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Money Advice Service  
Holborn Centre  
120 Holborn  
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30 August 2017

Dear Sir / Madam,

## **A strategic approach to debt advice commissioning 2018 – 2023**

The Financial Services Consumer Panel strongly supports the strategic approach the Money Advice Service (MAS) proposes. We agree MAS should prioritise resources based on an understanding of the needs of the wider population, not just those who currently present to debt advice services. We also welcome the use of specific and evidenced proposals.

We would encourage MAS to be explicit with its delivery partners that it aims to achieve measurable outcomes in the wider population and it should work to support the wider sector where needed to achieve those outcomes.

However, we have strong doubts about the priority groups. These will be impossible to operationalise efficiently.

### **Responses to questions**

#### **Chapter two – Commissioning intentions**

#### **Q1.1 Do you think that it is right for MAS to focus on identifying and targeting priority groups?**

Yes. However, the groups MAS has identified are small, very specific, and will shift over time, so may not be strategic enough. Asking advice services to operationalise these groups would be time consuming and challenging, and risks them turning away people who have real needs but who fall outside these groups.

We are aware that people who present to debt advice providers are not necessarily those in greatest need, based on an analysis of national datasets. We encourage MAS to prioritise according to the data it has, and break down the barriers that are preventing some people from seeking advice when they would benefit from it. However, we would encourage MAS to be less granular, and to consider how, in practice, debt advice providers would identify and help those in most need.

#### **Q1.2 The four priority groups are based on evidence gathered from internal and external research. Do you think a significant group has been missed? If so, which one(s) and what is the rationale and evidence base to support this thinking?**

As we say above, we are concerned that the priority groups are too small, and too difficult to serve cost-effectively.

#### **Q1.3 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention?**

MAS should have a clear vision of the change it expects to see, and should specify that change in its contracts and in all reporting and line management arrangements.

We are pleased to see that the SFGB will have standard setting powers, which will enable it to ensure guidance is of high quality. However, debt management providers are regulated by the FCA and subject to FCA rules. We hope that the intention is similar to existing precedents for

standards setting bodies – e.g. the Lending Standards Board – co-existing with conduct regulation.

**Q2.1 Do you think it is right for MAS to try to integrate financial capability into debt advice to better meet client needs? Please explain your response and share any examples of good practice you are aware of.**

Yes. Since improving financial capability is an important goal of MAS, it should deliver everything it does - including debt advice - with this aim in mind.

However, the assertion that "over-indebtedness is almost always caused by persistent low income or the inability to cope with an income shock resulting from a change in personal circumstances, such as job loss or relationship breakdown" is only partially right. Although life events have a part to play they are not the most significant. People get into debt because they simply haven't got enough income to cover their essential spending, or they have credit products pushed at them by the industry. Teaching people money management isn't going to help with either of these. People on low incomes are often very good at managing their cash, they just don't have enough of it. And no amount of financial education is going to overcome behavioural exploitation by lenders. Financial capability will help build resilience over time, but it won't have any impact on problem debt on its own. This requires a collaboration between MAS and the FCA. The regulator should stop the industry lending money to people who can't afford to repay it. It should make firms identify people who are at risk, and point them to sources of help. MAS's job is to help those already in difficulty by looking at how they got there. People who don't have enough income to cover their essential spending require a different approach from those who have been able to build up multiple credit card holdings, say.

**Q2.2 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention?**

MAS should develop standardised tools to support debt advice agencies in improving financial capability, and monitor the longer-term financial capability of clients. It should also work closely with the FCA on preventative measures.

**Q3.1 Do you think that MAS is right to have a focus on an effective end-to-end client journey evidenced through clearly defined outcomes?**

Yes. The purpose of MAS and its successor is to empower individuals to make changes to their lives, so it is essential that outcomes are tracked and published, even if the initial evidence of impact is patchy. The data will enable MAS to improve its services over time.

**Q3.2 Do you agree with the principle of payment on the basis of outcomes?**

Yes. However, contracts should recognise that some clients are easier to support than others. It would not be desirable for debt advice providers to cherry-pick clients in a way that causes hardship to others.

**Q3.3 Would single points of entry for telephone and web based provision make it easier for potential clients to access advice?**

In theory it would. However, it is unclear how this would enable consumers to locate non-MAS providers. The sector has debated this issue several times and a simple solution, especially if it applies to England only, is unlikely.

**Q4.1 Do you think that MAS is right to have a focus on establishing a comprehensive workforce strategy for MAS funded advisers?**

Yes, MAS's proposals are excellent and overdue. The greater the professionalism of the debt advice, the higher quality it will be. The aim should be to increase the status and prestige of debt advice as a career choice, with clear progression routes within it.

**Q4.2 Is there a specific role that you would like to see MAS undertake in delivering this commissioning intention?**

Providers should demonstrate to MAS that their workforce meets the necessary training standards.

**Q5.1 Do you think that the MAS is right to have a focus on co-commissioning services?**

Yes. It is right for the individual and for the efficiency of the service to avoid a repeat of a crisis by providing long term as well as short term support.

**Q5.2 Is there a specific role that you would like to see the MAS undertake in delivering this commissioning intention?**

MAS should be open to partnership working with a wide range of frontline organisations.

**Q5.3 How else might you see a response to more complex problem solving in debt advice?**

A recognition from MAS in its commissioning that the journey out of debt (or at least towards more manageable debt) is not always smooth or linear. For example, people can abandon a course of action; or move from one to another – and progress also depends on the willingness of creditors to work with individuals and advisers. In this respect, people may need to access help and advice on more than one occasion – while it is important that advice services do not foster unnecessary dependence where clients can do things themselves.

**Q6.1 Do you think that MAS is right to have a focus on making the best use of existing and emerging technologies? and Q6.2 Is there a specific role that you would like to see MAS undertake to deliver this commissioning intention?**

MAS should ensure that it uses the most effective channels to meet the needs of its priority groups. The use of technology should not exclude people who are unwilling or unable to use these channels. This may change over time.

Chapter three – Market development

**Q7.2 Are the outcomes we want to achieve through our commissioning intentions the right ones?**

Yes. It is important that commissioning achieves the changes MAS wants to see amongst the population and doesn't simply fit in with the established processes of existing providers.

**Q7.3 Do you feel the size and geographical reach of our face to face agreements would benefit from being more evenly distributed – for example, by adopting an approach using the nine English regions?**

It may not be efficient to organise regionally if MAS's priority groups are not characterised by the region they are in.

**Q7.5 What approach should MAS take to measuring client outcomes, particularly for the increasing number of clients on insufficient incomes to cover their living costs?**

Outcomes have to reflect the broad spectrum of people and issues that debt advice services deal with. For consumers whose income is less than their living costs, the aim should be to minimize the quantum and costs of debt.

Yours faithfully

Sue Lewis  
Chair, Financial Services Consumer Panel