



# **AUDIT OF FREE-TO-CLIENT FACE-TO-FACE MONEY ADVICE IN SALFORD – FINAL TECHNICAL REPORT**

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***About CFS***

Located within the University of Salford, Community Finance Solutions (CFS) is an independent award-winning research and development unit engaged in promoting and developing integrated solutions for financial and social inclusion, and community ownership of assets.

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## **Glossary**

<i>CAB</i>	Citizen Advice Bureau
<i>CAP</i>	Christians Against Poverty
<i>CCCS</i>	Consumer Credit Counselling Service
<i>DEMSA</i>	Debt Managers Standards Association
<i>DMP</i>	Debt Management Plan
<i>DRO</i>	Debt Relief Order
<i>FIAC</i>	Federation of Independent Advice Centres
<i>IVA</i>	Individual Voluntary Arrangement
<i>LSC</i>	Legal Services Commission
<i>MAT</i>	Money Advice Trust
<i>OFT</i>	Office of Fair Trading

## **EXECUTIVE SUMMARY**

### ***Introduction***

This report presents the results of an audit of free-to-client face-to-face money advice provided for residents of Salford by third and public sector organisations. The purpose of the audit was to map the current nature and level of provision which could feed into the development of effective referral mechanisms. The audit consisted of an online survey of potential advice providers in Salford and a desk-based review.

### ***Background***

Debt is a major issue in the UK. Overall debt levels, unsecured personal and secured borrowing, have increased considerably over the past 20 years. Over-indebtedness can be caused by changes in circumstances (e.g. loss of employment, illness household breakdown), poor money management skills (e.g. lack of oversight of finances) and predatory and irresponsible lending.

Timely access to debt and money advice and guidance is an important means of dealing with debts. Advice on money matters covers a wide range of topics, including money management and budgeting, debt and financial products. It also varies in the level of help offered, from light-touch advice and guidance through to casework and specialist advice.

Debt remedies can be formal, which are binding for creditors and, providing debtor compliance, offer legal protection to debtors from future debt recovery actions, and informal, which are agreements reached between the creditor and debtor to solve a debt problem, but are not legally binding and do not guarantee an end to creditor action.

There are two sources of advice in the UK: the not-for-profit sector, which provides free-to-client debt advice, and the commercial debt management sector, which provides debt advice services in exchange for fees.

### ***Money and Debt Advice in Salford***

So far the results of the online survey suggest that 18 organisations provide some form of money advice or guidance in Salford. The majority of these provided advice on benefits and income maximisation. This was followed by advice on debt and budgeting.

Further, the results of the online survey suggest that most organisations only offer light-touch advice and guidance or generalist advice:

- The vast majority of respondents offer light-touch or generalist advice, while less than half offer specialist advice or casework;
- Very few offer formal or informal debt remedies;
- Very few organisations have relevant advice accreditations and licenses;
- The number of caseworkers and specialist advisers make up only a small part of the total sample of advisers;

There appears to be three different types of organisations: there are specialised money and debt advice agencies that offer comprehensive and specialist advice, including numerous debt remedies; there are organisations offering a less comprehensive range of advisory services but a comparable number of remedies; and there are

organisations offering numerous light-touch and generalist advisory services, but that offer few if any debt remedies.

### ***Recommendations***

There are two salient observations arising from this study which have implications for developing effective city-wide referral mechanisms on the basis of this audit. First, there is a wide range of advice and service being provided, beyond those offered by the traditional money advice sector (e.g. CAB and Welfare Rights). Second, specialist and casework capacity is concentrated in a handful of organisations.

These points suggest that a) it may be possible to provide some relief for the more specialist advice agencies by signposting and referring less complex cases to other organisations and that b) because provision is slanted towards the lighter end of the advice sector, it is important to develop early identification processes.

There are numerous challenges associated with developing effective referral mechanisms:

- Fluid and fast-changing advice landscape making it difficult to keep up-to-date records of advice provided
- How to effectively and accurately identify the problem is a key challenge in developing effective referral mechanisms.
- Lack of capacity to deal with demand especially for more complex cases

In the short to medium term, Salford City Council and its partners in the financial inclusion steering group may want to consider some of the following next steps:

- Referral protocol or agreement on how to deal with referrals (e.g. when and what cases to refer, whether to do any preparatory work etc).
- Ultimately the effectiveness of a referral system hinges on the extent to which it is being used effectively by frontline staff. Therefore, one may want to consider trialling the system with or at least get input from frontline staff.
- Another possible way of improving referral mechanisms would be to train frontline staff in triage or equivalent system.

## **1. Introduction**

This report presents the results of an audit of free-to-client face-to-face money advice provided for residents of Salford by third and public sector organisations. The purpose of the audit is to map the current nature and level of provision which can feed into effective referral mechanisms.

The remainder of this report is organised into 4 chapters:

- *Chapter 2: Literature review*
- *Chapter 3: Methodology*
- *Chapter 4: Findings*
- *Chapter 5: Conclusions and recommendations*

Supplementary information can be found in Appendices A-B:

- *Appendix A: Organisations participating in the survey*
- *Appendix B: Online survey*

## **2. Face-to-face debt and money advice and guidance**

### ***2.1. Introduction***

This chapter develops the conceptual framework for the study by discussing the literature on money and debt advice. It is organised into three sections. The first section provides some background information on debt and money problems in the UK, while the second defines and develops a typology for debt and money advice. The final section describes the advice providers operating in the UK, distinguishing between not-for-profit and commercial provision.

### ***2.2. Debt and money problems in the UK***

Debt is a major issue in the UK. Overall debt levels, unsecured personal and secured borrowing, have increased considerably over the past 20 years. Since 1987 there has been a fivefold increase in the aggregate level of UK household debt (Oxera, 2004). Similarly, drawing on data from the council of mortgage lenders, total household mortgage debt increased tenfold between 1987 and 2007. In 2006 total household debt was over 160% of total disposable household income up from around 110% in 2000 (DTI, 2007).

