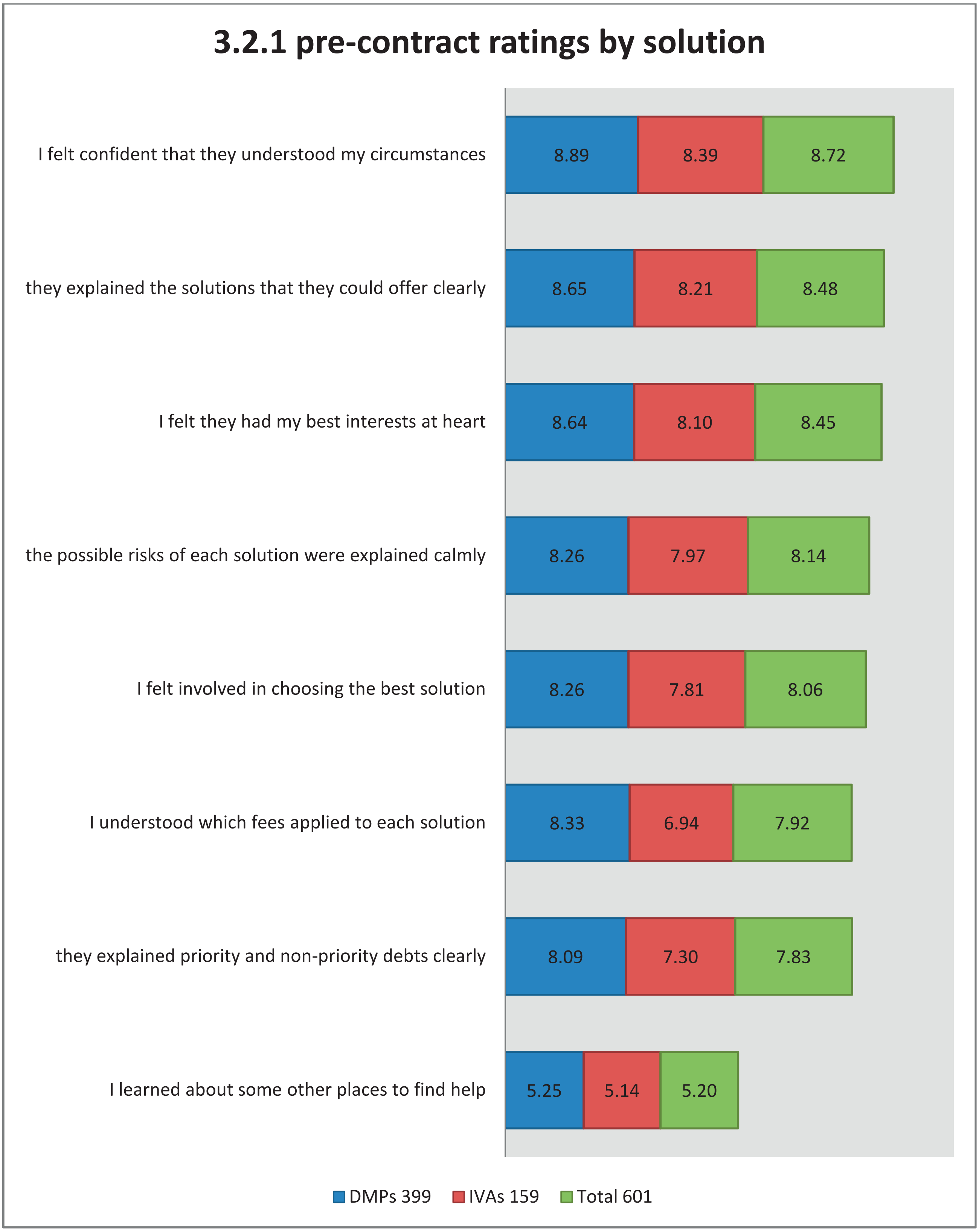
3.1.4 1st impressions by other help sought



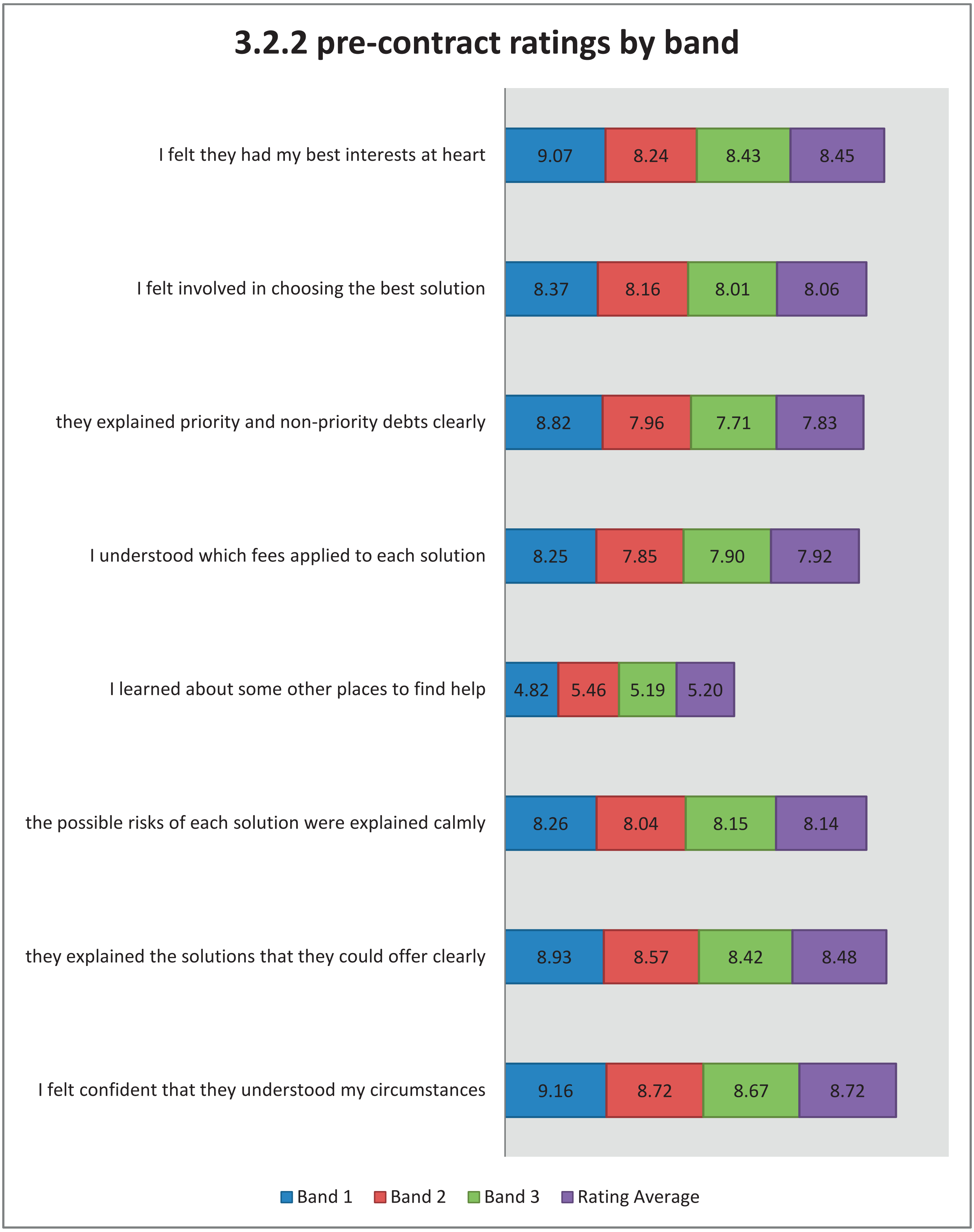
	sought help 263	not sought 334	All 601
they contacted me	31.9%	32.0%	31.9%
clear contact details	28.1%	29.9%	29.0%
top of an internet search	25.1%	31.1%	28.3%
overview of debt solutions	20.5%	21.9%	21.1%

3.2 PRE-CONTRACT

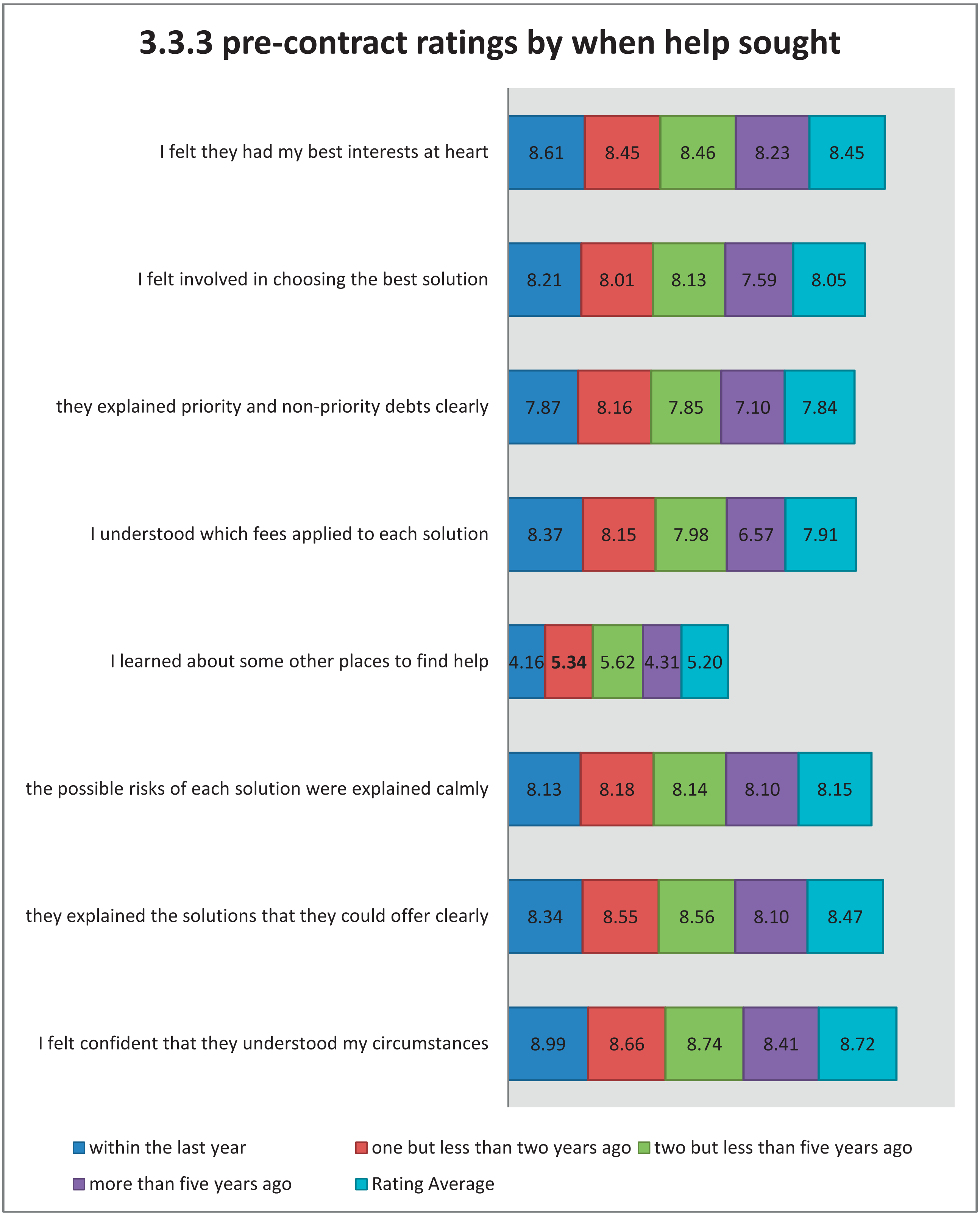
With the exception of learning about other places to find help, which scored marginally above the mid-point and was therefore rated average, all pre-contract performance ratings for DRF Members were above a score of seven out of ten and therefore in the range of good to very good. DMP clients were more likely to say that they understood which fees applied to each solution than IVA clients were.



With the exception of learning about other places to find help, Band 1 clients gave higher scores to their providers than Band 2 or 3 clients. Band 2 clients rated their providers higher for learning about other places to find help than clients of providers in other bands, so it was interesting that respondents who had sought other help before entering a solution also gave their providers higher ratings for this attribute (5.34) than those who had not done this (5.08). Procedures for recording prior advice seeking would help to inform the relevance of not-for-profit referrals recommended in the OFT Debt Management Guidance.



There were high ratings for the transparency of information about fees from respondents who said that they had first looked for debt help within the last year, or one to two years ago. However, this trend reversed in relation to learning about other places to find help. To some extent, this may have been due to uncertainty about the not-for-profit referral process and the recent qualification of this in the OFT's Debt Management Guidance is noted.

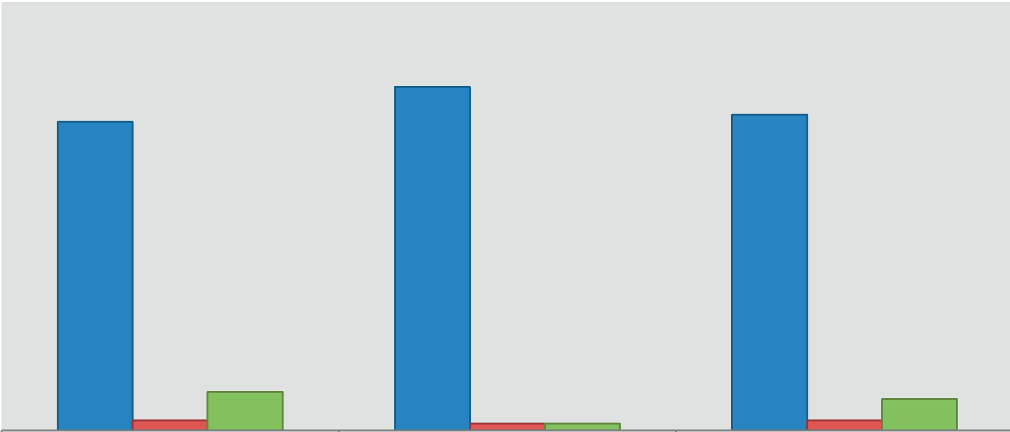


NB 3.3.4 pre-contract ratings by other help sought did not show any significant differences and the chart is therefore omitted.

3.3 THE PROPOSAL

Almost nine out of ten respondents stated that they received a written proposal before entering their debt solution. The proportion was higher among IVA clients and it is worth noting that just under 11% of DMP clients did not know whether they had received a written proposal.

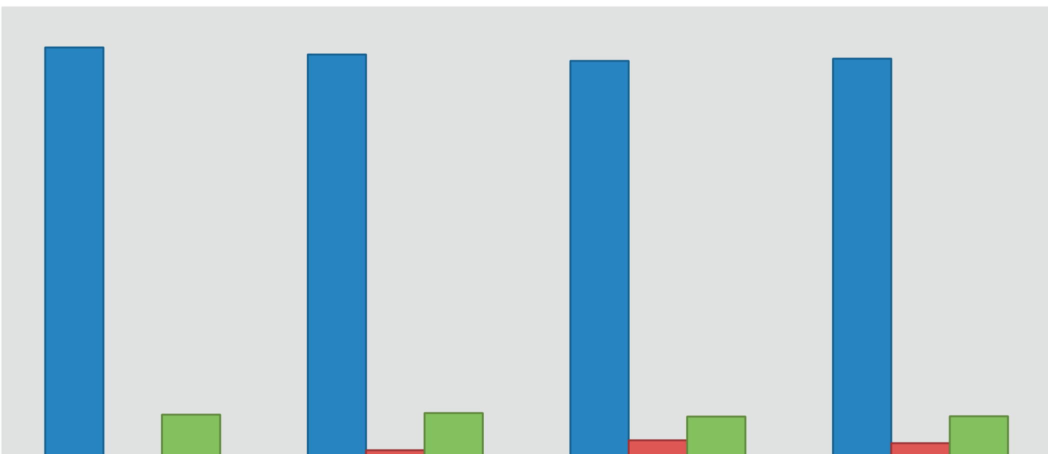
3.3.1 proposal received by solution



	DMPs 399	IVAs 159	Total 601
yes	86.5%	96.2%	88.4%
no	2.8%	1.9%	2.8%
don't know	10.8%	1.9%	8.8%

Recollections of receiving a written proposal were higher among Band 1 and 2 clients, although the proportion of these clients who did not know whether they had received a written proposal was higher than for the sample as a whole also.

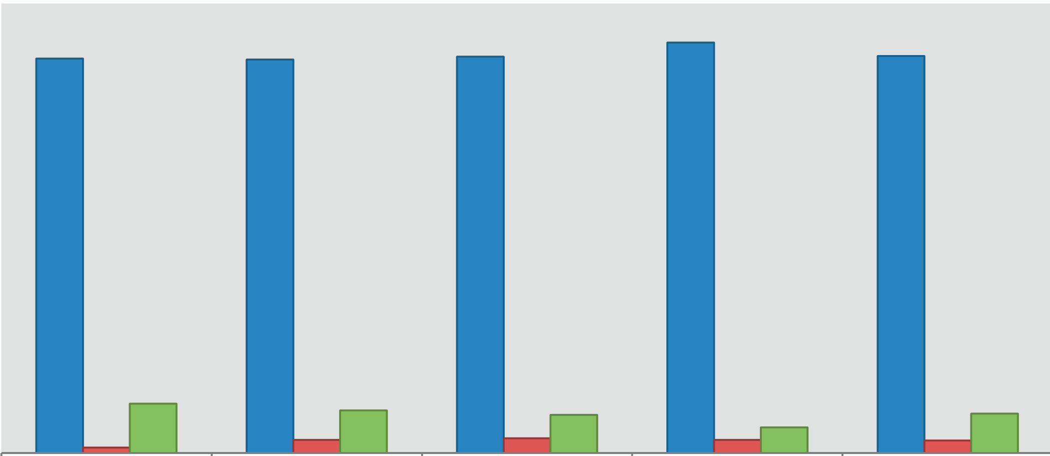
3.3.2 proposal received by band



	Band 1 44	Band 2 84	Band 3 473	All 601
yes	90.9%	89.3%	87.9%	88.4%
no	0.0%	1.2%	3.4%	2.8%
don't know	9.1%	9.5%	8.7%	8.8%

Over the past five years, the proportion of respondents recalling receipt of a written proposal seemed relatively constant in relation to when help was first sought, although the proportion of respondents who did not know whether they had received a written proposal increased. This may very well relate to perceptions of an urgent need to address a debt problem, which does not always lend itself to attention to detail. In the same way that signposts for recommendations and referrals should improve recollection and therefore the perceived transparency of informed consent, written proposals may very well benefit from some form of presentational feature to make them stand out.

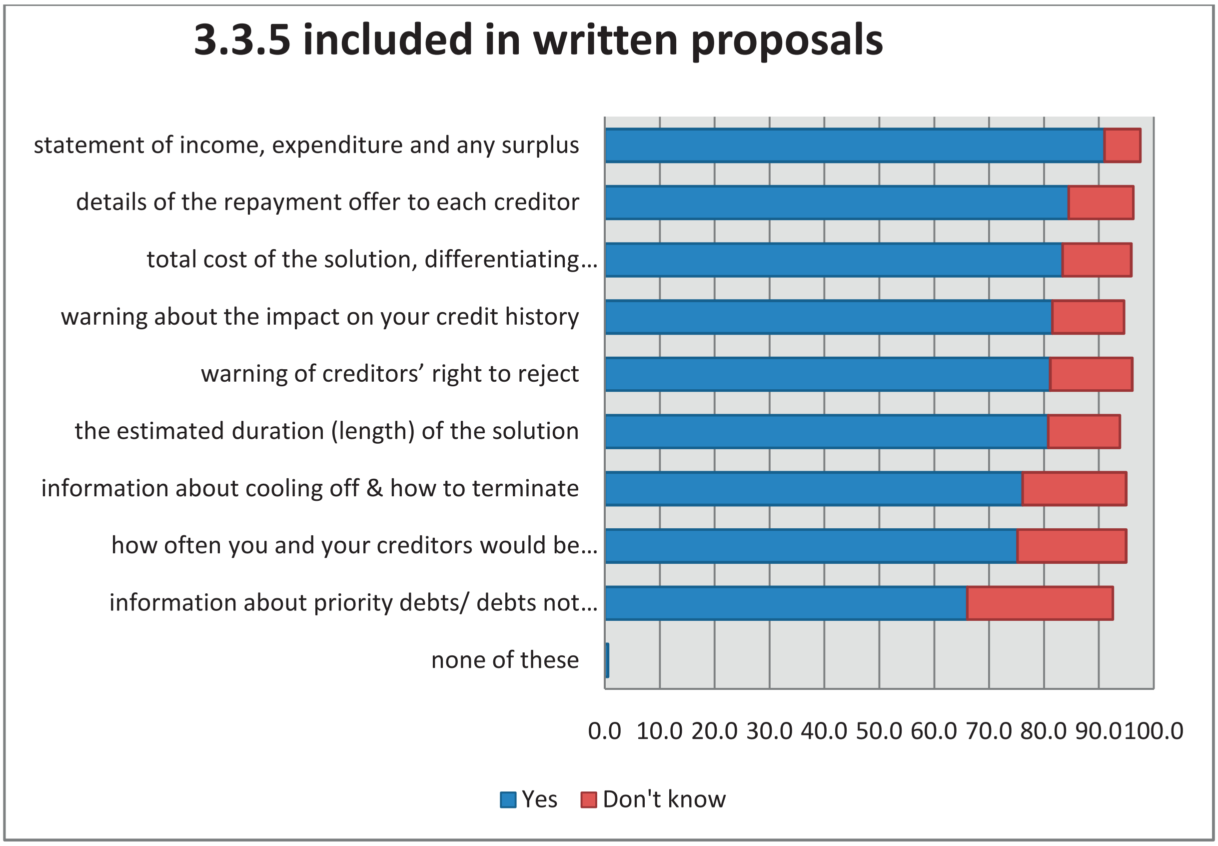
3.3.3 proposal received by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
yes	87.8%	87.6%	88.2%	91.4%	88.4%
no	1.2%	2.9%	3.3%	2.9%	2.8%
don't know	11.0%	9.5%	8.5%	5.7%	8.8%

The chart 3.3.4 proposal received by other help sought showed little variation, so it is omitted.