There are three main triggers of over-indebtedness:

- *Changing circumstances:* Changing circumstances or income shocks in the form of life-cycle events and external shocks (e.g. loss of employment, illness, death of breadwinner) can have detrimental impact on a households or individuals ability to service their debt.
- *Money management:* Poor money management skills in the sense of not keeping track of direct debits, not shopping around and not budgeting, may also lead households into debt as they may take on more debt than they can reasonably service. For example, using survey data of over 5,000 households, Kempson and Atkinson (2006) found that many young, well-qualified and reasonably well paid individuals were at risk of over-indebtedness.
- *Predatory lending practices:* In the case of the mortgage market, lenders may have pursued aggressive sales techniques to persuade households to take out larger loans than they can realistically manage. Similarly, underpinned by ample bad debt provision policies and interest rates reflecting high risk of market segment, home credit companies operate with an expansion strategy based on customers taking up increasingly large loans, often to refinance existing commitments.

### ***2.3. Money advice and guidance – definitions and a typology***

Timely access to debt and money advice and guidance is an important means of dealing with debts.

Debt and money advice and guidance may cover a range of topics:

- *Debt:* This covers wide range of debts, including secured and unsecured loans, utility and fuel bills, court fines, council tax and benefit over-payments.
- *Money management:* Covers keeping track of finances through checking direct debits and budgeting.
- *Financial products:* Covers advice and guidance on how to select financial products and the pros and cons of different products. May also involve aiding people access products through helping them fill in forms of accompanying them to branch.



- *Benefits and income maximisation:* Involves assessing and advising on eligibility to certain benefits and hardship funds. May include the filling in of forms and applications.

There are various levels of advice and guidance. In this report, we operate with four levels, which are based on the Legal Services Commission definitions:

- *Guidance:* This category covers the giving of information about different products and other money-related issues. Guidance does not involve the advising clients on which products or debt remedies they should use. Instead it may involve informing clients about the pros and cons, and general considerations in choosing a particular approach.
- *Generalist advice:* This category goes beyond light-touch advice or guidance in that it provides a diagnosis of the problem of the client and identifies further action. On that basis generalist advice should help the client identify further action to be taken, fill in forms and draft letters, and contact other organisations for further information.
- *Casework:* Casework consists of taking action on client's behalf by negotiating with creditors and speaking for clients at formal proceedings.
- *Specialist advice:* Specialist help consists of advice and legal help in complex areas of law and representation in court.

It should be noted that these categories overlap to some degree and will depend on the type of advice as not all advice is regulated. Advice on bank accounts or utility providers, for example, is not regulated.

Arguably one of the most revealing aspects of the capability and capacity of an advice provider is the debt remedies it offers. Debt remedies can be formal and informal. Formal debt remedies are set out in legislation and administered through the courts. They are binding for creditors and, providing debtor compliance, offer legal protection to debtors from future debt recovery actions. The main formal debt remedies are:

- *Bankruptcy:* Bankruptcy is a means to become insolvent and creditors write off the person's debt. It lasts for a year during which the person cannot borrow further money. To qualify the applicant must have unsecured debts that are greater than his or her assets. The fee to become bankrupt is £600 (£150 to the court and £450 to the official receiver), though benefit recipients and people on low incomes may be exempt from the court fee. In 2009, nearly 82,000 individual bankruptcy petitions were issued in the High Court and county courts of England and Wales
- *Individual Voluntary Arrangements (IVA):* Under this agreement the creditor agrees to the debtor paying a fixed, affordable amount over a fixed period (usually 5 years). In 2009, just over 59,000 IVAs were issued in England and Wales.
- *Administration Orders:* An administration order allows debtor to make single monthly payments to court which is distributed on pro rate basis. (The County Court charges £0.10 out of every £1). These cover credit debts and certain other debts and are available to people in debt with at least two debts; County Court or High Court judgements against them; and a total debt less than £5,000. Applications are normally made through free debt advice services.
- *Debt Relief Orders (DROs):* DROs were introduced as a more affordable alternative to bankruptcy, costing £90 as opposed to a minimum of £450 for bankruptcy. To qualify for a DRO the applicant must meet the following criteria: have less than £15,000 in unsecured credit debts; not own a home; have £300 or less in assets (except for a car up to £1,000); and less than £50 in surplus monthly

income. DROs came into force 6<sup>th</sup> of April 2009 and Quarter 2 and 3 of 2009 nearly 6,500 successful DRO applications were made.

Informal debt remedies are agreements reached between the creditor and debtor to solve a debt problem. They are not legally binding and do not guarantee an end to creditor action. They normally require a monthly disposable income of £100 or more. The main informal debt remedies are:

- *Debt management plans (DMPs)*: DMPs are a way of repaying consumer credit debts in full and involve affordable payments based on an assessment of income and expenditure. DMPs require surplus income (i.e. that there is money left after all living costs are paid) and they are less suitable if payments are small and the level of debt is high. These are typically provided by the creditor-funded agencies PayPlan and the Consumer Credit Counselling Service (CCCS), and fee-charging debt management companies. Recent estimates suggest that between 300,000 and 375,000 debtors are on DMPs.
- *Pro-rata or token repayments*: Pro-rata payments constitute the most common remedies offered by free debt advice providers. Under such an agreement creditors are offered a fair percentage of what the debtor can afford and are usually asked to freeze interest rates and other charges. This may be a suitable solution if debtor has little income.
- *Token repayments*: An agreement involving token payments may be made where there is insufficient disposable income to make pro rata offers.
- *Debt write-off*: In exceptional cases, creditors may agree to write off the debt, though this is not a legally binding agreement.
- *Full and final settlement of debt*: In some cases, the creditor may agree to write off the debt in exchange for lump sum payment (sale asset, financial help etc), though this is only likely to be accepted where there is no prospect for improved circumstances.
- *Moratorium*: A moratorium is a delay in the payment of debts.
- *Liability / enforceability*: A credit agreement contains a range of terms, some of which are prescribed terms. If an agreement has been created without these terms, a creditor cannot legally enforce payment.

#### ***2.4. Key advice licenses, accreditations and qualifications***

There are a range of advice licenses, accreditations and qualifications which determine the nature and depth of advice an organisation can provide.

All organisations that provide debt advice or debt management services are required to have a Consumer Credit License from the Office of Fair Trading (OFT). Organisations will also need Professional Indemnity Insurance for the provision of debt counselling.

Memberships of debt and money advice networks and associations may also be important indicators of the standard and nature of advice provided. In some cases relevant insurance policies and the access to training and other resources is included in the membership. There are numerous such networks, but the most relevant organisations include:

- *Advice UK*: Formed as FIAC (Federation of Independent Advice Centres) in 1979 and has a membership of around 1,000 organisations. By signing up as a member of Advice UK, the organisation has to document that its advice is confidential, free, independent and accessible to all regardless of ethnicity, religion and sexuality etc.

Members can also be included in the network's OFT Group Debt Counselling License.

- *Citizen Advice*: Set up in 1939. There are now 416 Citizen Advice Bureaux (CABx) in England and Wales. CABx offer free and independent advice which is accessible to all regardless of ethnicity, religion and sexuality etc.
- *Law Centres Federation*: Established in 1978. To be able to classify itself as a Law Centre,<sup>1</sup> an organisation must be independent and offer a range of free legal services to individuals and groups that live, work or operate in defined catchment area. Membership gives access to training.
- *Institute of Money Advisers*: Professional body acting solely for money advisers in England, Wales and Northern Ireland. IMA has 1,400 individual members all of which must comply with its Money Advice Statement of Good Practice. IMA produces quarterly journal and programme of money advice training and is one of the main partners (along with Advice UK, Citizens Advice, CCCS and Payplan) of the Money Advice Trust, a charity formed to increase the quality and availability of free, independent money advice in the UK.

There are also a range of qualifications which determine the type of debt remedies and advice an organisation can provide:

- *LSC General Quality Mark*: Within this category there are two levels: General Help and General Help with Casework. For the former, the applicant needs to show that they can: diagnose client's problems, give information and explain options, identify further action and give basic assistance (complete basic forms, contact third parties to seek info). For the later, the applicant must also show that they can: take action on behalf of client to move the case on, negotiated and advocate on client's behalf to third parties on telephone, letter and face-to-face.
- *LSC Specialist Quality Mark*: To qualify for this quality mark, the applicant must show that they: supply complex legal help in specific areas of law; provide full range legal services (including representation in court); wish to receive LSC funding; and are well run and provide good client care.
- *Approved DRO intermediary*: Only organisations that have been approved as DRO intermediary by the UK Insolvency Service can make DRO applications for their clients. In turn advisors must also be DRO accredited to process applications.
- *Authorised insolvency practitioner*: Insolvency practitioners can advice on all formal insolvency procedures (IVAs and bankruptcies). To become an authorised insolvency practitioner the organisation needs to be licensed by the Insolvency Practitioner Unit.

There are also a range of qualifications and memberships that the advisers themselves can have, including a range of NVQs (e.g. advice & guidance, legal advice etc). They can also obtain different levels of memberships of the Institute of Money Advisers (trainee to fellow) reflecting the competence of the adviser.

## **2.5. The UK advice sector**

A wide range of organisations and agencies provide some form of advice or guidance on money related issues. The main distinction made in this report is between the not-for-profit and the commercial advice sector.

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<sup>1</sup> The Name "Law Centre" is a registered trademark and only members of the Law Centres Federation can call themselves law centres.

### **2.5.1. Not-for-profit provision**

There are a range of organisations which provide free-to-client face-to-face debt and money advice, including specialised debt advice agencies (e.g. CABx, Law Centres), local authorities (e.g. Welfare Rights services), social housing landlords, lawyers and community organisations. The main players in provision include:

- *CABx*: There are 416 CABx operating 625 branches, 2,000 outreach centres and 700 one-off or less formal locations.<sup>2</sup> In 2008/2009, the Citizen Advice network provided advice to 1.9 million people. CABx provide advice on a range of issues, including debt, benefits, housing, legal, discrimination, employment, immigration and consumer issues.
- *Law Centres*: There are 56 Law Centres operating in England, Wales and Northern Ireland. They offer a range of free legal services to individuals and groups who live, work or operate in defined catchment area.
- *Welfare Rights Service*: There are around 65 Welfare Rights departments across England and Wales many of which were set up in the 1980s. They are concentrated mainly in urban areas.
- *Christians Against Poverty*: Christians Against Poverty (CAP) is a national debt counselling charity with a network of 125 centres based in local churches.
- *Social Housing Landlords*: In addition to funding money and advice provision, many housing associations also provide advice to their tenants and leaseholders themselves. Social housing landlords believe there to be a business case for providing advice, maybe especially in benefits, income maximisation and utilities.

Although open to all, the majority of the clients of the not-for-profit sector are vulnerable households living on a low income. Their problems are often multi-faceted, going beyond pure debt problems, and they often require considerable support.

The sector is funded by a range of organisations, including local authorities, government departments, social housing landlords and foundations. The perhaps largest funding pot for face-to-face money advice is the Financial Inclusion Fund, which in its first round provided £47.5 million to recruit and train 500 debt advisers, and which provided advice to nearly 70,000 households (HM Treasury, 2007). For the period from 2008 to 2011, nearly 30% of the £135 million Financial Inclusion Fund is destined to generic money advice (HM Treasury, 2007).

### **2.5.2. Commercial advice provision**

In the UK there are numerous private sector organisations providing debt advice and remedies on a commercial basis. To access advice through this sector, the client must pay set-up and monthly management fees which are typically added on the payments going to creditors. These fees vary, but a survey of the sector conducted by Collard (2010) found that the fees ranged from 2.5% to nearly 18% with 15% being the most common figure. The same survey found that the companies charged up to £500 in set-up fees which are often taken by retaining the first payments (Collard, 2010).

Compared with the clients of the not-for-profit advice sector, the clients of the commercial debt management sector tend to live on higher incomes and be more likely to be employed. Commercial debt advice companies also tend to focus mainly or exclusively on unsecured credit debts rather than secured debts, or household, utility or council tax bills. The survey conducted by Collard (2010) also suggests the

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<sup>2</sup> As of 31<sup>st</sup> March 2009

majority of commercial debt companies offer advice via telephone rather than face-to-face.

There are no precise estimates of the size of the sector. In its report on the UK Government's over-indebtedness strategy and funded debt advice provision (FIF2), the National Audit Office (2010) noted that 56,000 companies are permitted by the Office of Fair Trading to provide debt advice. A recent review of the fee-charging debt management sector found that there were over 150 companies offering DMPs for a fee (Collard, 2009).