Some elements of what the OFT suggests should be included in a written proposal were not particularly well recalled by respondents, most notably, information about priority debts, a cooling off period and how often clients and creditors would be updated. DRF would do well to provide members with enhanced guidance for pre-contract documentation and some exploration of clients' communications preferences (visual, auditory or kinaesthetic) is recommended for differentiating key terms and conditions.



3.4 THE SOLUTION

Across the sample as a whole, just over two-thirds of respondents said that they were currently using or had recently completed a debt management plan and just over a quarter were IVA clients. There were very few responses from clients, who said that they were using other debt solutions. Whilst there are many other indicators to suggest that the data from this quota sample are robust, a tendency for some clients to forget or confuse the name of their solution, for instance, calling it a debt plan or consolidation, was apparent in the case studies.

Throughout this survey, the accuracy of some respondent data, particularly with regard to trading names, terminology and precise financial circumstances is cause for concern. This is less of an issue from the perspective of data integrity, than from the wider certainty of consumers' informed decision making and consent. Responses to this survey tend to indicate a fairly consistent 10% of don't knows and uncertain response, which has presented some challenges in data analysis. In a similar vein, the February 2012 "Personal Debt Snapshot: Afraid to take advice?" reported research conducted by ComRes for R3 that suggested some 2 million adults were currently in a debt management plan, significantly above our own and R3's estimates of market size.

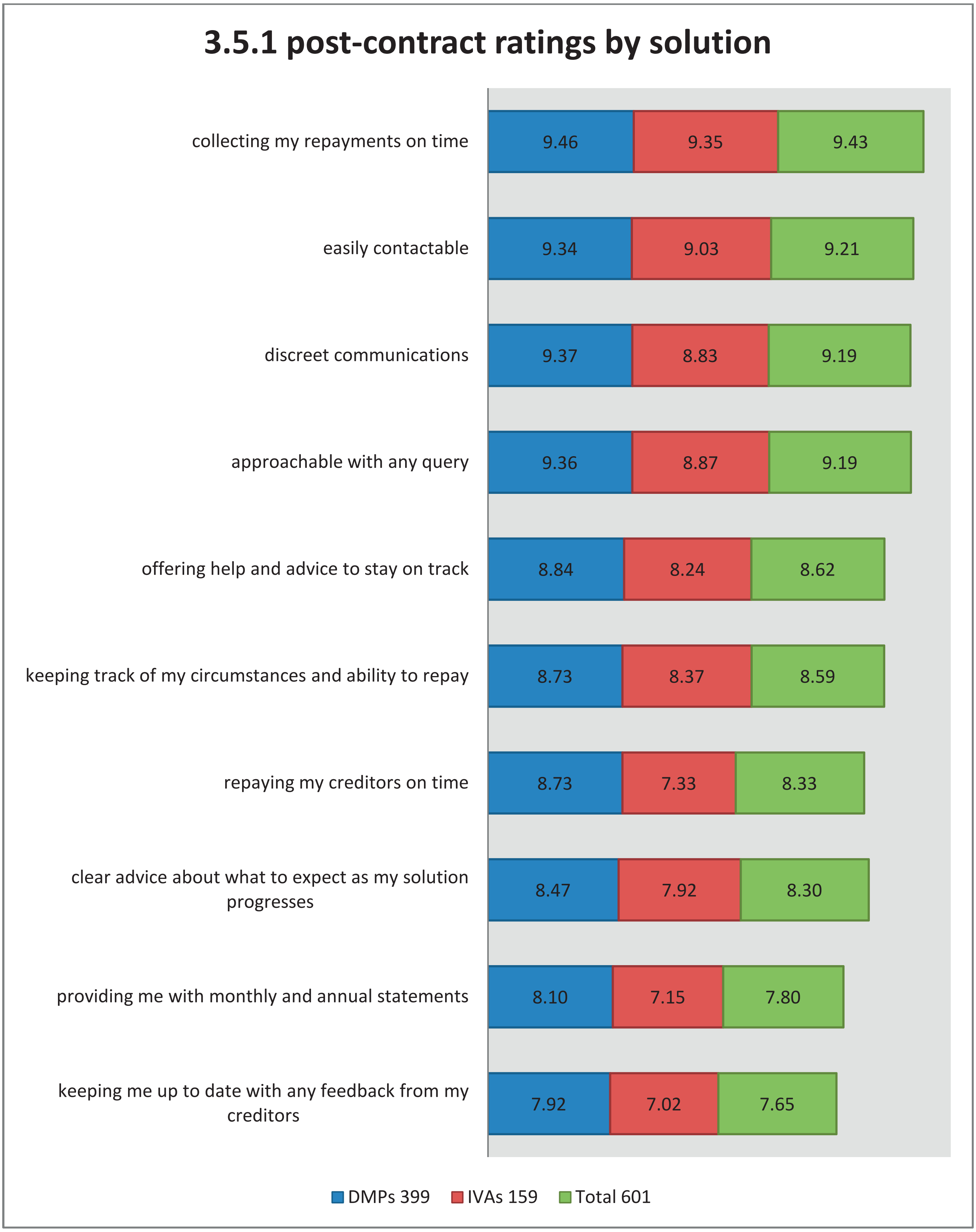
A combination of debt stigma, varying degrees of vulnerability, acceptance, denial and the complexity of terms and conditions can make debtors an extremely complex population to consult. This should not undermine the value of engaging debtors in service design and delivery. However, there are undoubtedly performance indicators that demand comparison with providers' records, before any regulator or service gateway can be sure of standards.

Table 3.4.1 Debt Solutions Used by Status

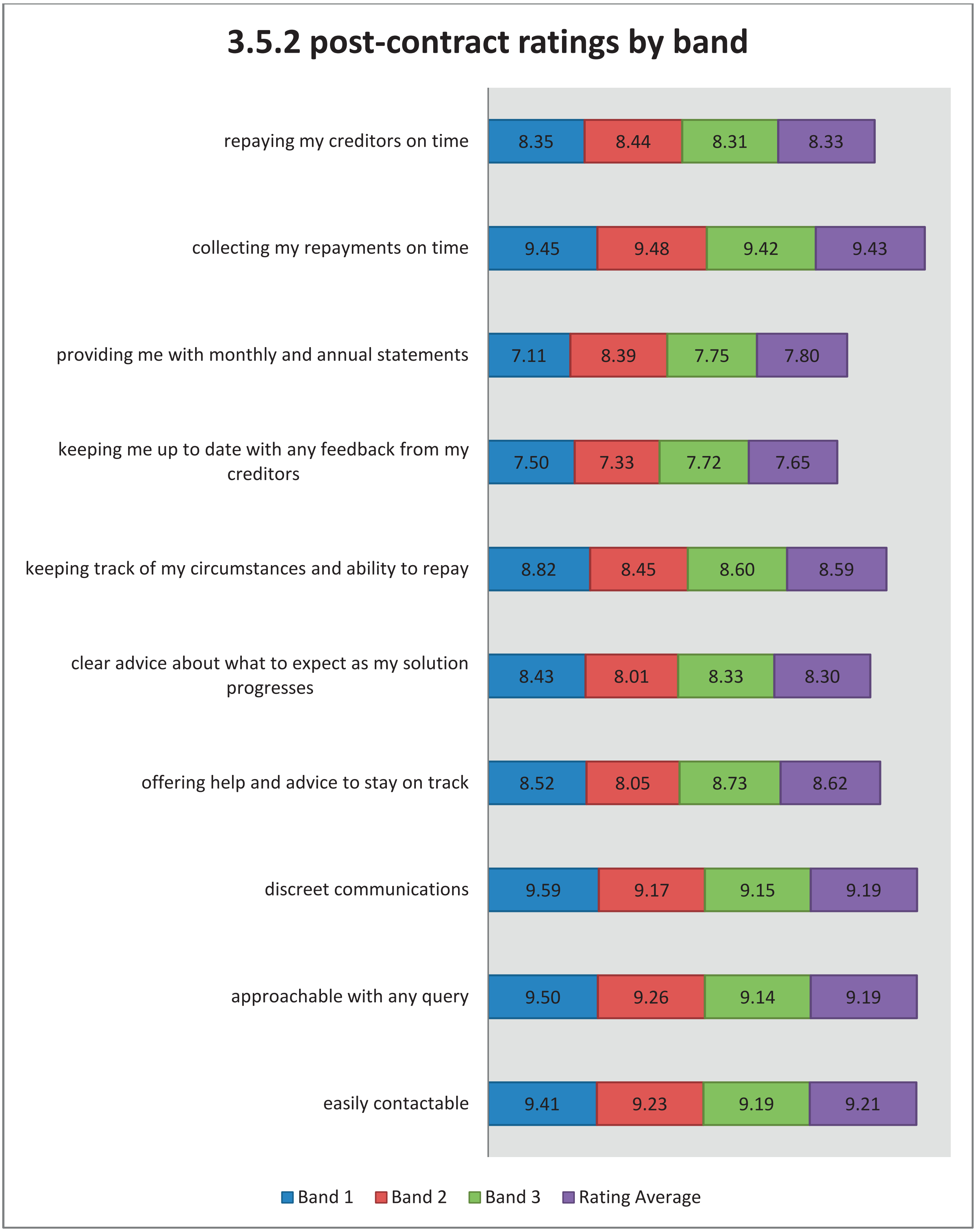
%	Still using	Come to an end	Combined
Debt Management Plan	66	69	68
IVA	28	15	27
Bankruptcy	0	5	1
Elimination	0	4	0
Debt Arrangement Scheme	1	1	1
Don't know	4	4	4

3.5 POST-CONTRACT

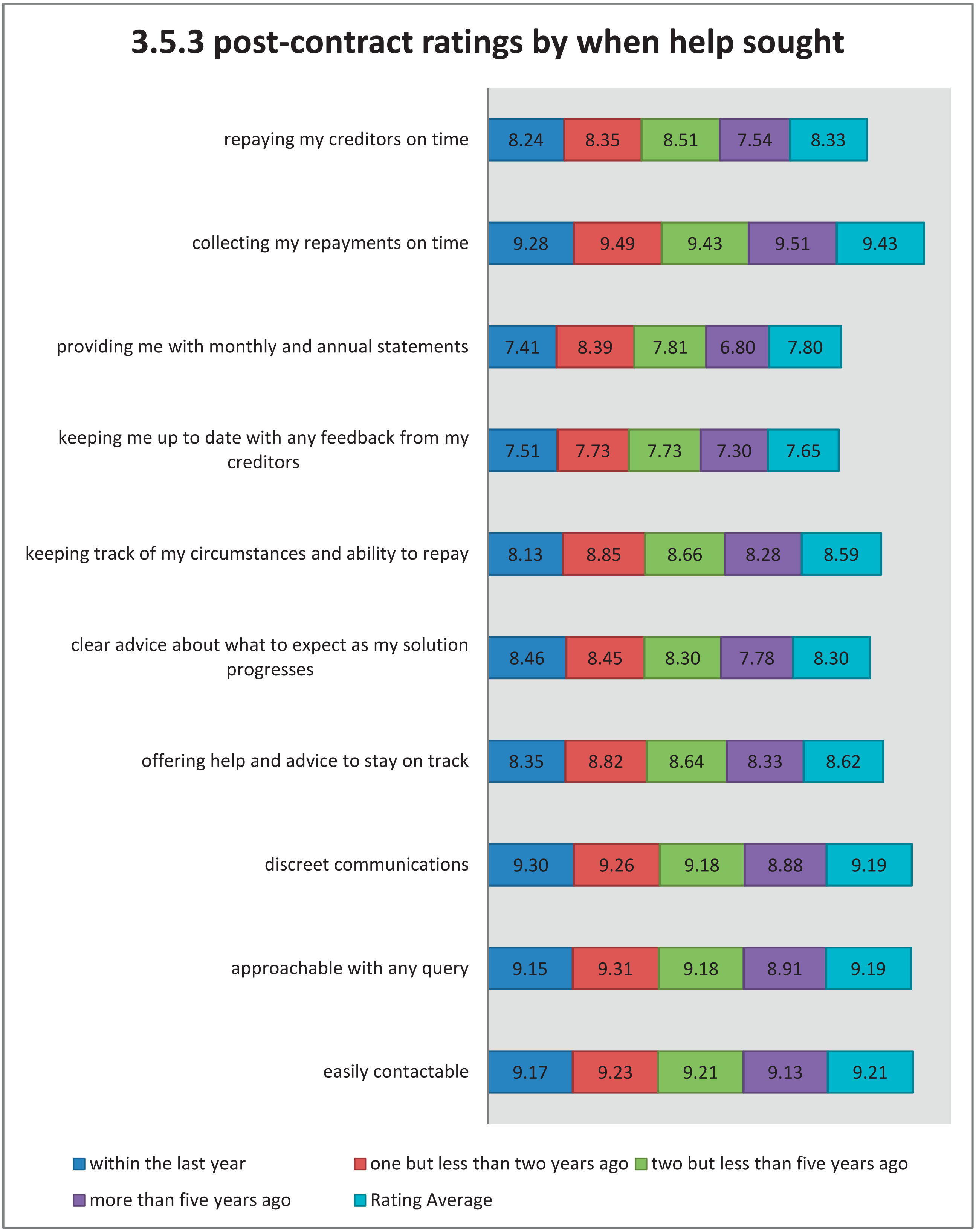
For post-contract aspects of service, DRF members enjoyed even higher mean ratings scores than they did for pre-contract attributes, which tends to indicate effective relationships between DRF members and their clients. DMP clients tended to give higher scores than IVA clients did.



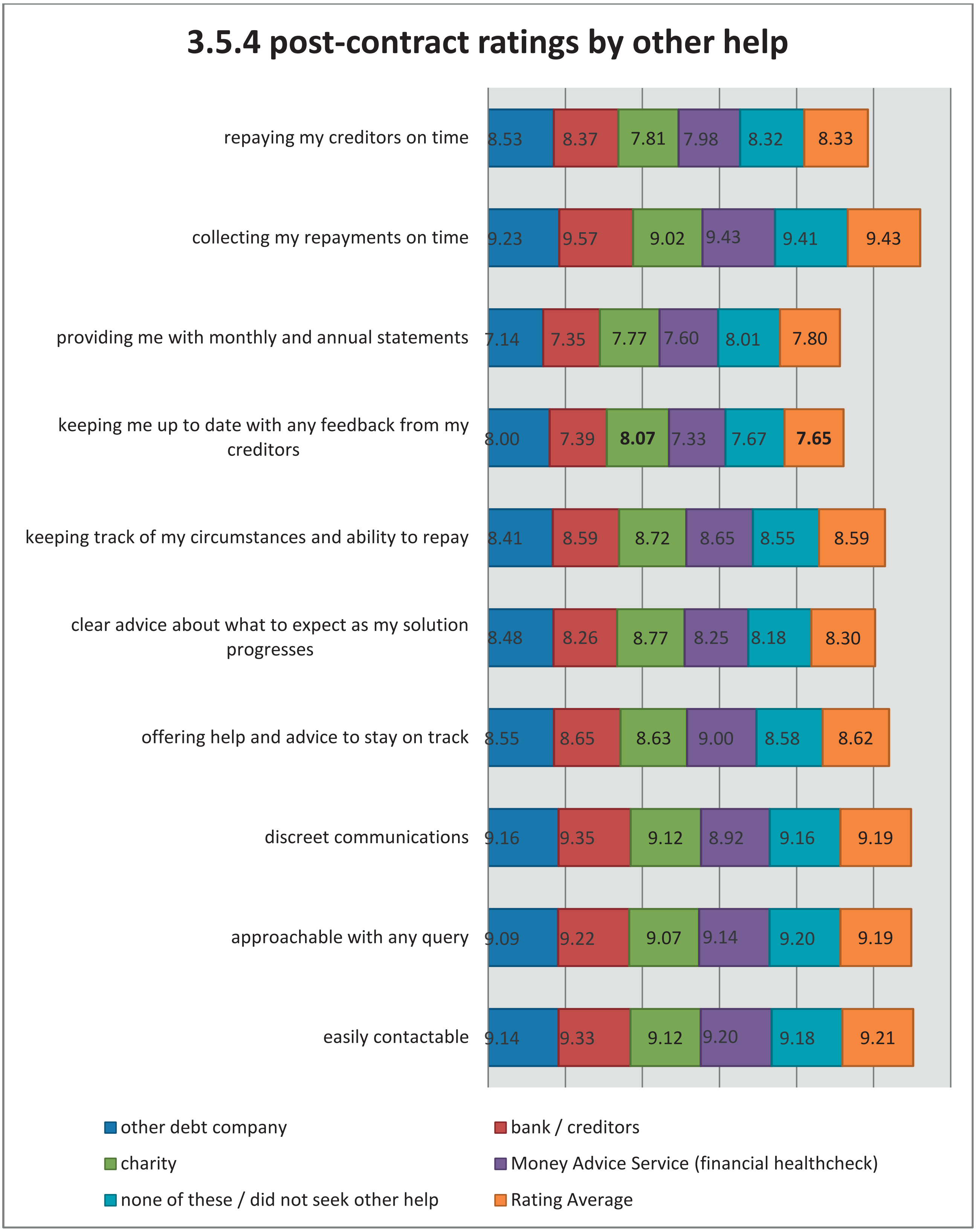
There were fewer differences in the ratings given by respondents, who were clients of companies in different bands.



In terms of raising standards, it was good to see some signs of improvement in issuing monthly and annual statements and clear advice about what to expect as a solution progresses.



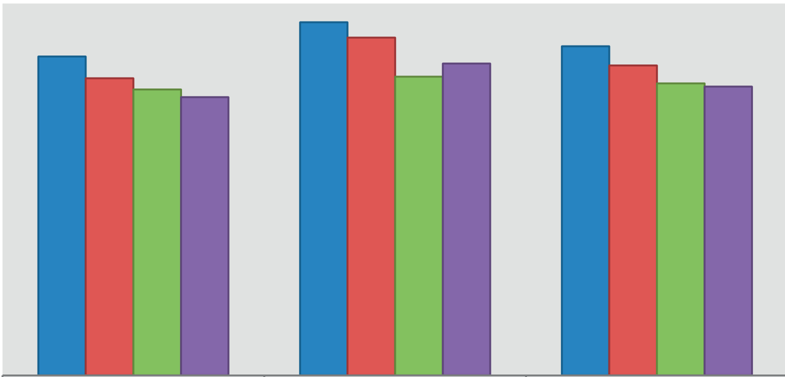
It was also interesting that respondents who had initially sought help from a debt charity gave their DRF providers higher scores than were recorded across the sample as a whole for keeping them up to date with feedback from creditors and clear advice about what to expect as a solution progresses. One case study respondent had specifically left a debt charity because of a lack of support in handling creditors.



3.6 FINANCIAL CAPABILITY

When asked if they were better, worse or about the same at four aspects of financial capability since entering their debt solution, the majority of respondents replied that they were better. IVA clients were more likely to indicate an improvement than DMP clients were.

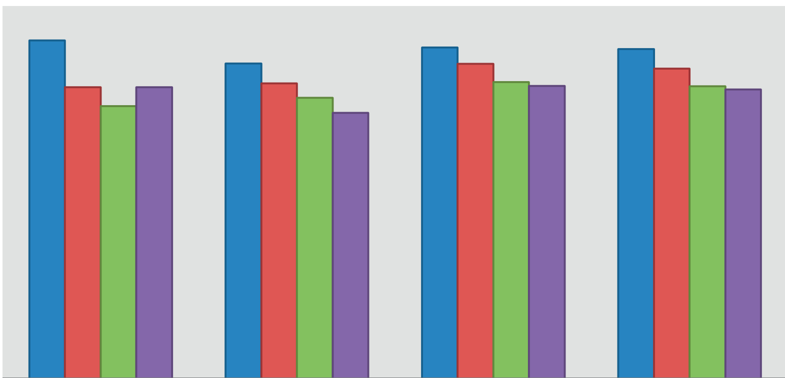
3.6.1 better financial capability by solution



	DMPs 399	IVAs 159	Total 601
managing your money	77.2	85.5	79.7
planning ahead	71.9	81.8	75
finding financial advice and information	69.2	72.3	70.7
choosing suitable financial products	67.4	75.5	69.9

Band 1 clients were more inclined to answer that they were better at managing their money than the clients of larger companies, whilst Band 3 clients were more inclined to report improvements in other aspects of financial capability than Band 1 or 2 clients.