A number of concerns about the commercial sector have been raised by campaigners, creditors and debt advice practitioners (Collards, 2010):

- *Profit not client-outcome driven*: Ultimately the bottom-line for the commercial sector is profit. It is feared that the companies recommend to clients the most profitable debt remedy rather than the most appropriate.
- *Unreliable payments of creditors*: Because commercial companies tend to draw set-up fees from the first few payments, creditors continue to chasing debt exacerbating the clients' debt problems.

There are now a range of standards and guidelines which a number of commercial companies are to follow. Most notably the Debt Managers Standards Association (DEMSA) has a Code of Practice which was approved by the OFT in 2008.

### **3. Methodology**

The objective of the project was to map the provision of free-to-client face-to-face money advice provided by third sector and public sector organisations in Salford. The methodology applied to fulfil this objective consisted of an online questionnaire and a desk-based review.

#### ***3.1. Online questionnaire***

Given the large number of potential providers, a very brief advice provision online questionnaire was distributed among potential providers. The questionnaire collected the following information on local money advice provision:

- Type of advice (e.g. advocacy service, generic money guidance, debt advice etc)
- Eligibility (e.g. tenancy with social landlord, recipient of certain benefits etc)
- Access (e.g. opening hours, offices, outreach locations, walk-in/appointment)
- Capacity (e.g. client capacity, number of advisors, waiting lists, unspent capacity)
- Level of accreditation and qualifications (e.g. DRO trained, accredited training)

The information from the questionnaire was supplemented with telephone interviews in order to answer follow-up questions.

#### ***3.2. Desk-based review***

The desk-based review consisted of a review of the available literature on money and debt advice as well as of available documentation on local advice providers. The purpose of this review would be to identify and clearly define the different types of advice, including any form of training or accreditation required. In addition to helping in the audit itself, this could feed into any potential referral material produced for frontline staff. In addition, the information aided in identifying potential providers as well as in the audit itself.

## 4. The provision of free-to-client, face-to-face money advice in Salford

### 4.1. Introduction

This chapter presents the results of the online questionnaire. It is organised into six sections. The first section provides an overview of the sample, while the second describes the advice provided. The third discusses the accreditations of the organisations, while the fourth describes the advisers. The fifth looks at funding. The final section looks at the accessibility of advice.

### 4.2. Overview of sample

Table 1 displays the advice providers participating in the survey. Numerous organisations also responded but were not providing advice. Names of all of the organisations that participated and those that were contacted but did not respond are listed in Appendix A.

*Table 1: Advice providers participating in the survey*

Social housing landlords	7
Local authority agencies / organisations	5
Charity	4
Third sector lender	1
Other*	1
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations. \* Development Trust managing community resource centre (1 respondent)

The single-greatest group of advice providers are social housing landlords followed by local authority agencies and organisations. Four are charities, three of which are specialised debt advice agencies.

### 4.3. Advice provided

Table 2 displays the subject areas in which the survey respondents offer advice.

*Table 2: Subject areas of advice*

Debt	11
Budgeting	13
Banking	7
Savings and assets	3
Insurance	5
Consumer credit	5
Benefits / income maximisation	14
Other*	7
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations. \* All aspects civil law (1 respondent), consumer credit act (1), statutory information duty (1), utilities (1), energy efficiency (1), promote local credit union and info on opening basic bank accounts (1), employment law (1)

The greatest category of advice provided is benefits and income maximisation. All the participating social housing landlords offer advice on benefits and income maximisation. This was followed by budgeting and debt. Nearly half of the respondents also offered advice on banking.

Table 3 displays the level of advice provided by the respondents. As discussed in Section 2.3, there are four levels of advice: light-touch advice or guidance, generalist advice, casework and specialist advice.

*Table 3: Level of advice*

<b>Light-touch advice or guidance</b>	<b>18</b>
Information & guidance	18
Assist in accessing financial products	10
Budgeting tips	13
Informal advocacy	14
Signposting	16
<b>Generalist advice</b>	<b>17</b>
Diagnosis of problem	9
Explaining options available	16
Identify further action	14
Fill in forms	13
Draft letters to creditors	11
Contact other organisations	16
<b>Casework</b>	<b>11</b>
Take action on behalf of client	9
Put case to someone else	6
Negotiate	10
Advocacy services	8
<b>Specialist advice</b>	<b>5</b>
Advice & legal help in specialised area of law	5
Representation in court	5
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations.

All organisations provide light-touch advice or guidance, and all save one offer generalist advice. Interestingly nine organisations providing generalist advice do not offer a diagnosis of the problem of the client, which is a precondition to get the LSC General Quality Mark. Considerably fewer organisations provide casework or specialist advice.



Table 4 displays the debt remedies offered by the respondent organisations. The ability to offer debt remedies is important, especially in the cases where the client in cannot increase his or her income or decrease spending.

*Table 4: Debt remedies*

<b>Formal debt remedies</b>	<b>6</b>
Bankruptcy	6
Individual Voluntary Arrangement	4
Debt Relief Order	5
Administration Orders	5
Other*	3
<b>Informal debt remedies</b>	<b>9</b>
Debt Management Plans	5
Payment Plans	6
Debt Write-off	2
Full and final settlement of debt	4
Moratorium	4
Liability / enforceability	4
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations. \* All other remedies (e.g. time orders, housing case orders) (2 respondents), Mortgage Rescue Scheme (1)

Five organisations offer formal debt remedies, with DROs and bankruptcies being the remedies most frequently offered. Nine respondents offer informal debt remedies namely payment plans, moratorium and liability/enforceability.

#### *4.4. Organisation memberships and accreditations*

Table 5 shows the network and association memberships of the respondent organisations.

*Table 5: Membership of networks and associations*

Advice UK	1
Citizen Advice	1
Other organisations*	4
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations. \* Institute of Money Advisors (1 respondent), National Association of Family Information Service (1), Development Trust Association (1), National TUC Unemployed Centres

Only two organisations are members of any money and debt advice networks and associations. A further three organisations are members of other organisations.

Table 6 shows the accreditations the organisations have.

*Table 6: Advice accreditations*

<b>Any advice accreditations</b>	<b>7</b>
LSC General Quality Mark	2
LSC Specialist Quality Mark	3
Approved DRO intermediary	3
Authorised Insolvency Practitioner	1
Other accreditation*	3
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations. \* Charter Mark / Customer Service Excellence Award (1 respondent), Children First Award (1), ISO9001 & working towards Matrix Accreditation (1)

Only seven organisations have any money and debt advice accreditations. The most common accreditation is being an approved DRO intermediary. However, there are possibly some discrepancies in this data as only three organisations are approved DRO intermediaries, while six respondents stated they offered DROs.

Table 7 displays the number of respondents with a debt advice license and indemnity insurance.

**Table 7: Debt advice license and indemnity insurance**

OFT debt advice license or authority	6
Professional Indemnity Insurance for debt advice	5
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations.

Only six organisations have debt advice license, while five have professional indemnity insurance.

#### **4.5. Advisers, caseworkers and specialists**

We now turn to the adviser staff of the respondents. Unfortunately not all respondents provided complete information on this part of the survey. Table 8 shows the total number of advisers by staff category.

**Table 8: Number of advisers (FTE)**

Number of trainees	20.00
Number of advisers	41.50
Number of caseworkers	12.00
Number of specialists	10.00
Number of volunteers	15.25
<b>Total number advisers</b>	<b>98.75</b>
<b>Number respondents</b>	<b>16</b>

There are nearly 100 advisers working across the 16 organisations completing this part of the survey. Out of this figure, 41.5 are advisers. In comparison only 12 are caseworkers and 10 specialist advisers. The table also suggests a relatively limited reliance on volunteers in the provision of advice, as only 15 out of the nearly 100 advisers are volunteers. Such a reliance on paid staff may make the organisations more vulnerable to funding cuts.

Table 9 shows the type of advice these advisers provide.

**Table 9: Type of advice provided by advisers (FTE)**

Light touch advice and guidance	34.0
Generalist advice	36.5
Casework	16.0
Specialist advice	13.0
<b>Number respondents</b>	<b>14</b>

A considerably greater number of advisers provide light touch advice and guidance, and generalist advice, relative to casework and specialist advice.

In terms of the level of accreditation and training, seven advisers are IMA members, 14 have NVQ in advice and guidance and nine are DRO accredited.

#### 4.6. Access

This section looks at issues concerning access. Table 10 displays the eligibility to access advice from the respondents.

*Table 10: Who can access advice*

Residents and people working in Salford	6
Only Salford residents	9
Only housing association tenants and leaseholders	7
Only residents of certain neighbourhoods	1
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations.

Most organisations offer advice to all residents in Salford. All the social housing landlords restrict the access to advice to their tenants and leaseholders.

Table 11 displays how people can access advice through the different organisations.

*Table 11: Access routes*

Advice from own premises	12
Outreach locations and surgeries	5
Telephone advice	7
Home visits	11
<b>Number respondents</b>	<b>18</b>

Notes: Displayed as number of organisations.

The most common access routes are advice from the premises of the organisation and home visits.

Unfortunately few organisations provided details on waiting times and spare capacity. Salford Welfare Rights have around one week's waiting list for its home visits. To get an appointment at one of Salford CAB's outreach locations a person may have to wait around one week and around two weeks for a home visit.

Table 12 shows the access aids the respondents are offering

*Table 12: Access aids*

<b>Any access aids</b>	<b>15</b>
Induction loop	4
Minicom	2
Sign language interpreter	5
Documents on tape	3
Wheelchair access	10
Documents in Braille	5
Text telephone	5
Translating services	10
Language line	13
Other access aids*	1
<b>Number respondents</b>	<b>16</b>

Notes: Displayed as number of organisations. \* Text talk

The vast majority of respondents offer some form of access aids with language line, translating services and wheelchair access being the most common aids.

#### 4.7. Funding

The issue of funding is of great importance for advice provision, especially given that the vast majority of advisers are paid staff as opposed to volunteers. In particular, the source of funding may indicate the vulnerability of the sector to funding cuts.

Table 13 shows the sources of funding of the advice provided by the respondents.

*Table 13: Source of funding*

<b>Central government funding</b>	
Working Neighbourhoods Funding	1
Department for Education	1
Department of Business, Innovation and Skills (FIF2)	1
Skills for Life	1
Legal Services Commission	2
<b>Local funding</b>	
Local authority	1
Primary Care Trust	1
Management fee from Salford City Council	1
<b>Charitable foundations</b>	
Big Lottery Fund	2
Tudor Trust	1
<b>Other</b>	
Funded in-house	6
<b>Number respondents</b>	<b>14</b>

Notes: Displayed as number of organisations.

The organisations rely on a range of funding sources. The advice of six organisations is funded in-house, five of which are social housing landlords and one is a local authority agency. Three organisations rely, at least in part, on government funding, much of which are vulnerable to be cut or discontinued by the government in the future. The Financial Inclusion Fund II and the Working Neighbourhoods Funding programme are due to end in March 2011. It is uncertain whether the government will renew the funding for these programmes. Two organisations rely on funding from charitable foundations.

Many respondents expect funding to change in the future, though most are uncertain about the nature and magnitude of these changes. Four organisations expected no change in funding, three of which are social housing landlords.