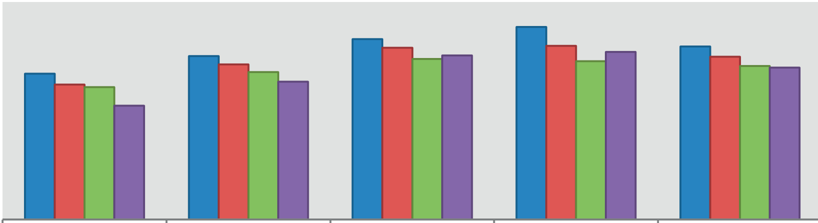
3.6.2 better financial capability by band



	Band 1 44	Band 2 84	Band 3 473	All 601
managing your money	81.8	76.2	80.1	79.7
planning ahead	70.5	71.4	76.1	75
finding financial advice and information	65.9	67.9	71.7	70.7
choosing suitable financial products	70.5	64.3	70.8	69.9

In general, the longer it was since a respondent had first sought debt help, the more likely they were to report an improvement in their financial capability.

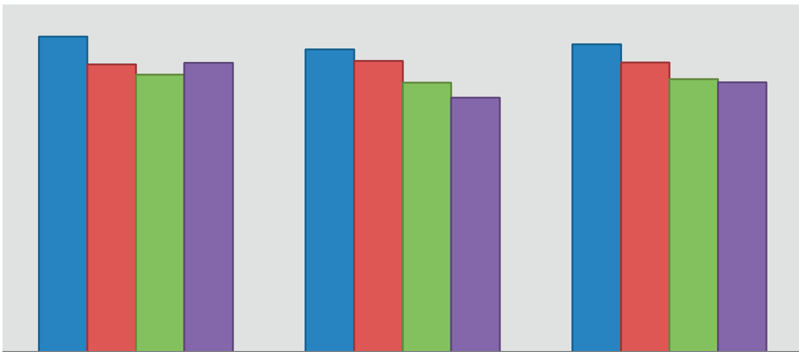
3.6.3 better financial capability by when help sought



	< 1 year 82	1-2 years 137	2-5 years 306	> 5 years 70	All 601
managing your money	67.1	75.2	83.0	88.6	79.7
planning ahead	62.2	71.5	79.1	80.0	75

With the exception of planning ahead, where little difference was apparent, respondents who had sought help other than from their solution provider were also more likely to report an improvement in financial capability than those who had not sought other help.

3.6.4 better financial capability by other help sought

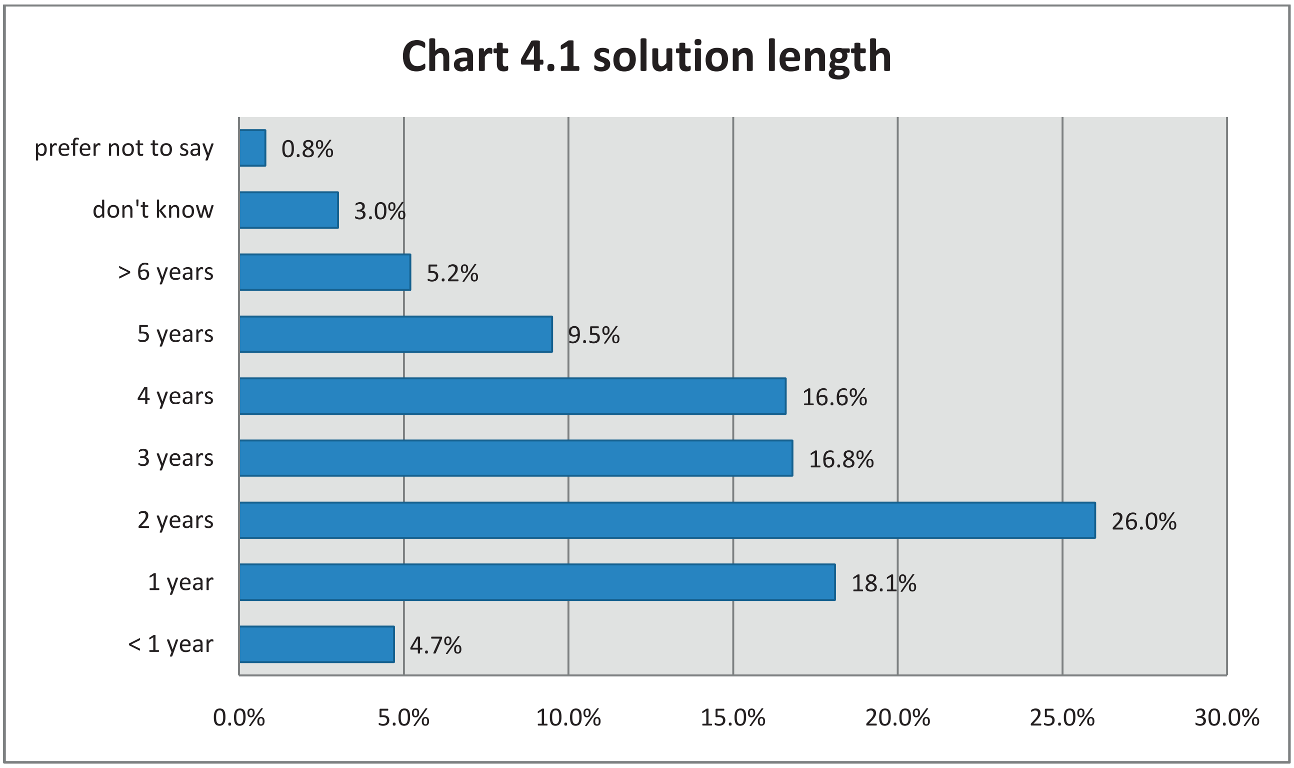


	sought help 263	not sought 334	All 601
managing your money	81.7	78.4	79.7
planning ahead	74.5	75.4	75
finding financial advice and information	71.9	69.8	70.7
choosing suitable financial products	74.9	65.9	69.9

4 DEBT REDUCTION

4.1 SOLUTION LENGTH

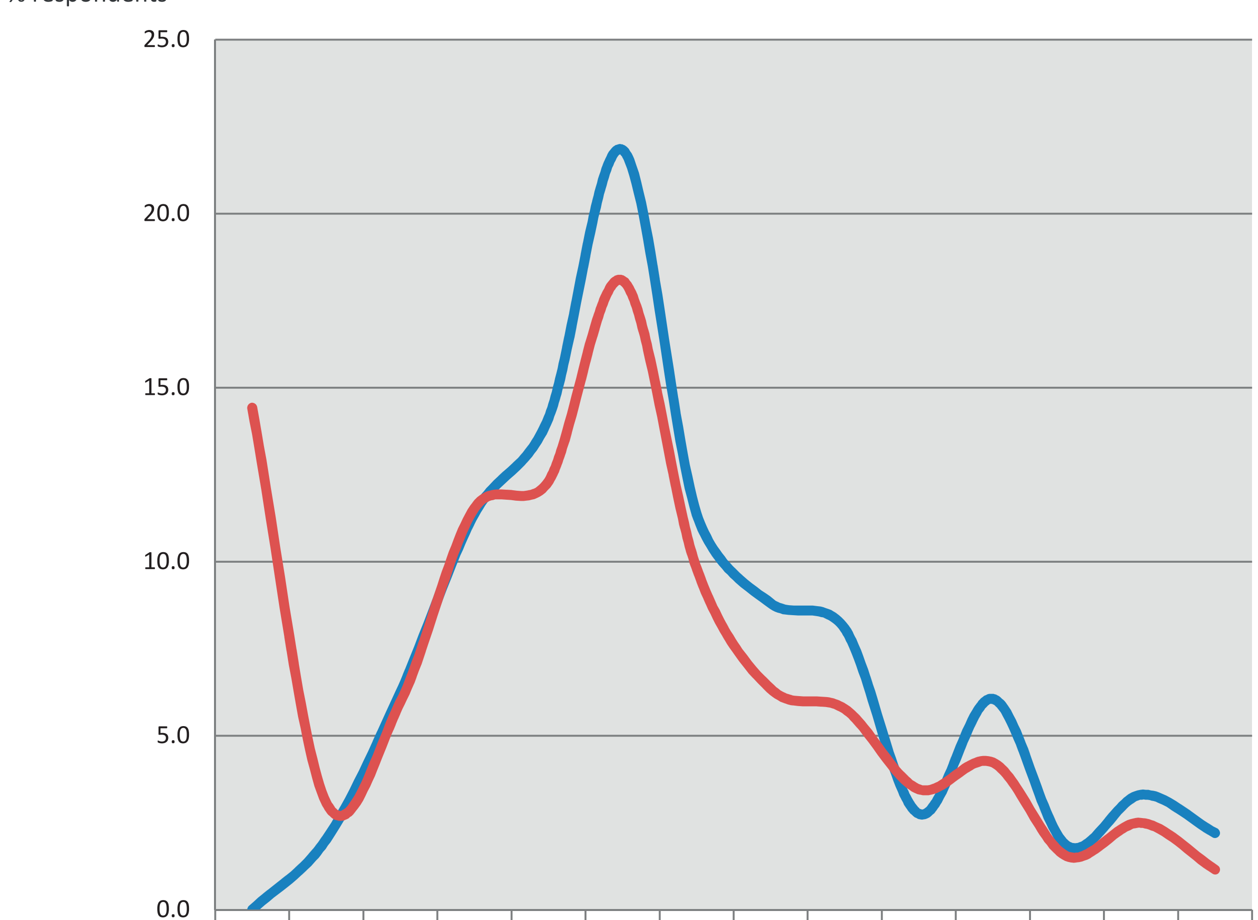
Around half of the sample had started their solution within the last two years and just under a quarter in the last year. There was a slight under-representation of recent debt solution clients in relation to the client profile data returned by DRF Members, where the proportion of new starts was around a quarter of all active clients. This is unlikely to have affected the accuracy of survey data significantly.



4.2 CREDITOR NUMBERS

Respondents often reported a drop in the numbers of creditors to which they owed money, although a significant minority were unclear as to the numbers of creditors they still had. A large number of respondents either declined or was unable to answer this and subsequent questions and a tendency for case study clients to be unclear about the progress of their solution without some level of prompting to check their paperwork was apparent. Additional analysis of explicit responses to this and subsequent questions will provide more detail as to the relevance and reliability of these data and this will be available in a forthcoming report of the client demographic and financial circumstances.

Chart 4.2 creditor numbers

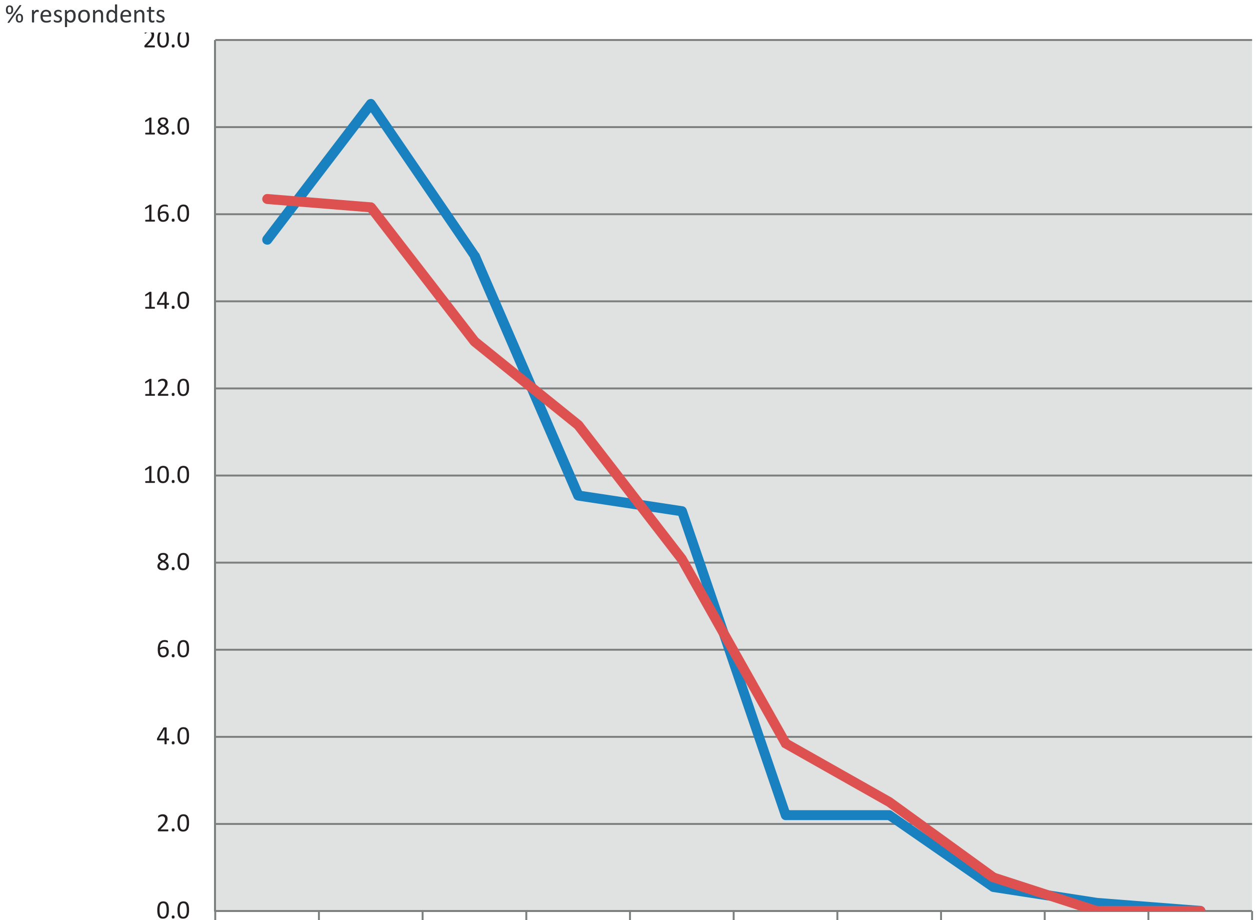


	0	1	2	3	4	5	6	7	8	9	10	11	12	>12
Originally	0.0	2.0	6.2	11.4	14.1	21.8	11.4	8.8	8.1	2.8	6.1	1.8	3.3	2.2
Now	14.4	3.1	6.0	11.5	12.3	18.1	9.8	6.3	5.8	3.5	4.2	1.5	2.5	1.2

4.3 INCOME

Respondents tended to have a better recollection of current income than income at the start of their solution, so further analysis is needed to tease out the detail of these results.

Chart 4.3 incomes in National Statistics deciles



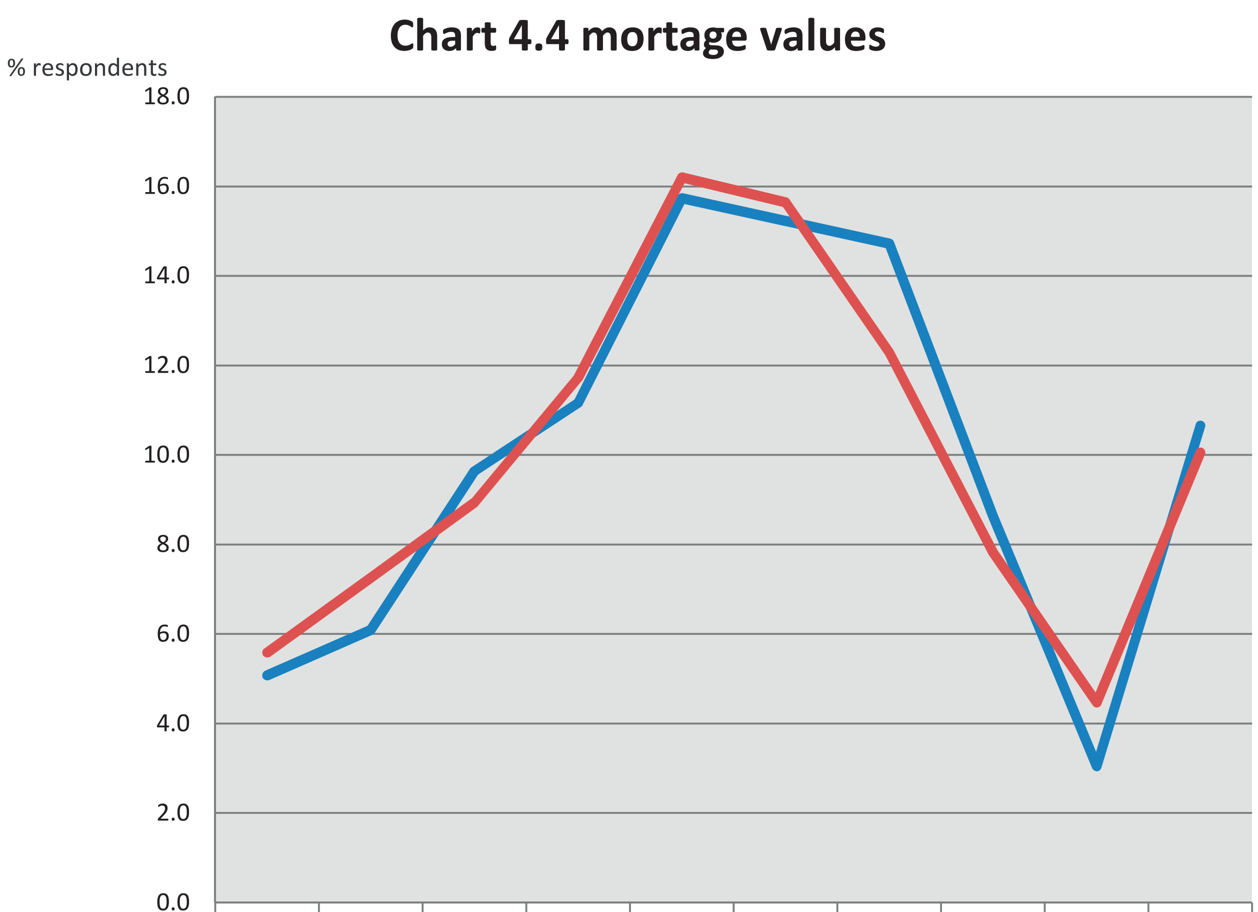
	1	2	3	4	5	6	7	8	9	10
Originally	15.4	18.5	15.0	9.5	9.2	2.2	2.2	0.6	0.2	0.0
Now	16.3	16.2	13.1	11.2	8.1	3.8	2.5	0.8	0.0	0.0

Using National Statistics household income quintiles, the majority of respondents reported an income included in their debt solution that was in the lowest two quintiles. However, despite prompting, it was not always clear whether responses related to individual earnings or household income and this distinction remains an issue when attempting to determine the affordability of repayments.