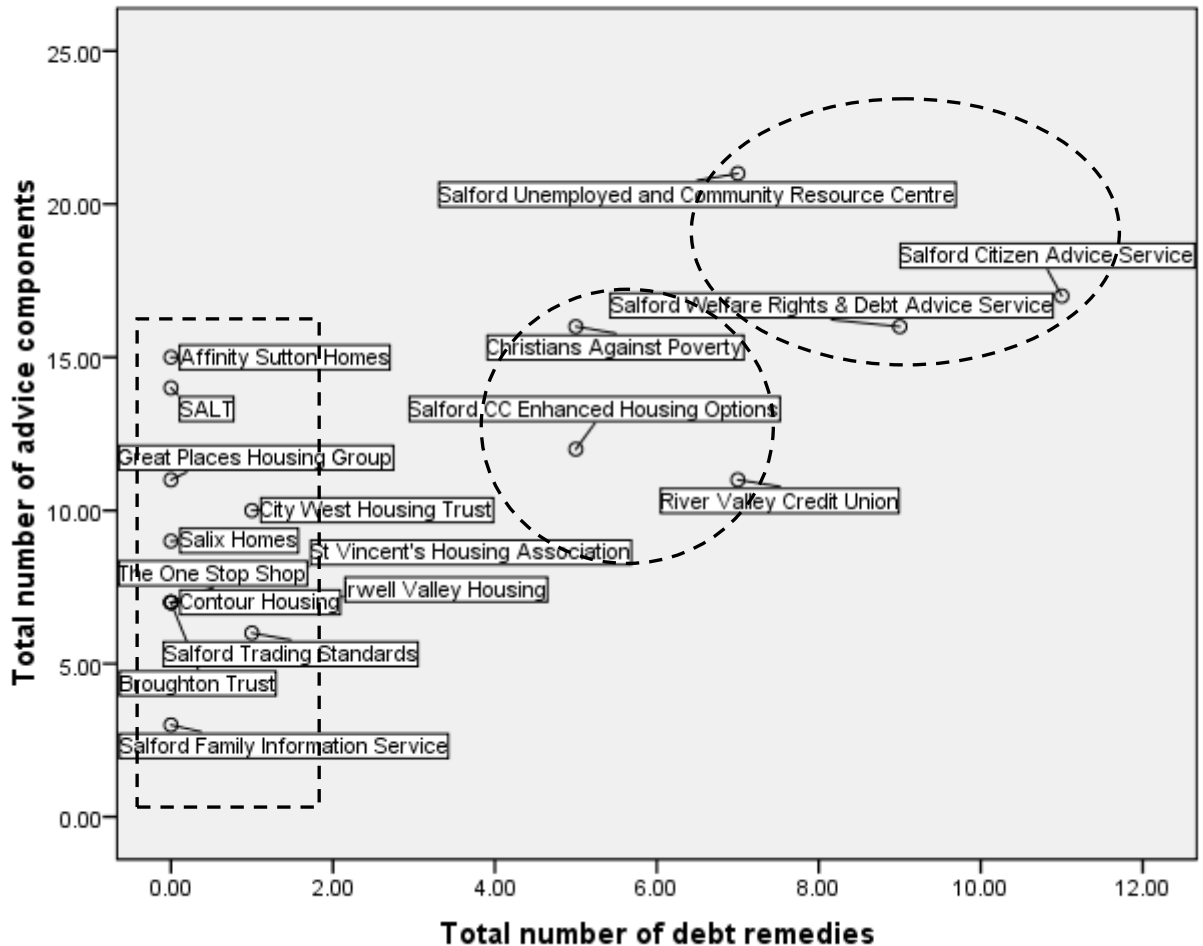
#### 4.8. Key money and debt advice providers in Salford

Ultimately the figures presented above hides the great range of advice provided in Salford. Therefore in this section we will attempt to go beyond the aggregate data to draw out the diversity of the money advice provision in Salford and highlight some of the key providers in Salford.

Figure 1 is an attempt at showing the level of advice provided. The Y axis shows the total number of advice components, in other words each of the sub-categories of light-touch advice and guidance, generalist advice, casework and specialist advice (e.g. diagnosis of problem, filling in forms, taking action on behalf of client etc). The X axis shows the aggregate number of formal and informal debt remedies offered. The closer an organisation is to the top right corner the more comprehensive and specialised advice the organisation offers. Conversely the closer to the bottom left

corner an organisation is the fewer forms of advice and the fewer debt remedies does it offer.

**Figure 1: Level of advice provided**



The figure above suggests that there are three main types of advice providers in Salford. First, in the top right corner there are the specialised debt advice agencies which offer a wide range of advice (from light-touch to specialist) and a large number of informal and formal debt remedies. A second group of providers offer few debt remedies but offer a range of generalist and light-touch advice, and can be found at the left of the X axis and half way up the Y axis. The social housing landlords fit into this category as they offer a fairly wide range of advisory services, especially aimed at benefits and income maximisation, but offer few if any debt remedies. Finally there are three providers in between these groups. They also offer numerous debt remedies, but offer a less comprehensive range of advisory services.

#### ***4.9. The provision of money and debt advice in Cheetham***

The audit identified three main providers or groups of providers of free-to-client face-to-face money and debt advice in Cheetham. First, the main provider of money and debt advice in Cheetham is the Cheetham Hill Advice Centre. The centre offers a wide range of advice services from generalist to specialist advice, as well as a number

of formal and informal debt remedies, including administration orders, bankruptcy, liability/enforceability, debt write-off, payment plans and debt management plans. It has 2.8 caseworkers, 0.6 specialist advisors and 5.4 volunteers all of which do generalist advice and casework. The advice services of the centre are for residents of Cheetham and Crumpsall wards only. Advice is accessible through drop-in and by appointment at its offices. The centre also operates with four surgeries in various parts of Manchester and with home visits. At the time of the survey, there was a five-day wait for an appointment.

Second, social housing landlords provide money and debt advice services to their tenants. For example, Contour Homes offers money advice to its tenants via a home visit service available weekdays 9 to 5. Great Places has a financial inclusion team contacting and supporting tenants in arrears with guidance and advice.

Finally, the Pakistani Resource Centre – based in Withington – was at some point running outreach sessions at Cheetham PCT and Cheetham Hill Probation Office. It was unfortunately not possible to confirm whether the centre is still operating with these outreach sessions.

## **5. Conclusions and recommendations**

### ***5.1. Introduction***

This report has presented the results of an audit of free-to-client face-to-face money advice provided for residents of Salford by third and public sector organisations. The purpose of the audit was to map the nature and level of current provision which could feed into the development of effective referral mechanisms. The audit consisted of an online survey of potential advice providers in Salford and a desk-based review.

### ***5.2. Face-to-face money advice in the UK***

Debt is a major issue in the UK. Overall debt levels, unsecured personal and secured borrowing, have increased considerably over the past 20 years. Over-indebtedness can be caused by changes in circumstances (e.g. loss of employment, illness household breakdown), poor money management skills (e.g. lack of oversight of finances) and predatory and irresponsible lending.

Timely access to debt and money advice and guidance is an important means of dealing with debts. Advice on money matters covers a wide range of topics, including money management and budgeting, debt and financial products. It also varies in the level of help offered, from light-touch advice and guidance through to casework and specialist advice.

Debt remedies can be formal and informal. Formal debt remedies are set out in legislation and administered through the courts. They are binding for creditors and, providing debtor compliance, offer legal protection to debtors from future debt recovery actions. They include bankruptcy, IVAs, administration orders and DROs.

Informal debt remedies are agreements reached between the creditor and debtor to solve the debt problem. They are not legally binding and do not guarantee an end to creditor action. They include Debt Management Plans (DMPs), repayment plans and debt write-off.

There are two sources of advice in the UK: the not-for-profit sector, which provides free-to-client debt advice, and the commercial debt management sector, which provides debt advice services in exchange for fees.

The not-for-profit advice sector is diverse, consisting of specialised advice agencies, s (e.g. CABx, Law Centres), local authorities (e.g. Welfare Rights services), social housing landlords, lawyers and community organisations. The sector tends to serve low-income areas and households.

### ***5.3. Money advice provision in Salford***

The results of the online survey suggest that 18 organisations provide some form of money advice or guidance in Salford. The majority of these provided advice on benefits and income maximisation. This was followed by advice on budgeting, debt and banking.

Further, the results of the online survey suggest that most organisations only offer light-touch advice and guidance or generalist advice:

- The vast majority of respondents offer light-touch or generalist advice, while less than half offer specialist advice or casework;
- Very few offer formal or informal debt remedies;

- Very few organisations have relevant advice accreditations and licenses;
- The number of caseworkers and specialist advisers make up only a small part of the total sample of advisers;

There appears to be three different types of organisations: there are specialised money and debt advice agencies that offer comprehensive and specialist advice, including numerous debt remedies; there are organisations offering a less comprehensive range of advisory services but a comparable number of remedies; and there are organisations offering numerous light-touch and generalist advisory services, but that offer few if any debt remedies.

The advice providers surveyed rely on a range of funding sources, including funding from charitable foundations, central and local government, and in-house or core funding. Many organisations expect funding to change in the future, though most are uncertain about the nature and magnitude of these changes. Four organisations expected no change in funding, three of which are social housing landlords.

#### ***5.4. Developing effective referral mechanisms***

There are two salient observations arising from this study which have implications for developing effective city-wide referral mechanisms on the basis of this audit. First, there is a wide range of advice and service being provided, beyond those offered by the traditional money advice sector (e.g. CAB and Welfare Rights). Second, specialist and casework capacity is concentrated in a handful of organisations.

These points suggest that a) it may be possible to provide some relief for the more specialist advice agencies by signposting and referring less complex cases to other organisations and that b) because provision is slanted towards the lighter end of the advice sector, it is important to develop early identification processes.

There are numerous challenges associated with developing effective referral mechanisms:

- *Fluid and fast-changing advice landscape:* The capacity of advice providers to deal with issues is likely to change as funding arrangements change and with local economic changes (e.g. redundancies of key employers etc). Thus a key challenge is to maintain up-to-date records of the advice provided to underpin any referral mechanism.
- *Effective problem identification mechanisms:* How to effectively identify the problem is a key challenge in developing effective referral mechanisms. For example, many clients may say they are struggling with debts. However, for some the best solution is to improve their budgeting or change their financial service provider while for others the best solution would be to negotiate a payment plan or increase their disposable income, all of which may require very different sets of solutions.
- *Lack of capacity to deal with demand:* Early and pro-active identification can be effective in terms of dealing with debt issues arising from money management and creditor behaviour, i.e. at stage where casework and specialist advice not needed. However, debt triggered by other issues such as a change in circumstances may be difficult to deal with without casework or specialist advice

In the short to medium term, Salford City Council and its partners in the financial inclusion steering group may want to consider some of the following next steps:

- *Referral protocol or agreement:* There may be a need to consider developing a protocol for or at least some form of agreement (formal or informal) on how to



deal with referrals (e.g. when and what cases to refer, whether to do any preparatory work etc).

- *Frontline staff consultation or trial:* Ultimately the effectiveness of a referral system hinges on the extent to which it is being used effectively by frontline staff. Therefore, one may want to consider trialling the system with or at least get input from frontline staff.
- *Train frontline staff in triage:* Another possible way of improving referral mechanisms would be to train frontline staff in triage or equivalent system.

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Oxera (2004). *Are UK households over-indebted?* Report prepared for Association for Payment Clearing Services, British Bankers' Association, Consumer Credit Association, and Finance & Leasing Association, April 2004.

## A. Organisations participating in the survey

Table A1 displays the organisations that participated in the survey.

*Table A1: Organisations participating in the survey*

<b>Provide advice</b>	<b>Do not provide advice</b>
SCC One Stop Shop	Greater Manchester Police
SCC Housing Futures	Big Life Company
SCC Welfare Rights & Debt Advice	SCC Skills and Commissioning Team
SCC Trading Standards	Moneyline Greater Manchester
Irwell Valley Housing	Hanover Housing Association
City West Housing	Arcon Housing Association
Salix Homes	SCC Customer Services
Great Places Housing Group	
Contour Homes	
Salford CAB	
Broughton Trust	
River Valley Credit Union	
Affinity Sutton Homes	
St. Vincent Housing	
Adactus Housing Association	
Family Information Service	
Seedley and Langworthy Trust	
Salford Unemployment Resources Centre	

Table A2 displays the non-respondents.

*Table A2: Organisations not responding to the survey*

Salford PCT	Unlimited Potential
SCC Witness Outreach	Northern Counties Housing Association
Age Concern	Work Solutions
	Harvest Housing
	William Sutton
	CDS Housing

## B. Online survey

### ABOUT YOUR ORGANISATION

1. What is the name of your organisation?

2. What type of organisation is it?

- Social housing landlord
- Debt advice agency
- Third sector lender (CDFI, credit union)
- Local authority agency / organisation
- Charity
- College / educational institution
- Other

Please specify.....

### ABOUT THE ADVICE

3. Does your organisation offer free-to-client, face-to-face money advice or guidance for the residents of Salford?

- Yes
- No

4. Is the advice provided by your organisation completely independent (e.g. no creditors are given undue preference)?

- Yes
- No

5. Which subjects does your organisation offer advice on? TICK ALL THAT

**APPLY**

- Debt
- Budgeting
- Banking
- Savings and investment
- Insurance
- Consumer credit
- Benefits / income maximisation
- Other

Please specify.....