%	On entering solution	Now
Lowest income quintile	46	45
Low to mid income quintile	33	34
Middle income quintile	16	16
Mid to high income quintile	4	5
Highest income quintile	0	0

4.4 MORTGAGE

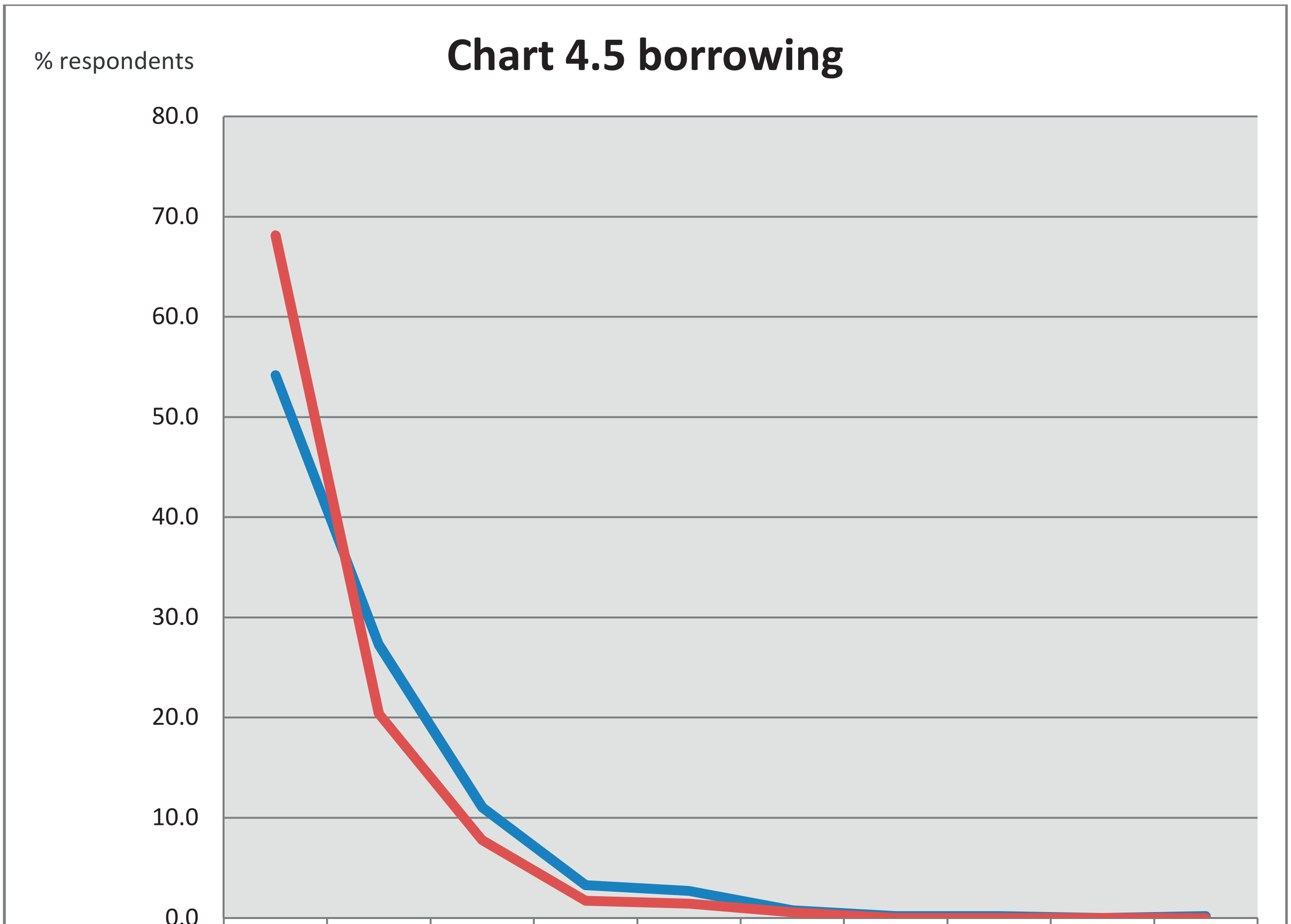
Some respondents reported the same mortgage value at the start of their solution as at the time of their interview and in some instances this may have related to interest only payments. Again, further analysis of these data is necessary and in progress.



	less than 20000	20000-39000	40000-59000	60000-79000	80000-99000	100000-119000	120000-139000	140000-159000	160000-179000	180000 or more
Originally	5.1	6.1	9.6	11.2	15.7	15.2	14.7	8.6	3.0	10.7
Now	5.6	7.3	8.9	11.7	16.2	15.6	12.3	7.8	4.5	10.1

4.5 BORROWING

The case studies revealed that some clients were uncertain as to the extent to which repayments had reduced their debt level, although almost all were certain that their solution was reducing this. This graph gives clear indication that debt levels are reducing as a result of repayments into a debt solution, however, additional analysis of specific reductions is required and this is likely to need supplementary evidence from solutions providers.



	less than 20000	20000-39000	40000-59000	60000-79000	80000-99000	100000-119000	120000-139000	140000-159000	160000-179000	180000 or more
Originally	54.2	27.3	11.0	3.3	2.7	0.8	0.2	0.2	0.0	0.2
Now	68.1	20.4	7.8	1.7	1.4	0.6	0.0	0.0	0.0	0.0

CONCLUSIONS and RECOMMENDATIONS

Demography and Decision Making

Responses to this survey show a demographic profile of clients that is different to clients recorded by free to client advice agencies and solutions providers, in that it is older, more inclined to be home-owning and to shop around for professional money and debt advice. However, there is also evidence that the client profile of DRF members is changing, particularly amongst smaller providers, where an increase in demand from a more community centric, culturally diverse, younger (25-39) and more family orientated client base is apparent. There also seems to be growth in demand from social tenants and homeowners without a mortgage, affected by unsecured debts. Some of these new clients seem less likely to shop around for advice before entering a solution and this is likely to be due to a perceived urgency at a time of economic uncertainty that can overlook the detail of informed decision making. Urgency is often a driver in the short term credit market, which can act as an indirect competitor to debt resolution.

From the DRF perspective, a key recommendation is to provide members with guidance on recording clients' prior advice seeking, in addition to encouraging wider advice seeking at initial consultation. From the performance ratings recorded for this survey, members can be confident that theirs is often the preferred choice and that the transparency of promoting informed decision making is in the best interests of both clients and providers, who may be perceived as standards bearers for their profession. Further research into the drivers for advice seeking is in progress, which will help to inform guidance to members later this year. Other signposts to fair and transparent trade include more explicit records for informal recommendations and formal referrals, as well as clear distinctions between significant pre-contract documentation. For clients in longer solutions, easy and relatively frequent reference to these should help to improve the recollection of terms, progress throughout the solution and ultimately, recognition of the outcomes on completing it.

In the wider professional context, it is significant that smaller providers are at the forefront of experiencing a change in client base because debt resolution is a relatively young market that is undergoing dynamic change both in terms of policy-making and innovation in service delivery. Moreover, smaller providers are often an under-recognised niche contributor to this market. It will be important to track the changing profile of debt advice and resolution clients and to explore the diversity of behaviours and perceptions in decision making and solution preferences in order to ensure that services continue to be equitable and accessible to all. Of immediate concern, is the possibility that creditors may be acting prejudicially towards smaller providers and this demands prompt investigation because of the impact it may have on debtors' motivation to repay. Ultimately, a better understanding of the prompts to and patterns in advice seeking is in both debtors' and creditors' best interests.

Delivery and Outcomes

Responses to this survey give a clear indication that clients are satisfied with the services received, that they feel more confident in their financial capability as a result of entering their solution and that DRF members have become increasingly compliant with both the letter and spirit of OFT guidance in recent years. However, the tendency for a significant minority of respondents to have limited recollection of the precise circumstances or progress of their solution indicates a barrier to achieving excellent service and indeed to tangible evidence that improved financial capability is a sustainable outcome for clients.

Some clients may never overcome the sense of relief that leads them to a third party to resolve debts on their behalf and for these, a distinction between satisfaction with the solution and satisfaction with the provider may never be achieved. Other clients may require some respite from recognising the gravity of their situation and the case studies most certainly revealed that this can be a transitory phenomenon, experienced throughout a solution, particularly by those facing other challenges when the decision to enter a solution is made, or who are committed to longer term arrangements. There was evidence that debtors transfer feelings of anger and blame between themselves, their creditors and solutions providers with relatively little distinction between the accountability of each party and this is not conducive to identifying any shortfall between service expectations and perceptions precisely.

In addition to recording and signposting pre-contract recommendations, referrals, advice seeking and significant documentation, there is undoubtedly a need to reinforce clients' recognition of a solution's process, progress and outcome. Ultimately, the goal for all parties is not only that the debtor satisfies the terms of a revised repayment agreement. There should also be some certainty that the individual or household concerned is unlikely to require another debt solution. This outcome demands the active engagement of debtors throughout a solution and effecting this sensitively requires positive reinforcement of debtors' achievements. In essence, a solution should motivate both debt repayment and the acquisition of greater financial capability, such that the debtor feels confident in his or her social identity outside the debtor population.

From the DRF perspective, there is merit is developing peer to peer training, led by members that demonstrate excellent performance and by inference, best practice, for particular service attributes. We also recommend developing a consistent "exit interview" for all clients completing or leaving a solution as this should provide greater insight into the use of solutions by intrinsically capable and independent money managers as a short term option to support temporarily challenging circumstances. For some time, Zero-credit has reported indebtedness as reaching the mainstream in our society and further differentiation between client behaviours is essential to anticipating rather than simply satisfying demand.

For policy-makers and those who implement strategy, there is an urgent need to recognise that debtors are not a homogenous body and that their intrinsic motivation to repay debts and return to solvency is integral to both individual and collective economic recovery. Research into communications preferences and incentives that influence behaviour change is recommended, as are credit referencing measures that reflect debtors' efforts to meet the revised repayment arrangements of a formal or informal debt solution. To conclude, if it is an objective to engage consumers more effectively in the uptake of financial services, at a time of economic uncertainty, there is a pressing need to effect the prompt re-integration of debtors who have recovered from circumstances beyond their control into greater accessibility of mainstream financial services.

APPENDIX A – VERBATIM COMMENTS

27 Band 1 comments:

Excellent communication, have been very helpful

Been brilliant, have helped with all the money situation

Fine with the services

Confusing communications with regards to payments that have been made.

Very happy with the service and made things a lot easier at home

Communication has been very poor and client has creditors chasing him.

Very happy with the company and a great help

Very poor communication with not contacting any creditors.

Reasonably happy with their service so far

Not happy, you could get the same service from another company for no charge at all, very disappointed

Creditors were still taking money after the solution had been put in place.

Happy with most services, but regarding statements I always have to contact Named Company, so not so good

Would like to receive more information as to how the solution is progressing.

Very happy with the service

Client would like to receive statements on a regular basis, currently feel the information is quite poor. Telephone communication was very good.

Named Company have been brilliant from day one

They have been really helpful with other things such as PPI. Cannot fault them they have been great.

They have certainly turned our situation around, I cannot speak highly enough of Advisor. I would rate them as a 10.

They have been very sympathetic and have taken a lot of stress away.

They have been fantastic with their dealings of the situation.

Very approachable and put your mind at rest.

They have been absolutely fantastic. When creditors have made a mistake they have sorted it. They have even managed to pay some of my debts early and I couldn't recommend them enough. I would also like to point out their service has been extremely personal, they know who I am etc. immediately.

Statements are a little confusing in that it is not clear of what is owed. No amendments are made, same statement goes out every month

They made my situation bearable and made it a lot easier to deal with.

They are on the ball and very up to date. They took a large weight off my shoulders. Great communications.

They helped to reduce a lot of stress at an important time.

Very constructive and helpful, no problems from creditors since using Named Company, no regrets using them.

46 Band 2 comments:

Happy with them and no problems. They deal with my enquiries straight away.

Sometimes find that I think when it was first sold to me I got a feeling some of the things were stretched a bit, but not too seriously. After my initial dealings – i.e. PPI would be in my own pocket, but it was actually to go to pay off the debt. Thinking about it, it is my priority to get the debt down but I had hoped to pay my car off by May.

Generally very good, some problems - we do still get creditors contacting us as they have not apparently received payments on time. Problems negotiating reductions of payments due to income reduction. It would be nice if we didn't have to pay a monthly admin fee. We have been in touch with CAB who are willing to take our case on with no fee.

Have seemed to be more interested in creditors than client. Total lack of understanding about self employed people and the budgets available.

Very helpful from the start.

Overall offer a very good service. They do sometimes have difficulties when circumstances change and keeping continuity and when people at the company change.

Would prefer to receive more statements for example on a quarterly basis.

They have been fantastic throughout the solution. Refused a job due to her credit rating although she was honest and upfront.

Definitely would recommend to friend. Would like a breakdown of how much is owed in order to have the choice to clear debts quicker.

Very professional service. Very quick in sorting things out.

Felt that they were other than IVA but the IVA was the only option. Flexibility with budgets was not brilliant. Would like to know what happens towards the end of the solution in order to plan ahead.

Highly recommend Named Company.

Being a young girl at the time of entering the solution the journey was made easily accessible in order to lead a relatively normal life. Highly recommend Named Company.

Going on longer than expected

Nothing but brilliant all the way through.

Have changed hands twice and I have had different credit managers but they have all been on the ball.

Just very happy, they've put my life back on track. Very happy with all the statements, Advisor is really good at her job, if I've got credit she will pay off any outstanding, I've got no CCI now. I even answer unavailable calls now.

I don’t get feedback regarding my creditors, but at the same time my creditors don't bother me. But it would be nice to receive some feed back and see what they are saying and what negotiations have been done. Overall I'm very happy and would recommend them. It's a personal service, with one particular advisor dealing with all my creditors.

Originally, I was under the impression after 5 years it would be completely finished but it looks more likely to be 6. Over the course of the plan, one of the creditors was charging interest. I picked up on it but don’t think Named Company would have.

Would gladly recommend to absolutely anyone

Definitely recommend Named Company. Very helpful. Very Courteous.

Advisors have changed about 6 times in 3 years. All advisors have told customer different times of how long the solution will last. Don't really get any correspondence. Would rather receive more communication, in order to keep track of what is happening.

Found them really helpful in clearing the debts.

Would like more information as to where customers money is going and how much more debt customer is in. Only received one statement during customer’s time with Named Company for which they have been with them for 3-4 years. They say they can stop the interest on the accounts, but wife’s solution that they are also dealing with, she is paying money to the Named Company, but the interest is going up so the debt is not going down. So it is the interest that is being paid and not the debt.

Very happy with their service

Had a couple of concerns but they were very good to help

After 2 years with them they haven’t tried to clear any of the debt off. Communication is not very good. I keep my end of the bargain but they don’t seem to keep theirs. They just want my fees at the end of the day

Very pleased with the company overall

No problems. Easy to get hold of. All issues dealt with quickly

Problem with council tax and solution on hold

Happy with Named Company and all on an even keel, they are doing their job

Very happy with the service, taken away all stress of the situation

Spot on with the service brilliant all round

Very happy with the service and a great weight has been lifted from them. Brilliant advice and helpful

Generally good service . Initial contact fantastic but their customer service team went downhill as the solution progressed

No Problems, Hiccup at the start but ok now

Would of liked more options on your solutions but generally happy

Such a positive find to find Named Company, we have had all of the pressure taken from us and it's such a relief.

I still get grief now and then but nothing to complain about though.

When I had the initial call I had to make an initial payment but they couldn't take it further before I signed it. I didn't sign it but I noticed I was in debt at the bank and they had taken a payment. I contacted them, they said it was as per the agreement over the phone. I reminded them I hadn't sent the signed form back but the person said they didn't need me to send it back. But I wasn't told this on the initial call. They told me the call had been recorded and they would look in to it, went on for 3-4wks. I requested a transcript they would charge £10. I didn't receive the request form which I asked for 4 times. I gave up in the end. Instead of losing the payments I had made, I chose to continue with the plan.

Very helpful and would recommend them

Would have looked at other solutions had they not been in such a desperate situation.

Just finished solution so very happy, but wasn't made clear at the start of the solution about the impact on my credit history, basically not clear on all information.

Happy with the service

I would recommend Named Company to my friends and family if in trouble.

They are brilliant! Advisor is brilliant!

192 Band 3 comments:

Compared to Eurodebt been with for years, has just been amazing and have managed to pay off at least 2 debts. The people have helped so much.

Perfect solution for me, but feel that 5 years for an IVA is too long!

Only from my experience it has been very good service and courteous. Would definitely recommend to friends and work colleagues

Quick enough to assess my income but as I became sick they still wanted more money and not much sympathy

Clearer and regular statement information regarding to clarify how much debt and monthly repayments are.

I think that Named Company are brilliant. Have recommended to friends

Communication within the staff at Named Company could have been better.

They do a good job

Happy

Happy with service

Amazing, dealt with everything all the way through.

Has been really easy to deal with Named Company. Always make you feel welcome to answer any queries

Happy with the service

Money was taken prior to the IVA being put in place, gentleman feels that the IVA should finish earlier than he is being told.

Very efficient and took a lot of the worry away. Nice people

Originally told plan would take 6-8 years, but have now been informed it will take 19 years, may consider changing to an IVA.

Bit expensive way of doing this.

Believed that you have been left with poor credit history because of this, even though they are paying off their debts

Has not received any statement from the plan, and it would be helpful to know what she owes to the creditors.

Not happy that their details are being passed to third parties which are irrelevant. Also they have experienced mixed communications with Named Company.

Length of time and total amount not included in agreement

Doesn't find Named Company as helpful as Haines Watts were originally.

Would like more clarification of what happens towards the end of the solution.

NOT HAPPY WITH REPAYMENT DELAY

Very helpful, put the lady at ease.

Little communication, but no problems.

Very professional advisors. Put mind at ease and felt relaxed about future finances.

Originally her debts were £35,000, but after contacting Named Company the debts went up to £65,000 - Told plan would take 5 years to clear, but has recently been extended, even though all payments have been met. has two disabled children and is now struggling

Would never use Named Company if had option again, no communication, or follow up calls - unaware of what has been paid and outstanding - Feels that they don’t take into account your circumstances

Very helpful.

Would recommend to anybody.

Would recommend them.

They wasted a year because I paid debt management and after a year I was told to go for the IVA which I originally asked for. I then had to pay £2000 to do this after already paying a management debt fee.

A pleasant experience in a difficult time and made it easier in difficult circumstances.

Never had a statement in five years.

During IVA they said that because circumstances had changed, they would not have taken you on and nearly terminated the contract – misunderstood your income.

Very happy with the service

Has been good, some poor points, mainly where I’ve put down a low score, they’ve not contacted me with how much I owe and how much my creditors are getting. Also - PPI advice is still being awaited.

Not contacted enough from Named Company.

Happy. Good company will recommend to parents

Service is very good .Good communication

Client said that Advisor from Named Company is really kind and takes the time for her and the family. Advisor even travels over from Manchester when they need to speak to him.

At initial outlay, we gave a figure of our debt and we weren’t really told what we would pay them and this is the fee we will charge you. This was frustrating to learn that a lot of the fee we pay goes toward their admin etc. It would have been ok had we known. I didn't read all the small print

Happy with service. Friendly Service

Happy with service it ticks along with monthly statement

Named Company promised that they would be able to handle the debts and give her peace of mind that the debt would be paid. However, since having the solution Named Company have been taking the repayments but lady is still receiving letters to say that she still owes the creditors. Creditors have not received any money. Customer feeling very confused and scared to go out as she feels that the creditors will come knocking on the door.

Feels so much better since contacting Named Company

General living costs and expenditure went up, but this is not taken into account when taking the IVA.

Had someone else’s details sent, for example, bank statements.

Took over a year to set up IVA, because of hassle of how much income they have - Send Information but they don't tend to read this

Would recommend Named Company.

More information would be good and very little information was given about other options available when the IVA was initially taken out. Personal circumstances should have been taken into account with the creditors.

Happy with the service

Happy with service but would like to be kept up to date with progress of solution

Very helpful, always somebody to talk to and to reassure you.

Happy with the service in general, don't always call back when asked. Never speak to the same people at Named Company

Personal point of view is that Named Company have not supported them as well as he would have liked. Very little human factor involved. Lack of communication and then received duplicate calls. More communication as the IVA is coming to a close than ever before. His opinion is that more of the money should go to the creditors than to Named Company.

Very happy with the service,

Solution was running ok but she got constant letters and calls from Named Bank as Named Company were not paying their debts, so she feels let down. Did think about changing company but things are better now.

Very happy with the service and very easy to contact and very understanding

Very happy with service, thinks they are a brilliant company

Named Company have been absolutely brilliant with everything

Generally happy with the service

Very happy with the service, always call back when asked. Can't fault them

Very happy with the service from Named Company

Very good company helped with all advice re debts. Sometimes ask for more money than can afford. Generally happy with the service

Quite happy with Named Company, even supplied envelope to send paper work onto the creditor if needed

Absolutely fantastic. Off work due to having an operation and Named Company arranged lower payments whilst recovering and income was lower. Flexible and accommodating. Have recommended a friend.

Very good services, didn't know where to turn and Named Company were very helpful

Client trusts Named Company with their services. Had bad experience with Church Wood Financial and really grateful to Named Company for all their help

Had a very good experience all the way through. Found Named Company helpful. Seem to have a high turnover of staff as the person dealing with account changes quite frequently.

Happy with services on offer

A couple of instances where I had letters from my creditors saying they were being paid late - so I had to contact Named Company to ask them to look after them. Also I don't know where I am, I don't know what's left to pay, what's been paid. The only thing I know is that I'm not getting any scary letters. A gentleman from Named Company said he hopes it will be paid by the end of this year but I don't know for definite. I used to have one set person to talk to but now it's a different person every time.

Very good services, found everybody very helpful.

I have been getting calls from a Manchester company saying I should go with them and they will do it cheaper. They seemed to know everything about my details with Named Company.

Very good, kept me up to date and all queries were dealt with very professionally.

Very high standard, keep in touch regularly, more than happy with them.

I feel that they prioritise their new business over their existing business. They are very bad at calling back when they say they will, but they do call you back, just not the same day. They make payments to our creditors, I enquire what my balances are with the creditors but they do not know and tell me that I get the statements. But as they receive my money and make the payments, I would have thought they would keep an itemised statement.

Generally customer service was fantastic but communications and contact was poor.

I am awaiting a response to a question: I would like to know when it will be finished.

Very flexible

Thought they were excellent and would definitely recommend.

Sometimes hard to get through to the office. When through they would advise a colleague would contact customer the following day which happened and the customer found was good.

Think that they should explain the charges, fees in the first instance. Customer informed at the start of solution that it would last for a year, now nearly four years on and one debt is still outstanding. Named Company asked customer to contact their creditor themselves. Did not receive any terms or conditions nor have they received any statements. In discussion about ending the solution for which they have spoken to the manager of Named Company. Customer was advised that they would receive all paperwork and still not received anything and not received any contact since Christmas 2011.

I wouldn't use them again, would use Citizens Advice Bureau.

Very good at reassuring customers when creditors are harassing, making customers feel at ease and confident about their situation.

Would definitely recommend to friends and family

Did everything and sorted everything, mail from creditors was to be sent using prepaid envelopes. They were very good

Been very good, so helpful with any queries. feels relaxed now things are being sorted

Advisor who has dealt with query has been brilliant

Very friendly, don't give you any flannel, they're brilliant!

Take queries on board and deal with very efficiently.

Nothing is too much trouble!

Fine with their services. No problems

Service not too bad, generally ok

Quite good generally

Very happy and straight forward but every now and then they miss paying a creditor, but generally ok

Happy with service

Very good services, always been helpful and quick to return calls

Generally happy but have a few problems re fees. Seeking another company who do it for free

Fairly happy with the service

Wasn't advised that out of her monthly payment there would be a £30 charge.

No problems generally

No problems. I was nervous at first but they took all that away and I am fine now

Not enough statements through and kept in touch on the solution

I get a statement to fill in every January , I fill it in and they put all the payments up and I can’t reach the payments as they change my information (e.g. I put down £40 for my mobile bill and they send the form back and they have put £20) I question it and they say it is down to the regulated consumer

Really really pleased with Named Company and would recommend to anyone

Very good and very understanding.

Highly recommend

I wish I had gone with another company and not have an IVA as I don’t think it is the right option for me and the advice wasn’t the best. I want a mortgage and to start a family which I now can't afford to do. I would have liked a debt management plan

During the last year of the solution we are having problems re payment protection and pushing PPI. I don’t want to claim PPI, just want the solution to finish. Problems with re mortgage and papers lost at Named Company’s end.

Named Company take more money every year even if one month my wage increases a little then I am left in a mess again

Happy with the services

I like the idea of having a one to one contact.

With hindsight, maybe I didn't listen, perhaps blocking it out but I really don't remember knowing how much they were going to take as a percentage. They seemed quite genuine, but would have been more genuine if they had said: they are going to pay ... amount to the creditors and we will take ...

amount as payment.

When I started, they took 3mths payments before they started paying the creditors. That would be the start up fee as I've since discovered.

They have been amazing. I was extremely worried about how I would pay. I understand we got ourselves in this position.

Very happy with Named Company in all areas

Very happy, all going well, even when we had a slight problem they addressed it immediately

I think they have been very good with me, whilst ill they have been fantastic and even go an extra mile for me.

Fees were massive but could be average within the industry.

I think they are great, the best thing I ever did

Excellent all round

It Is what it is. Not sure if they explain all details to creditors

Been with the solution nearly 5 years and in that time haven’t had a pay increase and the cost of living going up but Named Company still expected to receive the same money

Approachable regular consultant. A bit annoying that has changed when the relationship was good.

Gentleman doesn’t like to speak to the lady at Named Company as he finds her a bit of a bully. He lets his wife speak to her as his wife can be stronger and stand her ground.

Other options should have been offered to you.

Excellent service very happy with everything

Very satisfied with Named Company

Very happy with the company even ok when payments are slightly late

They reassured me about all aspects and I am very happy with the service

Happy with the service

Problem with the fees but generally happy

Quite happy with the company

Very happy with Named Company

Very happy with Named Company

Very happy with the service

Really happy with the service. We had to reduce payments due to Husband's accident and they were very understanding with this

Really happy pleasant people to speak to

Very friendly and very helpful.

Absolutely excellent in every way

Very happy they have helped me get through a very difficult time

Generally happy with the service but will be glad when it has finished

Very happy with the way they are dealing with everything

First lady spoke to going through the planning was very helpful. Was given contact number of original person dealing with account if needed to contact them. When customer contacted Named Company she found that she was passed from pillar to post. Found the first part of the solution quite difficult and time consuming. Did not really understand what they were being told. Wish that they had shopped around for debt management company but weren't in a position.

Very happy with the service that they helping me out as the debt was really worrying me took a great weight off my shoulders as I am epileptic and struggle to get to work

Great help very approachable.

Very happy with the service, solution hasn't been running that long so no statements as yet

Very user friendly, easily contactable, very good. 10/10

Happy with services

Very impressed with the company and felt they take the burden away very happy with the service

So far so good

Generally find them ok as I have only been with them for 6 months

Customer service is garbage, was not kept informed. Being charged over the odds.

Very happy with the company

Been a really good experience. Really helped customer through a very difficult time.

I was not aware that there would be any fees or charges and I got a letter to say what I owe and it was more than my debt so I asked them and they said it was their charges.

Named Company have helped in an emergency but since then have realised that I could of got advice for free and their fees are rather high

Really good and very happy with the service

Always found them very professional, always been understanding.

Happy with the service

Quite happy with Named Company, would like more information regarding what happens at the end of the solution.

Not Really

Still got calls and letters from the creditors for the first 18 months.

At time very positive and I thought I had to go bankrupt and they offered me another solution - very positive

Would recommend Named Company to others, very good company

Miscommunication, never dealt with the same person, IVA now finished but still hasn't received any confirmation.

Would recommend them, a few minor problems but nothing major.

Very helpful and happy with the service they provided.

They were the only people that could let me see light at the end of the tunnel. Eurodebt were quite happy to take my money and debt never seemed to reduce - so when I heard about Named Company I decided to take a chance.

Only problem I had was trying to speak to the person I needed to speak with, I had to answer 20 questions or more for security. Once I got hold of the person, it was sorted out.

They are brilliant and should make themselves more known.

Absolutely superb! Just brilliant, if a problem or any letters, I had prepaid envelopes, my own case worker. They didn't give me any waffle, no bad knowledge, they actually got me out of debt quicker than originally said! If anyone is in the mire, get hold of Named Company, they're brilliant! People should know they will work with you to get you debt free as quick as you can and ask you how much you can afford knowing that you still have to live.

Anything that worried me they gave me great advice.

Reassuring is how the lady would describe Named Company.

Monthly reports were not consistent, they had to be requested on several occasions.

Felt that they were a very good company and glad that they could resolve your problems at the time.

Very good, very helpful and finished solution when expected.

Definitely recommend them

The best thing I ever did, they were patient on the phone, I get flustered, they let me explain in my own words. In the beginning I was a bit confused because different people were managing me but half way through I got the same person managing me. I actually got money back.

Feels very happy, no pressure now

Not very happy with how being treated. Was told that they had a debt management plan, but was actually an IVA. Told would take 18 months to clear but took 4 years

At the beginning it was full of promises and very clear. My mother in law questioned them on payment plan, she was satisfied with the response. However when the plan started running I was told I would be debt free in 12 months. It took 3 years. I insisted they closed it now and it took so long to clear 5 creditors and I couldn't understand why it was taking so long.

I was told it would be cleared between 12-18mths. It cleared 3 yrs later. I always had to phone them.

Even now if I check my credit history there is still a default against it, but I finished paying them last year even though the credit history was updated after my last payment.

Awful communication, client does not know what status is of payments, no continuity

Happy with the service and they helped me to get out of money troubles

Creditors are chasing payments, as arriving late from Named Company.

They are really, really caring, and have been absolutely brilliant!

At one of the most worrying times in my life, they made me feel 100% at ease.

Very helpful

Found to be really helpful.

APPENDIX B - QUESTIONNAIRE

DRF Outcomes

INTERVIEWERS MAY ONLY SPEAK TO THE NAMED CONTACT.
Hi, may I speak to [NAMED CONTACT] please?
IF UNAVAILABLE, THANK AND CLOSE. CONTINUE WITH THE NAMED CONTACT ONLY.

Hello [NAMED COMPANY] has asked me to give you a call. It's [INTERVIEWER] from Zero-credit. [NAMED COMPANY] is helping a review of money support in the UK and would like your views. All companies that are members of the Debt Resolution Forum are taking part. I would like to ask you about your experiences of using [NAMED COMPANY]. We abide by the Market Research Society Code of Conduct, so anything you tell us is anonymous. My questions take about 10 minutes to answer. Can you help?

1. Can I confirm that [NAMED COMPANY] is still providing your debt solution? TICK ONE ONLY

- ◯ *yes
- ◯ *no PROBE it has come to an end
- ◯ *no PROBE I changed provider
- ◯ *prefer not to say
- ◯ *I have never used [NAMED COMPANY] THANK & CLOSE

2. Even if you have stopped using [NAMED COMPANY] your answers could improve support for people in difficult circumstances. Are you still happy to help?

INTERVIEWERS MAY MAKE A MORE CONVENIENT APPOINTMENT TO CALL BACK IF PREFERRED.

- ◯ *yes CONTINUE
- ◯ *no THANK & CLOSE

3. RECORD COMPANY BAND AND UNIQUE REFERENCE NUMBER FOR QUALITY CONTROL

- ☐ Band 1
- ☐ Band 2
- ☐ Band 3

Reference:

4. Thinking back, when did you first decide to seek help? TICK ONE ONLY

- ◯ within the last year
- ◯ one but less than two years ago
- ◯ two but less than five years ago
- ◯ more than five years ago
- ◯ *prefer not to say

DRF Outcomes

5. What was your main reason for seeking help at that time? TICK ONE ONLY

- ◯ a change in circumstances
- ◯ a drop in income
- ◯ increased outgoings
- ◯ overspending
- ◯ *prefer not to say
- ◯ Anything else?

6. Where did you seek help before using [NAMED COMPANY]? TICK ALL THAT APPLY

- ☐ bank / creditors
- ☐ *prefer not to say
- ☐ employer / union
- ☐ Money Advice Service (financial healthcheck)
- ☐ government /council
- ☐ charity
- ☐ accountant / solicitor
- ☐ none of these / did not seek other help
- ☐ Anywhere else?

DRF Outcomes

7. Which, if any, of the following did you experience from your creditors (a) before having a solution with [NAMED COMPANY]? And (b) since having a solution with them? TICK ALL THAT APPLY IN EACH COLUMN & RECORD VERBATIM WITH (a) AND/OR (b) ONLY WHEN IT APPLIES

	(a) before	(b) since
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	☐	☐

Anything else?

DRF Outcomes

8. Thinking about when you were first seeking help, which of the following did you notice about [NAMED COMPANY] before contacting them? TICK ALL THAT APPLY

- [ ] they came top / close to top of an internet search
- [ ] clear contact details
- [ ] consumer credit licence number
- [ ] Debt Resolution Forum (DRF) membership / professional standards
- [ ] overview of debt solutions
- [ ] some examples of likely fees
- [ ] they contacted me
- [ ] *anything else? UNPROMPTED advertisements
- [ ] *anything else? UNPROMPTED awards
- [ ] *anything else? UNPROMPTED blog / forum
- [ ] *anything else? UNPROMPTED debt calculator
- [ ] *anything else? UNPROMPTED free advice
- [ ] *anything else? UNPROMPTED testimonials
- [ ] none of these
- [ ] *prefer not to say
- [ ] Anything else? ENTER VERBATIM IF NOT ALREADY CODED

DRF Outcomes

9. Using marks out of ten, where ten is excellent, how well does each of the following statements describe your first contact with [NAMED COMPANY]? TICK ONE ONLY FOR EACH STATEMENT

	1	2	3	4	5	6	7	8	9	10	*don't know	*prefer not to say
they explained the solutions that they could offer clearly	○	○	○	○	○	○	○	○	○	○	○	○
I understood which fees applied to each solution	○	○	○	○	○	○	○	○	○	○	○	○
I felt they had my best interests at heart	○	○	○	○	○	○	○	○	○	○	○	○
the possible risks of each solution were explained calmly	○	○	○	○	○	○	○	○	○	○	○	○
they explained priority and non-priority debts clearly	○	○	○	○	○	○	○	○	○	○	○	○
I learned about some other places to find help	○	○	○	○	○	○	○	○	○	○	○	○
I felt confident that they understood my circumstances	○	○	○	○	○	○	○	○	○	○	○	○
I felt involved in choosing the best solution	○	○	○	○	○	○	○	○	○	○	○	○

10. All debt professionals must provide a written proposal for the solution you choose. Did you receive a written proposal before agreeing a solution?

○ yes

○ no

○ don't know

○ *prefer not to say

DRF Outcomes

11. Which of the following did [NAMED COMPANY] include in your written proposal? TICK ALL THAT APPLY

	yes	*don't know	*prefer not to say
a warning of creditors' right to reject some or all of the solution	◯	◯	◯
information about a cooling off period and how to terminate the solution	◯	◯	◯
information about priority debts, or debts not included in the solution	◯	◯	◯
the total cost of the solution, differentiating monthly repayments and any fees	◯	◯	◯
a statement of your income, expenditure and any surplus, as verified with you	◯	◯	◯
how often you and your creditors would be updated on progress	◯	◯	◯
details of the repayment offer to each creditor	◯	◯	◯
the estimated duration (length) of the solution	◯	◯	◯
a warning about the impact of the solution on your credit history	◯	◯	◯
none of these	◯	◯	◯

DRF Outcomes

12. Which solution did [NAMED COMPANY] (a) originally recommend? (b) and which do you have now? TICK ONE ONLY FOR EACH COLUMN. RECORD VERBATIM WITH (a) AND/OR (b) ONLY WHEN IT APPLIES

NB 1ST FOUR SOLUTIONS DO NOT APPLY IN SCOTLAND, SO DO NOT READ FOR SCOTTISH RESPONDENTS. LIKEWISE DO NOT READ SCOTTISH SOLUTIONS FOR OTHER UK RESPONDENTS.

	(a) originally	(b) now
Debt Management Plan	☐	☐
IVA	☐	☐
Bankruptcy	☐	☐
Debt Relief Order	☐	☐
Trust Deed SCOTLAND ONLY	☐	☐
Sequestration SCOTLAND ONLY	☐	☐
Debt Arrangement Scheme SCOTLAND ONLY	☐	☐
Debt Elimination (eg total write off)	☐	☐
none	☐	☐
*don't know	☐	☐
*prefer not to say	☐	☐

Anything else?

DRF Outcomes

13. Using marks out of ten again, where ten is excellent, please rate [NAMED COMPANY] for each of the following, throughout your solution. TICK ONE ONLY FOR EACH STATEMENT

	1	2	3	4	5	6	7	8	9	10	*not applicable	*prefer not to say
easily contactable	○	○	○	○	○	○	○	○	○	○	○	○
approachable with any query	○	○	○	○	○	○	○	○	○	○	○	○
discrete communications	○	○	○	○	○	○	○	○	○	○	○	○
offering help and advice to stay on track	○	○	○	○	○	○	○	○	○	○	○	○
clear advice about what to expect as my solution progresses	○	○	○	○	○	○	○	○	○	○	○	○
keeping track of my circumstances and ability to repay	○	○	○	○	○	○	○	○	○	○	○	○
keeping me up to date with any feedback from my creditors	○	○	○	○	○	○	○	○	○	○	○	○
providing me with monthly and annual statements	○	○	○	○	○	○	○	○	○	○	○	○
collecting my repayments on time	○	○	○	○	○	○	○	○	○	○	○	○
repaying my creditors on time	○	○	○	○	○	○	○	○	○	○	○	○

14. Any other comments about your experience of using [NAMED COMPANY]? RECORD EVERYTHING EXCEPT "no / not really" VERBATIM

15. Since using a debt solution, would you say that you are better, worse or about the same at .... THEN CONTINUE FOR FOR EACH ASPECT Thinking about .... are you better, worse or about the same? TICK ONE ONLY FOR EACH STATEMENT

	better	worse	about the same	*prefer not to say
managing your money	○	○	○	○
finding financial advice and information	○	○	○	○
planning ahead	○	○	○	○
choosing suitable financial products	○	○	○	○

And finally to help us to compare your experiences with those of other people in difficult circumstances...

N.B. FROM THIS POINT FORWARD, PLEASE READ "prefer not to say"

DRF Outcomes

16. How would you describe your housing status? TICK ONE ONLY

- ◯ home owner with a mortgage
- ◯ home owner without a mortgage
- ◯ tenant PROBE private landlord
- ◯ tenant PROBE council / housing association / social landlord
- ◯ prefer not to say
- ◯ Other?

17. 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 in years

18. May I ask your ethnic group? READ ETHNIC GROUPS ONLY AS A PROMPT. TICK ONE ONLY AND ENTER ETHNICITY AS STATED ALSO, WHERE GIVEN.

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

Ethnicity as stated

19. Are you? TICK ONE ONLY

- ◯ single
- ◯ in a relationship
- ◯ prefer not to say

DRF Outcomes

20. Do you have dependent children? TICK ONE ONLY

- yes
- no
- prefer not to say

21. To the nearest full year, approximately how long is it since you entered your solution? TICK ONE ONLY. ROUND UP OR DOWN
e.g LESS THAN 6 MONTHS = 0
MORE THAN 6 MONTHS = 1
18 MONTHS OR "1 and a 1/2 years" = 2 etc.

- *1
- *2
- *3
- *4
- *5
- *6
- *7
- *8
- *9
- *10
- *11
- *12
- *> 12
- *don't know
- prefer not to say

IF >12 ENTER NUMBER

22. Approximately how many creditors were included in your solution (a) originally (b) and how many are included now? TICK ONE ONLY

	(a) originally	(b) now
*0		
*1		
*2		
*3		
*4		
*5		
*6		
*7		
*8		
*9		
*10		
*11		
*12		
*> 12		
*don't know		
prefer not to say		

IF >12 ENTER NUMBER FOR (a) AND/OR (b)

DRF Outcomes

23. To the nearest ten pounds, what amount of monthly take-home pay was included when you entered your solution (a) originally? and (b) what amount is included now?

READ INCOME GROUPS ONLY AS A PROMPT, IF RELUCTANT OR UNSURE

TICK ONE ONLY AND ENTER INCOME AS STATED, USING DIGITS WITHOUT £ OR COMMAS e.g. "two thousand pounds" BECOMES 2000.

	(a) originally	(b) now
up to £680	☐	☐
£690- £1010	☐	☐
£1020-£1360	☐	☐
£1370-£1770	☐	☐
£1780-£2250	☐	☐
£2260-£2800	☐	☐
£2810-£3450	☐	☐
£3460-£4260	☐	☐
£4270-£5840	☐	☐
£5850 or more	☐	☐
*don't know	☐	☐
not applicable	☐	☐
prefer not to say	☐	☐

Income as stated RECORD (a) AND/OR (b)

DRF Outcomes

24. To the nearest thousand pounds, how much, if any, was your outstanding mortgage when you entered your solution (a) originally and (b) how much is it now? READ MORTGAGE GROUPS ONLY AS A PROMPT, IF RELUCTANT OR UNSURE

TICK ONE ONLY AND ENTER MORTGAGE AS STATED, USING DIGITS WITHOUT £ OR COMMAS e.g. "two thousand pounds" BECOMES 2000.

	(a) originally	(b) now
less than £20,000	☐	☐
£20,000-£39,000	☐	☐
£40,000-£59,000	☐	☐
£60,000-£79,000	☐	☐
£80,000-£99,000	☐	☐
£100,000-£119,000	☐	☐
£120,000-£139,000	☐	☐
£140,000-£159,000	☐	☐
£160,000-£179,000	☐	☐
£180,000 or more	☐	☐
* don't know	☐	☐
not applicable	☐	☐
prefer not to say	☐	☐

Mortgage as stated RECORD (a) AND/OR (b)

DRF Outcomes

25. Again to the nearest thousand pounds, what amount of personal borrowing was included when you entered your solution (a) originally (b) and what amount is included now? READ BORROWING GROUPS ONLY AS A PROMPT, IF RELUCTANT OR UNSURE

TICK ONE ONLY AND ENTER BORROWING AS STATED, USING DIGITS WITHOUT £ OR COMMAS e.g. "two thousand pounds" BECOMES 2000.

	(a) originally	(b) now
less than £20,000	☐	☐
£20,000-£39,000	☐	☐
£40,000-£59,000	☐	☐
£60,000-£79,000	☐	☐
£80,000-£99,000	☐	☐
£100,000-£119,000	☐	☐
£120,000-£139,000	☐	☐
£140,000-£159,000	☐	☐
£160,000-£179,000	☐	☐
£180,000 or more	☐	☐
* don't know	☐	☐
not applicable	☐	☐
prefer not to say	☐	☐

Borrowing as stated RECORD (a) AND/OR (b)

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

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

- ○ yes
- ○ no

THANK AND CLOSE, CONTINUING ONLINE TO RECORD FROM CONTACT FORM

27. RECORD GENDER

- ○ male
- ○ female

28. RECORD TWO CHARACTER POSTAL REFERENCE FOR CODING GEOGRAPHIC AREA

DRF Outcomes

29. HAVE YOU FINISHED THIS INTERVIEW

- ○ YES
- ○ NO

FOR CODING USE ONLY. INTERVIEWERS MUST NOT RECORD DATA ON THIS PAGE. THANK YOU

30. CODE GEOGRAPHIC AREA

- ○ East Anglia
- ○ East Midlands
- ○ Greater London
- ○ North
- ○ North West
- ○ Northern Ireland
- ○ Scotland
- ○ South East
- ○ South West
- ○ Wales
- ○ West Midlands
- ○ Yorkshire & Humberside

THE DEBT RESOLUTION FORUM

Promoting Professional Standards

Case Studies

DRF OUTCOMES RESEARCH: CASE STUDIES

ABOUT THIS REPORT

In December 2011, the Debt Resolution Forum commissioned Zero-credit to complete three parallel research studies to explore the outcomes of fee charging debt solutions. These were an analysis of market size, a survey of members' clients and a series of case studies with members' clients. This report gives an account of the case studies, with research conducted and analysed 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

INTRODUCTION

A total of twelve in depth face-to-face interviews were conducted with DRF Members' clients in their homes, throughout February and March 2012. Originally, we had planned to conduct case studies with a profile of client contacts as follows:

	AGE				GENDER		TENURE		CHILDREN		AREA		
	16-24	25-39	40-59	60+	MALE	FEMALE	OWNER	TENANT	YES	NO	NORTH	MID	SOUTH
MIN	2	2	2	2	5	5	4	4	4	4	3	3	3
IDEAL	3	3	3	3	6	6	6	6	6	6	4	4	4
MAX	4	4	4	4	7	7	8	8	8	8	5	5	5
TOTAL	12				12		12		12		12		

However, the consumer research revealed an extremely small number of clients in the 18-24 age group (ultimately 7 out of 601 telephone interviews, and from the Market Size, 4% of fee-charging DMPs and 1% of IVAs) so we amended the brief to focus on older participants from across the other age ranges. From a total of 48 contacts made, 12 were interviewed, 29 declined to take part and 7 did not match the criteria.