**6. What type of advice or guidance does your organisation offer? TICK ALL THAT APPLY**

- Light-touch advice or guidance
  - Provide information and guidance
  - Assist in accessing financial products by filling in forms or accompanying person to financial institution office/branch
  - Provision budgeting tips
  - Informal advocacy and representation (e.g. contacting other organisations on behalf of person)
  - Signposting or referral to specialist advice provider (CAB, Welfare Rights)
- General advice
  - Diagnosis of problem
  - Explaining options available
  - Help identification of further action that can be taken
  - Fill in forms
  - Draft letters to creditors
  - Contact other organisations if necessary
- Casework
  - Take action on behalf of client
  - Put case to someone else to persuade them to decide in client's favour
  - Negotiate for client by telephone, letter or face-to-face
  - Advocacy services (i.e. speaking for client at formal proceedings)
- Specialist help
  - Advice and legal help on complex matters in specific areas of law
  - Representation in court

**7. Which of the following formal debt remedies does your organisation offer or facilitate? TICK ALL THAT APPLY**

- Bankruptcy
  - Individual Voluntary Arrangement
  - Debt Relief Order
  - Administration Orders
  - Other
- Please specify.....
- None of the above**

**8. Which of the following informal debt remedies does your organisation offer? TICK ALL THAT APPLY**

- Debt management plans
  - Payment plans (pro rata or token payments)
  - Debt Write-off
  - Full and final settlement of debt
  - Moratorium
  - Liability / enforceability
  - Other
- Please specify.....
- None of the above**

## MEMBERSHIPS AND ACCREDITATION

**9. Is your organisation a member of any of the following organisations? TICK ALL THAT APPLY**

- Advice UK
- Citizen Advice
- Law Centres Federation
- Age UK
- Youth Access
- DIAL UK
- Shelter
- Other

Please specify.....

- None of the above

**10. Does your organisation have any of the following accreditations? TICK ALL THAT APPLY**

- The Legal Services Commission General Quality Mark standard
- The Legal Services Commission Specialist Quality Mark
- Approved Debt Relief Order intermediary
- Authorised insolvency practitioner
- Other

Please specify.....

- None of the above

**11. Does your organisation have authority from the OFT to provide debt advice (e.g. license or other form authority)?**

- Yes
- No

**12. Does your organisation have Professional Indemnity Insurance for the provision of debt counselling?**

- Yes
- No

## ABOUT YOUR ADVISERS

PLEASE USE FULL TIME EQUIVALENTS WHEN INDICATING THE NUMBER OF ADVISERS

**13. How many of advisers work for your organisation? (FULL-TIME EQUIVALENT**

- Trainees – Number of advisers
- Advisers – Number of advisers
- Caseworkers – Number of advisers
- Specialists – Number of advisers
- Volunteers – Number of advisers

**14. How many of your advisers provide the following type of advice and guidance? (FULL-TIME EQUIVALENT)**

- Light-touch advice – Number of advisers
- Generalist advice – Number of advisers
- Casework – Number of advisers
- Specialist advice – Number of advisers

**15. How many of your advisers are members of the Institute of Money Advisers? (FULL-TIME EQUIVALENT)**

- Trainee – Number of advisers
- Associated (AIMA) – Number of advisers
- Member (MIMA) – Number of advisers
- Specialist advice (FIMA) – Number of advisers

**16. How many of your advisers have any of the following qualifications? (FULL-TIME EQUIVALENT)**

- Advice & Guidance NVQ – Number of advisers
- Legal Advice NVQ – Number of advisers
- Supporting legal advice NVQ – Number of advisers
- DRO Accreditation – Number of advisers

**17. If your advisers have any other form of training or accreditation, please provider details here**

--

**ACCESS**

**18. Who can access your advice services (e.g. tenants of a particular housing association, residents of a particular area, unemployed people etc)?**

--

**19. Does your organisation provide advice and guidance from its own premises?**

- Yes
- No

**20. If so, please provide address and opening hours**

Address location 1:				
Opening hours location 1:				
Monday	From:		To:	
Tuesday	From:		To:	
Wednesday	From:		To:	
Thursday	From:		To:	
Friday	From:		To:	
Saturday	From:		To:	
Sunday	From:		To:	

Address location 2:				
Opening hours location 2:				
Monday	From:		To:	
Tuesday	From:		To:	
Wednesday	From:		To:	
Thursday	From:		To:	
Friday	From:		To:	
Saturday	From:		To:	
Sunday	From:		To:	

**21. How can people access these sessions?**

- Walk-in  
 By appointment  
 Both, please provide details.....

**22. Approximately how many days must people wait to get their first appointment?**

**23. Does your organisation provide advice and guidance through outreach locations and surgeries?**

- Yes  
 No

**24. If so, please provide address and opening hours**

Address location 1:				
Opening hours location 1:				
Monday	From:		To:	
Tuesday	From:		To:	
Wednesday	From:		To:	
Thursday	From:		To:	
Friday	From:		To:	
Saturday	From:		To:	
Sunday	From:		To:	

Address location 2:				
Opening hours location 2:				
Monday	From:		To:	
Tuesday	From:		To:	
Wednesday	From:		To:	
Thursday	From:		To:	
Friday	From:		To:	
Saturday	From:		To:	
Sunday	From:		To:	

**25. How can people access these sessions?**

- Walk-in  
 By appointment  
 Both, please provide details.....



26. Approximately how many days must people wait to get their first appointment?

27. Does your organisation provide advice and guidance through a telephone advice line?

- Yes
- No

28. If so, please provide number and opening hours

Number telephone advice line:				
Opening hours telephone advice line:				
Monday	From:		To:	
Tuesday	From:		To:	
Wednesday	From:		To:	
Thursday	From:		To:	
Friday	From:		To:	
Saturday	From:		To:	
Sunday	From:		To:	

29. Does your organisation operate with home visits?

- Yes
- No

30. Who are eligible for home visits (e.g. elderly, the disabled etc)?

31. Approximately how many days must people wait to get their first appointment?

32. Which of the following access aids does your organisation offer? TICK ALL THAT APPLY

- Induction loop
- Minicom
- Access to a sign language interpreter
- Documents on tape
- Wheelchair access
- Documents in Braille
- Other, please specify
- Text telephone

.....

33. If there is there any additional information you would like to provide, please use the space below

**34. What are the main sources of funding for the advice and guidance provided by your organisation?**

**35. Are you expecting any changes in the funding of advice in your organisation in the future? If so, please provide details**

### **YOUR CONTACT DETAILS**

Could you please provide us with your email address and or your telephone number?  
This will only be used if there is a need to clarify some of the answers.

**36. Name of contact person**

**37. What is your email address?**

**38. What is your telephone number?**