As was to be expected, several clients preferred to talk to us as a couple, whereas others, who were managing their debts independently of the household in which they lived, chose to be interviewed alone. Thus, the profile of participants achieved was as follows:

	INDIVIDUALS					HOUSEHOLDS							
	AGE			GENDER		TENURE			CHILDREN		AREA		
	25-39	40-59	60+	MALE	FEMALE	OWNER	TENANT	WITH FAMILY	YES	NO	NORTH	MID	SOUTH
TOTAL	16			16		12			12		12		
ACTUAL	6	6	4	8	8	4	7	1	5	7	3	5	4

Interviews lasted approximately one hour and fifteen minutes and covered a range of topics to explore how respondents were coping through difficult and changing economic circumstances, with a view to understanding the outcomes of using a fee-charging debt solution provider. The discussion guide is included in the Appendix to this report.

1 NO LOOKING BACK!

Four respondents reported extremely positive experiences of working with their debt solution provider and demonstrated a range of new found money management skills and confidence in seeking information that they attributed to their solution choice. Common sentiments were favouring a less credit-focused lifestyle and a sense of delight in the bargains to be found from cutting back.

Some were more critical of their creditors than others were. One in particular, felt badly let down by a creditor-funded debt charity. There was a tendency to view lenders as over-inclined to promote debt consolidation, when in fact advice on affordable repayments was what was needed. There was also a very strong desire to be treated and respected as an individual, and a continued inclination to feel inadequate compared to others when it came to money management, despite limited evidence of this being the case since having a debt solution.

All four of these respondents accepted responsibility for the debts they had incurred and disliked what to varying extents they perceived as an exploitation of their weaknesses by mainstream credit. They had found their debt solutions to be the catalyst to an important learning experience, from which they were embracing new potential.

1.1 I wasn't sinking

Location	**North East**		
Gender	**Female**	**Male**	**Female**
Solution	**IVA**	**-**	**-**
Age	**39**	**65+**	**60+**
Ethnicity	**White British**	**White British**	**White British**
Children	**-**	**-**	**-**
Relationship	**Daughter**	**Father**	**Mother**
Tenure	**Joint**		
Working	**Yes**	**Retired**	**Retired**
Income	**£800pcm**	**State and work pensions**	
Qualifications	**NVQ level 1**	**n/a**	**n/a**

The respondent had moved back to her parental home before seeking debt help after the breakdown of her marriage four years ago. She had been a postal counter worker for most of her adult life and enjoyed open and discursive relationships with her colleagues and immediate family. She had an adult daughter at university and was more than half way through her IVA with a Band 3 (>3000 clients) provider.

> *I got into a lot of debt when I wasn't living here and then my husband left me with a lot of debt and then it escalated because I was getting this to pay that. You know, it's my own fault for getting in that situation and then I had to give up my house, so I moved back home.*

Interestingly, she had been approached by the IVA company, at a point when she did not recognise herself as being over-indebted and was grateful for the unsolicited call because it made her realise the extremity of her situation. She, like several other respondents, had felt no escape from maintaining repayments and, even after writing off a proportion of her debt, much of her language was still very self-critical.

> *They just phoned, but I'd had not just them, I'd had other companies phone me and I went no, no, I'm fine, I'm fine because I was always paying my bills, I was never behind with any bills, but I just never had any spare money left after I'd paid them. I was never ever behind. That's why I thought oh I'm fine, I'm fine, I'm alright and just that call from [company] was... Do you know actually I think you've more or less talked me into it, so you know I'm, going to do it. Because I thought with my debt, I've got to pay it, which yes I do because I got myself into that situation, but obviously they're able to help me, you know, to get where I am I suppose.*

There was a lot of reflection on the impact of credit and, at times, a sense that it was almost like an addiction with which she could not cope.

> *That's how it starts, I think, for me personally, because I thought, yes I'll manage, I'll manage, when actually I'd go if I can get a bigger loan and pay that off and that off, so then the bill was bigger. I wouldn't cut the credit card up, like, do you know what I mean? So for me it's a vicious circle, so for me personally, I'm not saying nobody else would, but for me personally, no. But obviously, when I come out this IVA, I've got £300 spare, so I could start saving, you know.*

The lack of credit in an IVA had led to more shopping around for deals, and in many ways her IVA was the catalyst to acquiring more knowledge, better information and becoming more independent. There was a real sense of achievement in cutting costs and having aspirations for the future.

> *I think I've always checked up on things, maybe not as much as I have done probably in the last year, but I don't know whether that's because until - in 2010 I broke my shoulder and I was off work for five months. And I don't know whether I was bored and I was looking and checking, well how have we got that, where generally you pay it and go to work and you know. But looking into things, I thought, hang on that's gone up hasn't it? So I don't know whether it's then and I'm sat on the Internet and play about, but it's got - worse is probably not the right word. But you know I've probably looked into more of like well, why are we paying that much and then let me just check to see if we can get it anywhere else or whether it's cheaper.*

Whereas some IVA clients who participated in these case studies felt a sense of resentment towards their solution, this respondent had re-evaluated her relationship with money and felt empowered that she now had control over it rather than the other way around.

I just think now as long as all the bills are paid I'm not bothered about money now. I'm just sick, sick to death of worrying about money. I mean we still do because we think, you know, where are we going to get this from or that from, but it's just a case of just get on with it.

The respondent felt a strong sense of relief that she repeated several times throughout the interview.

I just know there's an end to it, whereas obviously when I was paying the credit cards and everything, I was only paying the minimum amount, so there was no end, you know. I didn't have any phone calls, I didn't have any letters, I didn't have anybody hassling me because all the bills were getting paid. But I knew for a fact that I'd be paying them credit cards off for the rest of my life, whereas now at least I know there's an end to it and I can try and do something better after this finishes.

Store cards were a particularly sore point and seen as an entry route into the debt spiral.

I sort of keep saying to my daughter – I mean we had an argument a few years ago in New Look. My brother was saying to her "Do you want to get yourself a New Look card? You get 10% off". I went "No, she doesn't". And she was like old enough to know for herself, and she was like, "I might want to get one". And I was like, "You don't, you don't want to end up like me". And that's what I keep saying to her, trying to drum into her, because she's got herself a little savings account. She tried to put some money away, you know she's not shy of working, anything like that and I keep saying to her, "Do not end up like me. If you haven't got the money, you can't do it, you know otherwise you're going to end up like me, you'll be in so much debt". And she's like, "No, I won't." and I'm like "Good, you just keep thinking like that because I never thought I'd be in this situation".

Comments about not realising how indebted she had been were repeated several times.

Obviously it's like three and a half years since I started the plan, but I never thought I needed anything like that because I wasn't physically in debt, I was just getting a helping hand from them.

The respondent's relationship with her IVA provider was apparently relaxed and informal, although there had been a misunderstanding at the start of the solution with regard to overtime salary arrangements. Misunderstanding the terms and conditions of an IVA or feeling that an essential piece of information had not been explained was common to other less satisfied clients as well as cropping up on occasion in the consumer research.

[Name from company] just phones up to say how's everything going, you know, is there anything that you're worried about and I've phoned her sometimes. You know, when I first started paying a lot towards the mortgage, I was really struggling. And one of the things that I didn't understand at first - yes, it was in all the paperwork and everything but I'm not really good at reading what these things mean - and I didn't realise I had a 50% clause in the IVA. So the first 6 month review I'd done overtime at work and I got a bill from [company] saying you owe us £600 and I was like, What?! Why?! I'm paying you the money. So I phoned up and they was like yeah you've got this 50% clause. That was the only thing I was upset at the company with because they sort of didn't tell me in idiot terms, if you earn anything over what you tell us you earn, we're legally entitled to take 50% of it and that was the only thing that I was annoyed at them for. So like really, I daren't do a lot of overtime and when I get bonuses I get dead worried because they're going to want to either increase my payments or take some money off me, which if I get a bonus, that bonus has gone because summat, either a bill will be in or summat.

The respondent was quite clear that she was in a paid debt solution and felt that it was the right solution for her. She was also very keen to express her opinion that choice is important to people struggling with debt.

Everybody deals with things differently and I think you've got to do what's right for you at that time and if that means going on to an IVA plan you've got to do it. If it means you can change by other means, do it, but I think it's each to the individual. I don't think you can pile everybody into like one box and say right well, you all need to do it like this, this is how it's going to work, because it doesn't work for everybody I don't think.

Above all, this respondent felt that without an IVA she would not have been able to keep a roof over her own and her parent's heads.

I am still better off under the IVA because otherwise we wouldn't have been able to find the money to pay the mortgage because I was paying seven and eight hundred pound a month for the bills.

1.2 You always think that the bank is going to be right

Location	**West Midlands**	
Gender	**R1: Male**	**R2: Male**
Solution	**IVA**	
Age	**25-39**	**25-39**
Ethnicity	**White British**	**White British**
Children	**0**	**0**
Relationship	**Couple**	
Homeowner	**Joint**	
Working	**FT**	**Unemployed**
Income	**£20kpa**	**JSA**
Qualifications	**NVQ Level 4**	**NVQ level 4**

The respondents were a couple, coming into the third year of their IVA with a Band 3 (>3000 clients) provider. R1 was a relatively senior retail manager and R2, who had recently lost a catering job, was waiting to hear about a new retail appointment. R1 spoke considerably more than R2, who was quietly circumspect until the end of the interview, although ultimately, it was apparent that both were very satisfied with the new way of life that they had found. Confidence in their IVA provider was high and a real sense of achievement was apparent.

We've been with [company] now for about two years so that was the point where we got the problems with credit cards, things like that so we got in contact with [company]. And they basically had a look at all the finances and then we got an advisor in and they obviously looked at what was the best thing to do for us under the situation that we were in. So obviously, we went on their recommendation and they helped us then, start to put the you know recovery back into place to start clearing the debt and managing it and then you know, going forward from that.

Despite using quite a lot of financial and management terminology like “structuring” and “recovery”, R1 frequently referred to his solution as “consolidation”. This may have been because he perceived all the debts to be in one place, but often it just seemed a more palatable word to use.

Financially, there’s... obviously everything went into, things like the credit cards, things went into the consolidation with the debts on there.

The process of exploring income and expenditure had clearly been beneficial to creating order in the household budget, allowing the respondents to take ideas from the initial analysis of their situation.

[Company] looked at ways where we could manage the money better, because you could see a structure of what you were using, which percentage of money was going for what in and out of the house, and what you use, whether it’s grocery shopping, whether it was fuel, and the breakdown was helpful with that, yeah.

The response of banks and lenders to this couple’s financial circumstances was seen as a let-down. Even among less satisfied case study participants, there was a strong sense that financial institutions had exploited debtors’ circumstances.

When we had the certain amount of debt to start with we used to go obviously to the banks, thinking they were probably going to be there to advise us and help us, when looking back now, I think it’s like with any bank. They’re in it to make money or to sell products they’ve got. I think they weren’t probably looking more as in our interests to sort the debt out as I think let’s offer another loan to pay off another loan, and it was just like a continued kind of spiral if you like from that. So we didn’t feel like as if, looking back now, the banks didn’t seem to try to help us with the *situation. It was more of, looking back I think it's just how they, I think it was just a way of giving us another product to make more interest from us really and from the payments we were making, but that's just like my view on it, so, you know.*

There was a definite sense that using a debt solution had created a greater awareness of other sources of advice and the need to shop around for a range of information before making a decision about money.

I think a lot of it is looking at the right places to go to, to seek the advice. I think everyone just thinks oh you know, go to one particular bank, they're obviously experts, that one thing should be right, but since we've obviously been in with the debt plan, I think there's other options you can go for and there's different places you can go other than the banks to get advice on the finances.

The revelation that there were other sources of debt advice opened up a whole new world of money management and cost cutting tips too.

I think it wasn't until I actually phoned up that we realised that there was other people that could help us and give us the advice. And I know that there's a lot more different avenues you can go down now to get the information from people and for like managing money and things like that. I know now there's different things online that you can use for managing your money.

It also led to the realisation that direct debits were a much more manageable way of keeping on top of bills.

We used to pay everything with – I used to like the paying in book sent through so it was recommended when we sorted everything out with the IVA to look at that. So that's where I had a look and changed everything to direct debits and I know – the water I think we saved on by paying a direct debit and the gas we saved quite a lot as well.

There was little doubt that for these respondents, their IVA provider had inspired an entirely different perspective on managing money, giving them increasing independence and confidence.

[Company] obviously made us aware of it, to have a look at other deals, so normally I'd just say oh yeah, just renew the car insurance when they'd phone up. But I thought yeah, you know, this time we'll have a look round and just by checking on there it's made a difference and at a difficult time, obviously, where we had less income coming in, that obviously helped us.

In almost every aspect of household spending, this couple had challenged their old ideas.

To be honest, we've found that you can actually buy really nice clothes in other places for a fraction of the price. We have up in Cannock, not far from here, there's a warehouse place isn't there and they're like ex-catalogues – it's all new clothing it's just you might have like a little tear on the bottom of a jean or something like that, if that, and you save an absolute fortune. You can buy a pair of jeans for like a fiver in there. A lot of friends that we know have recommended them and even they shop there because they get a lot of bargains from there. I'd say that's probably changed while we've been in the IVA, whereas I said like before, we'd probably just go into a Burton store and buy a pair of trousers or a new shirt for work or whatever it would be, now we'd just go somewhere like that and get a lot more better value for money as well.

1.3 At the end of the day, I'm crap with money

Location	**South East**	
Gender	**Female**	**Male**
Solution	**DMP**	**-**
Age	**43**	**40-59**
Ethnicity	**White British**	**White British**
Children	**0**	**0**
Relationship	**Couple**	
Tenure	**Living with husband**	**Homeowner**
Working	**FT**	**FT**
Income	**£10kpa**	**-**
Qualifications	**NVQ level 2**	**-**

The respondent had started a debt management plan with Hamilton Locke around ten years ago. Four years later, she switched to a DRF Member in Band 1 (<1000 clients). Her debt problem pre-dated her marriage and she had dealt with it alone and in secret for quite some time. Her DMP was in her name only and whilst her husband now knew and helped her out with occasional cash flow and big ticket household items, she remained very certain that debt repayments were her responsibility.

The respondent often described herself as lacking confidence and insecure, and chose to meet at her parents' home. She always referred to creditors as debtors and it was interesting that her opening comment to the interview questioned whether she was in the right solution.

I must admit when I speaking to [company] I think one day last week, I pay as you know the debtors (sic) a certain amount through the debt programme, but this month I've had car tax and I've had very, very expensive dental treatment. And on reflection I was actually speaking to them as I say, one day last week and to say in their opinion do they think that this is the best thing for me because it's going to take a long time to pay off. I don't miss a payment and I try to keep things in order as I can. And when I spoke to [company] they said to be very honest with you we can send you some documentation out on the alternatives i.e. bankruptcy or IVA, but they're not things we recommend and certainly not in the circumstances that you're in, where you're paying *on a regular basis and, you know, you haven't had any problems. So in actual fact, yes, I was sort of speaking to them the other day about it.*

When talking about her banking arrangements, the respondent explained that she operated only a basic joint account for general household purposes, because like many case study participants she had encountered difficulties with owing money to her original bank.

No this was after, I was trying - you know what banks are like. I was trying to manage my bank account without going overdrawn, but you know with all the debt problems and everything else it was just inevitable that it happened and consequently you get into that horrible circle where they're charging you and charging you and charging you and you can't see an end to it. So, I spoke to the Citizens Advice about it and they said shut it down, speak to your debt management company and you know, they'll give you advice what the next step forward is to do.

It was significant that her account of speaking to Citizens Advice was at no point critical of her using a debt management company. Indeed, it seemed that Citizens Advice had encouraged her to look around.

The Citizens Advice recommend, they have like a portfolio where you can send standard letters out to your debtors (sic) but it doesn't cost you anything, but they did say alternatively you can have a look on the Internet or through friends and family and you can get telephone numbers. And I can't remember off the top of my head but I think somebody I worked with were using Hamilton Locke and they recommended them.

When asked why she had changed debt management provider she explained that a PPI enquiry had led her to the DRF member currently operating her DMP.

I'd been with Hamilton Locke for about four years and I was becoming, increasingly noticed that when my payments were being made, the debtors (sic) quite often would phone or send letters to say they hadn't had the payments. And more and more I was sort of getting disgruntled with them and I can't remember quite what happened but I went for this missold PPI insurance on one of the debts that I'd got.

I think I just really looked on the website. I can't remember how I came across [PPI company] to be honest with you, but even they were nice, you know, always sort of reassured you, put your mind at rest because I'm a very nervous person.

I just picked them off the internet – I think I had half a dozen – phoned them up and I think they were the first or second people that I phoned up and they were just – the man I spoke to on the phone a gentleman called [name] was just so lovely, even rang me straight back.

Using a smaller provider, it was interesting that the respondent gave great emphasis to personalised service attributes – for instance, she liked the fact that it was a family company. Indeed, her opening comments very much gave the impression that she needed the informality to just ring up and have a chat.

> *Honestly you cannot fault them, you cannot fault them. It's the personal things. When you're experiencing debt problems, you don't need to be a number or somebody at the end of a phone with somebody with a headset going like this. You need to talk to somebody in English terms, in polite terms, like you're talking to your mum or your sister, not necessarily that laid back, but you need to feel like you've accomplished something when you talk to somebody on the phone. And Hamilton Locke, you know every time you phoned, you spoke to about 10 different people, but when I speak to [company] my caseworker is [name] but she only works part-time and if I don't speak to [name] I speak to [name]. They - Oh Mrs [name] how are you? – you know. Nothing is too much problem for them but Hamilton Locke were very commercialised is the thing I would say, yeah.*

In a similar vein to the first respondent in the "no looking back" group, this respondent felt that she had been drawn into credit because it was so much a part of everyday life.

> *I suppose you - it's like everybody - everybody says oh you've this credit card and that credit card and I suppose you just do what everybody else does basically.*

Her first credit product had been a store card.

> *... more or less when I was about 18. My friend got one so I got one... I think I ended up with about three or four... It escalated and the end of that roll was the City Financial consolidation loan to pay everything else that you'd consolidated and consolidated...*

Advertisements for debt help on television were seen as a welcome change to suffering in silence, making people more aware of how to deal with credit problems.

> *You look on the television there's adverts, you look online there's adverts, you know we can help you... now when you look more into things and things in the last couple of years have become more apparent that if you've got debt or you've got credit card problems etc. etc. you're not alone. You basically can speak to different people from different walks of the world, you know Citizens Advice or your debt management companies etc and you've always got help. It's not – years ago you know, it was oh I'm going to commit suicide kind of thing, but it's not like that nowadays.*

However, a downside to commercialising debt help was recognised too, especially where incentives to switch provider were concerned.

One lady in particular I work with, though I think ulterior motives were – I think she's got a debt management company she was with, quite a commercialised company I think, but you know if you recommended somebody you'd get gift vouchers or something like that.

Ten years down line, the respondent had only one creditor remaining and despite describing herself as "crap with money", her solution had helped her gain a better sense of control.

It became a monthly thing as opposed to a willy-nilly thing because when you're spending money that you haven't got on cards and different things, you've got no, I don't think you've got no aspect of what's going on. But when the reality hits you that you've got to do this thing and plan every month when you get your wages because obviously you do the expenses and income of how much you've got and how much you haven't got, the month becomes a reality when you know the beginning of the month you've got to do that.

1.4 My whole house would have gone

Location	**North East**	
Gender	**Female**	**Female**
Solution	**DMP**	**-**
Age	**56**	**26**
Ethnicity	**White British**	**White British**
Children	**0**	**0**
Relationship	**Mother**	**Daughter**
Tenure	**Homeowner**	
Working	**SRN**	**FT hotel trade**
Income	**£1000pcm**	**n/a**
Qualifications	**NVQ Level 4**	**n/a**

The respondent was living at home with her adult daughter and worked full time as a nurse in a busy out-patients clinic. She had first entered a DMP with CCCS in 2007 after "overspending" on a holiday.

I got into debt through my efforts to update the house and also I went on a trip to Canada for my fiftieth Birthday. I'd taken too much credit and got into a spiral. I might have been making minimum payments, but those payments were getting bigger and basically my accounts were in such disarray.

She switched to a DMP with a large DRF Member in 2010. Her main gripe with CCCS was that she was still getting threatening calls and letters from creditors and that their only reply was:

> *You are still responsible for the debt.*

She described harassment at work as placing a great strain on her mental health and her ability to work effectively.

> *Constant phone calls, letters, threatening more, letters and not really getting support to say they can't do anything – constant harassment, mentally more than anything. Calls were mostly at home but I remember my bank called me work and I'd only given it to them for emergencies, it was only ever for, you know, on my part and I work in the health service so that meant I was taken out of my job. The call would last about 20 minutes and then I lost about an hour each time, after I'd composed myself, you know run away to the smallest room to howl...*
>
> *It's nursing, it's clinic work. Clients are referred in from GPs to our clinics, so it's outpatients. People are counselled for surgery, ongoing cancer treatment things like that. It's stressful. CCCS just said that at the end of the day the responsibility was mine for the debt but that they would send a letter. But it was always what you might call snail mail. The resolution wasn't quick, it was still with the prospect of letters, more calls or the threat of a bailiff rattling at the door, whereas I just ring [company] now, and I have envelopes to put any letters in.*

Creditor harassment had had a real impact on the respondent's health and at several times during the interview she broke down in tears. She was terribly upset that she could have faced the prospect of losing her home because a large part of the down payment had been gifted to her by her late father.

> *Even for a professional person, I got so low that I needed the doctor's help, counselling and anti-depressants... They'd have carried on calling me and my whole house would have gone. I'd have been homeless – either that or my health. Being in nursing my job is fairly secure, but it's pressured. I'm still monitored because I'm still in such a mess, I'm not going to counselling any more but I'm still taking pills and they're keeping an eye on me.*

Dissatisfied with CCCS, she turned to Citizens Advice who recommended her current provider, whom she found far more reassuring.

> *At [company] I spoke to [adviser] and she put me at ease, saying you are not alone, that things could be sorted out. It was only small stuff she wanted from me in the way of background, so I felt at ease...*

At [company] now, I'm repaying £310 a month whereas at CCCS I was repaying £500 a month, out of £1000 or so take home pay.

Self-esteem was a key aspect of how this respondent felt about her indebtedness. Some of the spending she mentioned, like hair care and holidays may seem frivolous to some, but it made her feel confident about herself.

I'm clothing myself better now, with things that are less dowdy and better fitted, replacing shoes that had worn out. I'm taking better care of myself, going to have my hair done. Before if there was a work do, I'd look for an excuse to get out of it, shy away from people and stay at home.

Self-confidence seemed to lead to better control over money and over the future too.

About a year ago I started a rainy day fund. It's not really got – there's only a very small amount gone away in a building society account and it's an ongoing plan. Most of it seems to go on the dogs but I add to it when I'm able. In a few months I'm hoping to set up a direct debit or standing order, at the start of the month, when my other bills have cleared. I'm happier now I have a rainy day fund, if I can get that on direct debit too, it makes life less difficult.

2 The Emotional Rollercoaster

Decisions to enter a debt solution may often be taken in difficult circumstances, whether through personal illness, relationship breakdown or caring for children who are disabled or sick. Sometimes clients do not share all of their information with a solution provider and this can lead to perceptions of an inappropriate or unacceptable level of service. This may be blamed on the creditor, the solution provider or a general lack of care by the government and regulators.

When even satisfied clients can feel prickly about understanding terms or conditions in an agreement, how much more so can someone who is experiencing emotional or physical trauma?

The following case studies focus on respondents, whose indebtedness was caused or has been contributed to by a change in circumstances and aims to consider how much can be done to ensure that solutions run smoothly and transparently throughout their term.

2.1 The debt company wants more money

Location	West Midlands					
Gender	R1: Male	R2: Female	Male	Male	Female	Female
Solution	IVA	DMP	-	-	-	-
Age	33	34	17	12	7	10m
Ethnicity	WB	WB	WB	WB	WB	WB
Children	4	4	-	-	-	-
Relationship	couple		son	Son	daughter	daughter
Tenure	Social Tenants					
Working	yes	no	NEET	-	-	-
Income	£1550 net	Carers	-	disability	disability	-
Qualifications	NVQ3	NVQ2	NVQ2	-	-	-

The respondent was in what was originally an individual IVA, set up by a large provider when he had previously lived alone. This was apparently now taking joint, and potentially household, income into account. He was unsure as to how many years he had been in an IVA, uncertain of his or his partner's income and with his partner in a debt management plan of her own, with a non-DRF Member, perceptions of mistreatment were running high. This was exasperated by the fact that two of the four children in the household were registered disabled and the IVA seemed to be using the benefits for these children to pay creditors.

> *We've told them and all they keep saying is all we need is your household income. We take everything in the household income.*

From the outset it was apparent that neither the respondent nor his partner was entirely sure of their household spending. They frequently talked about living day to day and placing their children's immediate needs first at all times.

We're supposed to be able to have money to go and buy clothes for the children, but there's none there for me to able to go and do that. She's getting bigger all the time and needing clothes all the time because again, it's her condition – it's not going to stop, it's not going to stop and she's getting bigger all the time. I mean she's in size 13-14 clothes and she's only 7 and there's nothing we can do about that. There's nothing and you know obviously the bigger they get, the more they cost and the bigger she's getting the more we have to buy her, so it's, yeah it's allowed, it's in there and it's allowed to be in there, but it's not enough.

The stigma felt by trying to explain to the Special Needs School that the daughter could not go on trips because the family could not afford them was very apparent.

You feel terrible when you're constantly saying no you can't have it, no you can't have it. And they've only allowed so much for trips as well in this money. And [child 3], because she's at special school, they go on trips all the time it's 5 pound here, 10 pound there, 6 pound there. You look at the letters and think, well you don't want to go down there and tell them you can't afford it because she's getting a load of money. So they're gonna be thinking, well, what are you doing with it all? You know and what we are doing with it all is giving it to the IVA, so you know, it's just...

There was a lot of uncertainty around income that the IVA was entitled to take, which led to a perception that the IVA provider was unethical.

Well the IVA must be having it. They must be having it because there's no way [partner] is in £28000 worth of debt, but if you work out how much they will be having over the years, that's how much they will actually have.

However, it was also clear that neither the respondent nor his partner understood how money was administered by the IVA. There was anger at creditors, anger at the IVA provider and ultimately, a refusal to make a PPI claim because it would contribute to the IVA.

And they also sent a letter off to one of these PPI companies to claim back the insurance. The company sent me the letter to release the insurance, but when I rang up my IVA, I said what happens to that money and they said the creditors get it, but I'm already paying them for the insurance. They're getting two lots of insurance, so I told them I ain't gonna sign it. Because on my IVA, it's agreed if I do any overtime, it'll be split in half – I get half, my creditors get half, so why can't they split that?

It was clear to the respondent and his partner that their incomes were separate, but apparently not to the IVA provider.

And that's another thing I don't get as well is, see I've got my own debts and my own problems, so I'm in a debt management of my own and [partner] has to pay his own. So that's what we didn't get about why they've took all my money into account and into [partner's] money because he don't get my money.

In the course of the interview, it transpired that neither the respondent nor his partner had mentioned the fact that there were two solutions running in the household to either of their providers and indeed that documentation the IVA provider had asked for had not been submitted.

That's one of the documents I haven't sent off to them isn't it - to say how much you pay out.

The outcome of this was the perception that:

All an IVA does and debt management companies do is make out that your best interests are at heart but all they want is the money from paying it.

2.2 The only people that are willing to lend

Location	**South East**		
Gender	**R1: Male**	**R2: Female**	**Male**
Solution	**IVA**		**-**
Age	**63**	**60**	**40**
Ethnicity	**WB**	**WB**	**WB**
Children	**0**	**0**	**0**
Relationship	**Couple**		**Son**
Homeowner	**Private tenant**		**co-tenant**
Working	**Transport Admin**	**Care worker**	**FT**
Income	**£1874**	**£878**	**< £150 rent**
Qualifications	**NVQ Level 3**	**NVQ Level 4**	**NVQ level 3**

Before [partner] was made redundant and I had my two operations we were financially quite well off. I mean my job has always been about the same. [Partner] was the main wage earner, so we never really had to worry about things and then we got into trouble and we just went as we say on the internet and found someone and we basically put it all in their hands. But, now we know more, *now perhaps I would go, well it ain't never going to happen again is it, getting in that sort of financial problems because you're not going to get credit or anything.*

Following a combination of redundancy and illness, the respondent and his wife were in the last year of a joint IVA after previously spending a year on a debt management plan. They rented a house that they shared with their adult son. The couple were finding their IVA particularly challenging because after finding another job, the wife's earnings had recently dropped again.

This time last year I lost half my salary. I work for Age Concern and I did two sorts of parts to it carer's support and hospital discharge. Well the carer's support no longer got funded, so I lost half my, I lost 17½ hours of my 35 hour week, so that made a big impact. I managed to pick up a few hours from about Christmas really, still with Age Concern doing a bit of cleaning, doing a bit of anything really to build it up.

The interview quickly took quite a shocking turn when the respondents described which other financial products they used besides their basic bank account.

R1 *Payday loans.*

R2 *We occasionally have them if we can't get through the month. It does help at the time, but...*

Any particular organisation that you use?

R1 *Quick Quid.*

And how much do you borrow?

R1 *Normally about £300 a month.*

How long have you been doing that?

R1 *Three months, four months.*

R2 *Since Christmas really.*

R1 *About three months, maybe four months.*

R2 *But it helps, you know we manage to...*

How many times have you done that?

R1 *Practically every month for the last four months.*

And the same amount each time?

R1 *No, no, the last one was £500... We just have to do it now just to pay the rent, really, if we haven't got enough money to pay the rent. We've got to pay the rent otherwise we get evicted and I work hard and I'm not going to start living on the streets at my age.*

So you turned to payday loans, what started that?

R2 *Getting over from Christmas really*

R1 *And not only that, it's the only people that are willing to lend you anything. I mean we went into this IVA for the simple fact I didn't want to go bankrupt, we'd got into trouble, we knew we could get help. We went into an IVA because we thought that was the best way. We could pay some money back and still be, I suppose have our self-respect. But it hasn't worked out like that, has it? If I'd gone bankrupt, from what I can make out, if I'd gone bankrupt, it would have been over and done within three years and I'd have still been blacklisted, but I went into an IVA. I'm still paying what I think is quite a lot of money a month, but I'm still blacklisted. I can't get anything. So the only way I can get money, if I need any money, like to pay the rent is a payday loan and that's why we have to use them.*

R2 *I think it's probably built up since Christmas.*

R1 *But we didn't go mad at Christmas.*

R2 *We certainly didn't go mad, but you know it's more money than we'd normally pay out, than we'd normally spend each month and then that sort of snowballs doesn't it, you know?*

The charges are quite high on those – have you managed those?

R1 *You have to – I mean they're astronomical, like 1734% per annum like, but what else? We can't do nothing else like. It comes out of the wages every month and then a week, maybe two weeks if we're lucky into the next month we have to get, we have to have another one to pay the rent.*

The recognition of being in the wrong solution, now that bankruptcy was the preferred option, was very apparent in the description of how advice should have been sought and how it was sought.

We didn't know anything really... in hindsight we would have probably been better off going to you know the council, getting some advice or the Citizens Advice and getting some advice, but we didn't [partner] went online and got one of these online that say they'll help you and that's how it all started really. I mean as far as I know there was no problems, because they took all the credit card bills and everything, just took it away and did it – it was sort of an easy way out really.

It was clear that the respondents did not blame their IVA provider, but equally clear that although talking, they were not really communicating with them.

I mean they ring me up every three months and ask me how things are and to be fair if I can't afford the full month's payment I ring them up and say I'm going to pay you short and they say well no problems, like, you know.

2. 3 Everything all in one go, really

Location	**West Midlands**	
Gender	**Female**	**Male**
Solution	**DMP**	
Age	**51**	**61**
Ethnicity	**WB**	**WB**
Children	**0**	**0**
Relationship	**Couple**	
Tenure	**Joint Homeowner**	
Working	**Self employed**	**Self employed**
Income	**£2500pcm**	
Qualifications	**NVQ Level 2**	**NVQ level 2**

The respondent and her husband took out a DMP with a Band 3 provider in 2010, and seemed to believe that they had about six more months to pay. Income and repayment details were vague because the couple ran their own cleaning business and due to the respondent's accident and subsequent illness, there had been significantly less work.

In the last year a lot, I'm going back to last December, not last year the December before, I dislocated my ankle, broke my ankle and broke my leg and that's when we just more or less changed over to this because we were struggling. I wasn't working, we were self-employed, we'd got no benefits or anything coming in so there was just partner [working] and we were paying someone to go out and do the work with him.

The debt had been incurred through making a loan to the couple's daughter, which was not repaid and the couple could no longer afford to manage this loss. They were clearly resentful of these circumstances.

We could have anything on credit we wanted.

Initially, the respondent was uncertain as to which debt solution she and her husband had and how long they had been paying it.

I can't think how long I've been actually paying them...

The respondent was appreciative of a reduction in repayments after her accident, but concerned that interest was still being charged on one of her accounts, despite a claim by the company that in 90% of cases they could get this frozen.

When I broke my ankle we had a review of it and they knocked it down to £220 a month.

Spending a lot of time at home, unable to work and between hospital appointments seemed to breed dissatisfaction with a range of issues, of which debt management was but one. This was in stark contrast to prior experience.

If I'd got the money then I'd go and get it.

There did not appear to be a lot of contact between the respondent and the debt management provider, so with a lack of clarity around income and expenditure and frustrations over benefit entitlements, questions about what the company was actually doing began to emerge. These seemed to be precisely the kinds of circumstances where dissatisfaction occurred in the consumer research.

2.4 I just took the first option

Location	**South East**
Gender	**Male**
Solution	**IVA**
Age	**40-59**
Ethnicity	**White British**
Children	**2 (no longer dependent)**
Relationship	**0**
Homeowner	**social tenant**
Working	**FT test technician**
Income	
Qualifications	**NVQ level 3**

The respondent was in the last year of his IVA after a difficult divorce. Since separating he had lived alone, having occasional contact and care of his recently adult children. His ex-wife knew nothing of his circumstances, although his children were aware, though sworn to secrecy. Difficult aspects of the IVA included its review timing, which preceded rent increases and possible changes to salary. Thus, issues like expecting an annual pay rise that did not materialise or encountering a rent increase that was higher than expected often ate into the contingency fund.

Being a council tenant, the financial year starts in April, whereas my review is in January/ February so it's trying to accommodate all of those, because April is the start of the financial review for our company when we get our pay review, so it makes it very difficult juggling and balancing.

The respondent was very aware of the restrictions of his IVA and made very deliberate spending decisions to stay within his means. However, these were devised by him and there seemed to be relatively little other than administrative contact with his IVA provider.

Planned items you can't really account for – it literally takes several months – it can take up to eighteen months of saving, for example digital switch over this year – I haven't got an HD TV. Luckily I've got my internet TV service which will get me through, but to save £250 or £280 to get an HD ready TV would take the best part of a year to save for. Like I said I have £50 a month contingency money for – out of that is to save what I can for things of major importance. But there are all the day to day things that sort of crop up that you don't accommodate for, so you budget in line with that.

There was a genuine pleasure in having found the support of friends to repair items and through this a realisation of self-worth.

Fortunately, I know, some of the friends that I know are very good on the technical front... I used to do a bit of that before, but now I'm more forth going in asking help from my friends... It's built up a relationship with what I considered very good friends before – they've been more understanding and appreciative - previously I felt at times that I was being taken advantage of but now I feel it's almost the other way round sort of thing and it has brought us closer together as friends as well.

Despite budgeting effectively and looking forward to completing his IVA, the respondent felt that this had not been the best solution for him. The stringency of the budget had been a real issue.

I didn't feel overly confident, but unusually for me I didn't really search enough into the options and possibilities I could have taken. I think it got to a crisis or panic point with me, and just sort of going the IVA route as such. In hindsight I might have chosen a different option, as in a debt management plan, where the finances wouldn't have been so strict.

I was looking at both options [IVA/DMP] but I just took the first option instead of going and seeking financial advice from somewhere that have an independent authority sort of thing. I think the first approach I would have gone to would have been Citizens Advice to see what they'd got to say or an independent financial adviser.

This was less about a failure on the part of the IVA provider than a sense that emotionally, the respondent was in such a bad place leading up to and at the start of the IVA that the most appropriate decisions were not made. His description of taking out a large consolidation loan shortly before the IVA was particularly interesting, given what more satisfied respondents had said about the eagerness of banks to lend inappropriately.

I was quite aware of the credit products I was taking out, but it was just where circumstances and situations cropped up, separation, divorce, getting housed, the credit options started to run a bit thin and unexpected bills and expenditure from the divorce also racked up quite a bit of expenses. So, at the time it was sort of driven to get things done and sorted, settled and in a property. So, I think my last bank loan that I took with Halifax was more desperation driven than thinking of the consequences. I had a fairly good credit rating before that and I went in to enquire about bank loans to consolidate some of the debts and they actually offered me a lot more than I requested. That was about a year or so before I entered the IVA, but there was a change in work, circumstances and situations that didn't help things, so...

2.5 My income was virtually paying the IVA

Location	**West Midlands**		
Gender	**Female**	**Male**	**Male**
Solution	**Bankruptcy**	**-**	**-**
Age	**44**	**10**	**8**
Ethnicity	**White British**	**White British**	**White British**
Children	**2**	**-**	**-**
Relationship	**Divorced**	**-**	**-**
Homeowner	**Social tenant**	**-**	**-**
Working	**No**	**-**	**-**
Income	**Carer's allowance**	**DLA**	**DLA**
Qualifications	**NVQ level 4**	**n/a**	**n/a**

The respondent had been trying to achieve a resolution to her indebtedness for ten years. Her ex-husband had apparently taken large amounts of credit in her name to feed a drug habit and she had attempted to contest her responsibility for the debts in court. Around two years ago she entered an IVA with Synergi, and was now in the midst of a bankruptcy with a DRF Member.

Completely and utterly I am so tired of it all. And I've always been brought up to do the right thing and pay what's due and even when probably 95% of the debt is unprovenly deceptive and not signed for by me and I have no idea where the money went, I can't afford to prove it in a civil court any more. I spent over £38,000 pursuing my ex-husband and it's got to stop. So, I just thought that's it - draw a line.

Originally, the IVA company she was using had been recommended to the respondent by her solicitor and Citizens Advice. It went into liquidation within months of her starting the solution.

Synergi and from that then I struggled and I mean I was paying the standing order, but I was starting to get letters from the creditors again, gave the creditors all the information and that was coming back to me. Eventually another company reared its head through a letter to my solicitor and said oh we've taken over this but we've had difficulty in tracking your client's files. Yes we can confirm we've received X amount of monies, but we understand that you're seeking this information because you're asking for a suspension, which we did and we got. But I just feel now in hindsight that the company we were originally with were just looking for monies to back up their company, which was essentially then bankrupted. And I don't know whether that money went into the fund or not, because obviously I haven't given it up, I've agreed to lose that money anyway. So for 16 months of thinking I was moving forward, I actually got nowhere, absolutely nowhere.

The respondent accepted the recommendation to pursue an IVA because previously she had worked in a profession, where she had been told by Citizens Advice that bankruptcy was not permitted. At the time, she had the intention to work and thought an IVA was the only option.

I tried an IVA but it was so expensive, but the monies that they said I had to spare was literally so extreme, £600 a month that I just couldn't in reality find it and that was actually making me more indebted. I mean I was actually living on food that my (adult) children were giving me to make that payment.

Understandably, she had considerable resentment of the bankrupted IVA company, after fighting so hard and for so long in court.

I actually felt that the IVA company that I was advised to go through, through my solicitor and the Citizens Advice Bureau led me down a terrible track. I think they should have advised me bankruptcy then, in hindsight. Genuinely I think they looked at what they were getting out of it.

I think the (Citizens Advice) pretty much just gave me a company, well I went with a company that my solicitor had suggested. My solicitor suggested several and they said well phone them up and the one I have to say was very helpful and very concerned at the beginning, set it all up and then went bankrupt.

By contrast she was happy with the DRF Member taking her through bankruptcy.

a company who deal particularly with people with failed IVAs, who I did look into and checked on the internet and had several conversations with, who are now dealing with it and that's [DRF member company]. But I'm having to deal with that in impoverishedness, where I'm trying to build up enough money to pay for the bankruptcy.

However, the sense of loss of her career, her dignity and self-respect was very apparent, when she described herself as a candidate for the Jeremy Kyle show, despite being:

> *...a fully qualified nurse, a trained chef, and I worked in the prison service for 18 years and I have a law degree that I've never used.*

3 APPROPRIATE CLIENTS?

Three of the twelve case study respondents were on exceptionally low incomes, and were struggling to make ends meet. The first, reported here, was disorientated and vulnerable due to long term illness and did not appear to have been in this situation when his plan started. Currently, he was hiding the extremity of his poverty and questioning whether he should tell his provider. It would require a professional opinion to determine whether this respondent was a candidate for debt write off on mental health grounds. However, the issue for this research, was really how to encourage vulnerable clients to share information that may ease their situation.

The second two respondents had young families and were more resilient to living on low incomes, but seemed unaware of the existence of debt solutions without fees. Their responses about other aspects of spending tended to indicate that under the new Debt Management Guidance, their provider should be telling them this.

3.1 People like me are never going to get anywhere

Location	**West Midlands**	
Gender	**Male**	**female**
Solution	**DMP**	
Age	**64**	**60+**
Ethnicity	**WB**	**WB**
Children	**0**	**0**
Relationship	**Couple**	
Tenure	**Social tenant**	
Working	**Disabled**	**Retired**
Income	**DLA & incapacity benefit**	**State pension**
Qualifications	**NVQ Level 1**	**NVQ Level 1**

The respondent had become indebted due to missed payments after a road traffic accident and was suffering from other disabilities and illness and the time of the interview. He was in a debt management plan with a small Band 1 company that he had found through an advert in the local paper.

> *It's debt management because to have an IVA, [partner] has got to come in with me and she doesn't want to do that. She's always been an independent lady and the lad at [company] said well that ain't a problem, we'll just have debt management for you and pay what you can. But at the end of the day, if they get funny they ain't going to get much more out of me, you know what I mean. And God forbid if they ever sent the bailiffs in - they'd do it once but they wouldn't get nothing else. I'd die before I give them another penny then. I would, cos they can't touch my disability living allowance, they can't touch that by law and that's what I need to keep going.*

He felt considerable anger towards the government and his creditors, particularly over the banking crisis.

Across the country there's a lot of people in a lot of trouble done through greedy bankers and nobody was ever held accountable. What they did was criminal and if there's a fair world they should have gone to prison, I honestly believe it. The same as the rich. My dad always said, the rich will get richer son, because they've got clever accountants. I always, my Dad always believed that all tax loopholes should be closed. The lot should be closed. You should pay what you pay on moral grounds, not on whether you like it or not. Wayne Rooney earns £180,000. Now if you take the tax out of an average man's tax, out of that £180,000 a week if he was paying what he should pay, he should be paying at least £70,000 a week tax and stamp, that's what he should be paying, but he don't. But that's how the world works innit?

He was a little disorientated and not always clear about his circumstances, living on an exceptionally low income and although very happy with his DMP provider, clearly far too dignified to share the true nature of his difficulties.

They took all my details and they explained to me what can you afford to pay and I gave them the figure because of what I was at the time and they said well, we'll get in touch, we've got a good relationship with TSB and everything. You know they didn't like it at first TSB, but now I don't even get any nasty letters any more. Maybe I will when I get in touch with them in the morning and I ask somebody to cut it by at least £100 a month, so instead of £242 it'll be £142 and it will have to be shared out amongst them, It's as simple as that - you can't pay what you ain't got.

Several times throughout the interview he asked whether he should tell his provider how much physical and mental trouble he was having.

The biggest worry at the moment is managing from week to week - this is why I'm going to phone [company] tomorrow. They're going to have to send the form out and renegotiate the costs, whether they want to or not, they can do what they like I just can't do it any more I've got to a point where enough is enough.

No, I ain't never told them how bad I am and everything, I don't know whether I should. I was going to say to [company] that I'm that ill that I've got to sort it out. Do you think I should tell them? I mean at the end of the day, these get nasty with me these creditors can.

Fear of creditors was a genuine concern for all the angry talk because the respondent was plagued by a wide range of health concerns.

Some days I'll be honest with you I don't want to wake up. I know it's a bad thing to say, but I don't. I just wish I could close my eyes and not wake up and that's how bad it is. My psoriasis is driving me mad, I'm worried about my back passage. I'm fed up of bleeding. I just and nothing seems to be going our way, you know what I mean and I'm that depressed as I said it's *unbelievable. It's just the way I am. I just sometimes close my eyes and think, don't wake up in the morning. And that's the way it is, that's the way I feel I'm being honest with you.*

The respondent reported several cutbacks on basic essentials that quite literally brought tears to his eyes, particularly when they concerned his wife going without.

I am eating less and I know [partner] is eating less because we're both so drained all the while and all. We ain't eating the proper foods for a start – we're not eating – I mean last night watching telly we had egg on toast. I mean eggs were going cheap in Morrisons, a loaf of bread – a couple of pieces of bread with a couple of eggs on and that was my tea.

The desperation of his situation was tragic and despite encouraging him to contact his provider, it is uncertain that he has actually done this, with the full level of information shared in the interview.

Even if I only cut it down £50 a month, it's £50 I can put in my stomach, are you with me? That's the difference and paying towards the bills.

3.2 I put my twenties, I just put them to one side in a tin

Location	**North East**	
Gender	**Female**	**Male**
Solution	**DMP**	
Age	**26**	**5**
Ethnicity	**WB**	**WB**
Children	**1**	**0**
Relationship	**Mother**	**Son**
Tenure	**Private tenant**	
Working	**In PT education**	**-**
Income	**Income support**	
Qualifications	**NVQ Level 1**	**-**

The respondent lived alone with her five year old son and had approximately one year left to complete her DMP with a Band 1 (<1000 clients) provider. She was also repaying a loan outside the DMP, and received income support, whilst attending college part-time. In the longer term she was hoping to gain a paid apprenticeship as a hairdresser.

I'm still struggling a little to be honest with you. It has helped us with going on the debt plan.

> *...they stop the creditors hassling you all the time and getting on your case. That's what upset me the most I think, when they're having a go at you on the phone and you're trying to explain your situation and they just want a payment really and you just can't give them...*

Whilst entering the DMP had created a distance from creditors that encouraged the respondent to take control again, she was uncertain about the fees she was paying.

> *The only thing about the debt plan is the admin charges. I think they're a bit high. It's £30 or something and I thought that £30 could be going more, more towards my bills, but I don't know.*

Although uncertain about fees, the respondent had gained a lot of confidence since being in a DMP and described a range of systems that she had devised to budget and manage money.

> *When I've got the odd change, I just move it down to the savings account until like later on, just so I know I've got the right amount in and I'm not going to get charged for late payments. Because sometimes payments don't come out, so I just keep it there and then I know that it's got the right amount in.*
>
> *The housing benefit gets paid into my bank account as well, which I think's silly, so I've opened another account just for that to go in there, so I can't. The rent just comes out of there, nothing else and then that's it, I don't spend the rent.*
>
> *I've got a diary in there and I write down what, like when the TV licence is coming out when everything's coming out and then I check like a week, two weeks in advance and then I know this money will be coming out and then deduct the prices off and stuff and then I just carry on like that. It's probably just my age as well, like I've turned to a certain age and I think I need to start being responsible. Like I'm 26 now so I think that I should be sensible.*

Growing confidence with budgeting meant that this respondent was beginning to question all sorts of household expenditure.

> *You've got to look around for these things because no one tells you nothing, like some of these energy companies – some will give you a discount because you're on benefits, but they'll not tell you that. Like EDF, I'd have never known they'd get you off meters for free if I didn't see that lady from the council. You'd think there'd be more people trying to help.*

This in turn led to questioning her experiences with her debt solution provider, before checking paperwork to find a statement from October 2011.

I don't think I was very confident then, I just went on the computer and just typed something in and then all the stuff that came up saying that you can do this.

I only get in touch with them if one of my payments doesn't go through or I get a letter or something like that. I can't remember the last time I got something off them to be honest with you.

To be honest with you I'd like to see if they could get my statements off my creditors every month, then I could see how much has been paid off, because I cannot get anything. Because one of them is like a credit card and to phone them up you need your credit card number, the long number. I haven't got the credit card any more, it's cancelled and I cannot get a balance off that. Because I like to know, I like to see the benefits of paying off.

I haven't had none [statements]. I phone up once and they sent one through email or something, but I don't know how much has been paid off or whatever paid.

Ultimately, whilst it was clear that a debt management plan had created a positive outcome for this respondent, it was less clear that this could not have been achieved with a free to client solution.

I feel better now than what I did before this debt plan started, because I was just sick thinking what am I going to do. But I know they're getting paid every month and I'm not going to get any hassle or anything like that.

However, what was certain was that the blame was clearly placed at the creditors' door.

It's just terrible. Catalogues are horrible. Because they just let you take what you want and then it just goes up and up. You don't realise how much this monthly payment's going to build up to.

3.3 I can't see anything that will change

Location	**South East**				
Gender	**Male**	**Female**	**Female**	**Male**	**Male**
Solution	**DMP**	**-**	**-**	**-**	**-**
Age	**40-59**	**25-39**	**13**	**11**	**10**
Ethnicity	**Other**	**other**	**Other**	**other**	**Other**
Children	**4**		**-**	**-**	**-**
-Relationship	**couple**				
Homeowner	**Social tenant**		**-**	**-**	**-**
Working	**PT cleaner**	**not working**	**-**	**-**	**-**
Income	**£1400pcm**		**-**	**-**	**-**
Qualifications	**NVQ Level 2**	**NVQ level 1**	**-**	**-**	**-**

The respondent and his wife have been living in the UK for over 15 years and he had been on a DMP with a large Band 3 provider for three years. Despite previously being a busy restaurant manager, he was now working as a part-time cleaner earning £400pcm, with the remainder of his income accounted for by benefits. He felt very stressed by the lack of work and rising costs of living.

To be honest with you it's getting worse because everything is getting expensive but you've the same amount of money and your income is the same.

Providing for three children was a real concern and the respondent was bitterly disappointed that he had to put a stop to certain leisure activities that he felt were important to his children's development.

I try to cut in expenses as much as I can to get everything I can for the kids really. Say for example, sport, my daughter she does karate. I stopped that. She can't do it any more because of the financial... and the boys play their football and I have to go to other clubs to push them as voluntary. There's a lot of things we cannot have in the house like other people. Like for example, that is our TV. Show me one English house with this TV. Well that doesn't bother me, we've had it for seven years. But the thing is it's getting harder and harder. I apply for jobs and I can't get any.

The respondent was resentful that he had become indebted through buying cars on hire purchase, and had received no insurance payout when it was needed.

When I used [credit] I used it for the cars, which I'd bought previously and I had an accident with them and one of them, it was stolen complete and where it was parked it was not insured there, which I didn't find out till I parked there. Because when you park over the road at night, but I left in what you call it a rugby club, and went to London and when we came back it was gone and all that. The insurance wouldn't pay, so...

Besides this, he did not engage much with financial services and was very mistrustful of them.

Regarding what I said about the insurance, I would say the theft is my fault because I didn't read the policy properly, but that small print said it. Because that's where they trick you, on the small print. That's why on the phone, I would not discuss anything with anybody on the phone. If you want to see me, you come. You come, then I know what you are talking about, but on the phone, they can. I had insurance before, and they didn't cover me in another accident and I lost on it. I told them my car is a seven seater. They put it that, the salesman put it as a five seater. When I had an accident the car is not insured.

However, he was very aware of where his money went and how much he spent on different items, taking great pride in shopping around for the cheapest deal.

I would say taking the kids to school and the work I do it costs between £40 and £50 in fuel a week and that's a lot and one thing is, it wasn't before like that. It used to be £30 a week.

I would say shopping weekly, I would say, would be £100 at least, you know for five of us... I cut down – I used to get fish twice a week – now I can't and get it once a week or every two weeks.

Friends, family and community came first as far as trust was concerned.

Washing machine, I would look at EBay or something, for the cheapest one I could find and I would leave it and keep looking and looking. Like that one I got, it had a faulty bearing in it and I bought the bearing for £16. I opened it myself – complete – took the drum out but could not get the new bearing in so I took it to this mechanic friend and said could you do this for me and he put it back and it's working.

The respondent felt tricked by many service providers.

And to be honest with you, there's too many Mickey Mouse companies you know like TalkTalk and all that I've been with them, they're all thief. They give you one price on the phone and you find it's not so I said you know what I'll stick with BT.

A recent experience of being phoned by another debt management company claiming that his was practising illegally because it was not one of 17 authorised by the OFT also annoyed him.

With what I'm doing at the moment, I think I'm doing okay – I wouldn't say excellent, trying to keep up with the budget I got, you know giving £80 to the creditors for the debt management.

It was difficult to ascertain whether the respondent knew about free to client services or had made a conscious choice to work with his DMP provider, but what was clear was that once he had made a decision to trust a provider, he did not take kindly to being questioned about his choice. On this basis, it is important that clients of this mind are very clear who they are working with and why.

CONCLUSIONS

To understand fully whether a debt solution has achieved an appropriate outcome is necessarily subjective. From the creditor perspective, the measure is relatively straightforward and often focuses on repayment. From the debtor perspective, the validity of this outcome is less obvious and may be in flux throughout the repayment period. As broker between the two, debt solution providers manage a complex dynamic.

By far the greatest concerns in consumer credit regulation relate to fairness and transparency. Yet in more than half of these studies, the ease with which respondents had obtained credit agreements that were misunderstood or detrimental to their wellbeing was very apparent. The profit-motive of some creditors may well have been an issue and it is pertinent that only one respondent had challenged the repayment of debts.

For some respondents, failed credit agreements converted to feelings of anger or mistrust, for others a sense of their own failure and in almost all cases, varying degrees of confusion arising from a combination of the two. To discern whether an original agreement, current solution, or choice of provider was at fault is not easy. It also presumes that the debtor cannot do this alone, and this is detrimental to any capacity for financial capability and autonomy in the longer-term.

With so many willing to accept responsibility for their debts, it was all the more significant to hear widely held assumptions about advice and solutions challenged. Advertising may raise awareness that helps to reduce debt stigma. Direct marketing may trigger a recognition that results in earlier intervention. Impartial advice can be misinformed and charitable solutions, too creditor-centric. Any one of these could form the basis of a lobbying agenda, but this will not stop the anguish of those struggling to meet basic needs, nor will it prevent exploitation.

It is perhaps fitting that the accessibility of payday loans raises the very real question of where to apportion blame. The more incisive question, of course, is whether to apportion blame. For sustainable outcomes to prevail demands maturity and accountability: the urge to borrow at any cost cannot exist without a context. Irrespective of whether intrinsic or extrinsic factors contribute to vulnerability, the welfare costs of over-indebtedness demand that we regulate to safeguard against this.

It would be all too easy to suggest that only four of the twelve households participating in this research truly understood and valued the solution for which they were paying because so many others were questioning their solution choice under circumstances that had changed. Yet, who has the right to assert that a vulnerable client must find a free solution preferable to paying fees? Only the debtor can make this choice because only the debtor can sustain a motivation to repay. Even when clients seemed unaware of free solutions, relationships with current providers were good.

Nevertheless, there is a real dilemma for fee-chargers currently serving vulnerable clients and some will argue that these individuals should automatically transfer to a free to client provider. There is certainly an issue in counting disability related benefits as income, although in all cases where this emerged its cause was either a failure to inform the provider or the unethical practice of a non-DRF Member. Universal transparency around income that is exempt from repayments should help to address this.

To conclude, these case studies demonstrate that solutions are most effective when debtors make rational and informed decisions about the appropriate provider and solution to use. We may never eliminate the risk that individuals in extenuating personal circumstances may make choices that they later regret, but at least transparency can help to distinguish between misinformation and hindsight. There is a genuine need to signpost documentation, apparent in both the case studies and the consumer research and the DRF would do well to explore interventions for continued engagement throughout a solution.

APPENDIX – DISCUSSION GUIDE

Thank you for agreeing to speak to me. I am a researcher from Zero-credit, a consumer rights co-operative for borrowers. We have been asked to speak to people by the Debt Resolution Forum (DRF), a professional association that promotes high standards of customer care. The DRF would like to understand how people, who have completed a debt solution, are coping through changing economic circumstances. The interview should last no more than 1½ hours. We follow the Respect Code, which means that your answers are anonymous, and your identity confidential. Before we start, may I give you this information pack [*to keep, about ZC, the DRF & Respect Code*] and ask you to confirm receipt of the £50 in shopping vouchers, offered as a thank you for your time today [*respondent to sign*]. Thank you.

1) **BACKGROUND FORM**

To start off, may I ask you to check some information about your household that will help us to understand some of your answers [*support form completion from recruitment phase, as necessary*]?

respondent profile: age, gender, qualifications, ethnicity

household composition: ages, genders, qualifications, ethnicity

property profile, tenure type and length

economic activity within the household and current household income

2) **THE BIGGER PICTURE**

How far have your household's financial circumstances changed over the last year?

> probe for income, then expenditure changes

In your opinion, why is that?

> probe for key influences

Are there any changes that you have made over the last year, to cope with these circumstances?

> probe for products, services, actions or plans to manage money

What, if anything, are you considering or planning for the year ahead, to adapt to these circumstances?

> probe for products, service, actions or plans to manage money

3) FINANCIAL PRODUCTS AND SERVICES

a) Every day money

Thinking about every day money, which account(s) or product(s) does your household currently use for regular spending?

> prompt i.e. within one calendar month, then probe for account features and uses

Which of these did your household use before seeking help with debts?

And which did you start to use, while or since seeking help? And within the last 12 months?

Which, if any, particular benefits have you noticed since using these account(s) or product(s)?

b) Major Spending

Thinking about major spending, how does your household currently manage money for planned items or events? And for unplanned items or events?

> prompt i.e. over more than one calendar month, then probe for borrowing or saving, features

and uses

Which of these approaches or products did your household use before seeking help with debts?

And which have you used, while or since seeking help? And within the last 12 months?

Which, if any, particular benefits have you noticed since using these approaches or products?

c) Choosing Products and Services

How confident did you feel about choosing products and services to manage money, before seeking help with debts? While or since seeking help with debts? And within the last 12 months?

In your opinion, why is that?

> probe for key influences and significant attitude change

d) Finding Advice and Information

How confident did you feel about finding advice and information for managing money, before seeking help with debts? While or since seeking help with debts? And within the last 12 months?

In your opinion, why is that?

> probe for key influences and significant attitude change

4) *From this point forward, select 2-3 sections to probe, appropriate to Section 2 responses re spending.*

a) **MANAGING PROPERTY COSTS**

Thinking about this property, what are the main expenses for running a household here?

> probe for rent / mortgage, insurance, repairs & maintenance and energy costs

Any others?

How do you pay for these expenses currently?

Have you changed any of these arrangements in the last year? If so, how, why?

What, if any, future-plans do you have for managing your property costs?

How different is any of this to how you coped before seeking help with debts?

b) MANAGING TRANSPORT COSTS

Thinking about your household's day to day travel to and from this property, what are your main transport costs?

> probe for travel to employment or education, health and welfare appointments, and regular travel for shopping and routine leisure

Any others?

How do you manage these expenses currently?

Have you changed any of these arrangements in the last year? If so, how, why?

What, if any, future-plans do you have for managing your household's transport costs?

How different is any of this to how you coped before seeking help with debts?

c) **MANAGING DAY TO DAY HOUSEHOLD COSTS**

Thinking about day to day household goods, what are your typical shopping costs?

Where do you mostly shop for household goods nowadays? Anywhere else?

And how often?

Have you changed any of these arrangements in the last year? If so, how, why?

What, if any, future-plans do you have for managing your household's typical shopping costs?

How different is any of this to how you coped before seeking help with debts?

d) MANAGING CLOTHING, TOILETRIES AND ACCESSORY COSTS

Thinking about clothing, toiletries and accessories, what are your typical shopping costs?

Where do you mostly shop for clothing, toiletries and accessories nowadays? Anywhere else?

And how often?

Have you changed any of these arrangements in the last year? If so, how, why?

What, if any, future-plans do you have for managing these costs for your household?

How different is any of this to how you coped before seeking help with debts?

e) **MANAGING COMMUNICATIONS COSTS**

Thinking about communications like, television, phone and internet access, for which of these services does your household currently pay?

Where do you mostly shop for services? Anywhere else?

Roughly how often do change or consider changing communications services?

Have you changed any of these services in the last year? If so, how, why?

What, if any, future-plans do you have for managing your household's communications costs?

How different is any of this to how you coped before seeking help with debts?

f) **MANAGING LEISURE COSTS**

Thinking about leisure, what are your household's typical costs for celebrations and special occasions? And for routine evenings and weekends? And for breaks or holidays?

Roughly how often do you spend on these items / events?

Where do you mostly look for leisure goods or services?

And how do you tend to pay?

Have you changed any of these arrangements in the last year? If so, how, why?

What, if any, future-plans do you have for managing your household's leisure costs?

How different is any of this to how you coped before seeking help with debts?

From this point forward, ask all again.

5) **WELLBEING AND WELFARE**

How are you personally coping with changing financial circumstances? And other household members?

> probe for physical and mental health, attendance and achievement in employment or education

How far has this changed since seeking help with debts? And within the last 12 months?

How confident did you feel about finding welfare and benefits support, before seeking help with debts? While or since seeking help with debts? And within the last 12 months?

In your opinion, why is that?

> probe for key influences and significant attitude change

Are there are other aspects of your household's wellbeing or welfare that have changed since seeking help with debts?

6) FEELINGS ABOUT THE FUTURE

To what extent do you think the financial circumstances of your household may change over the year ahead?

> probe for income, then expenditure changes

In your opinion, why is that?

> probe for key influences

Are there any other changes you have made recently, to help your household plan ahead?

> probe for products, services, actions or plans to manage money

Are there are other changes that you are about to make or are considering, to help your household plan ahead?

> probe for products, service, actions or plans to manage money

What have been the main factors influencing these decisions?

Is there anything else you would like to add about changing financial circumstances in your household? And across the country as a whole?

THANK AND CLOSE

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