

***Clarifying debt advice as part of the consumer financial education function of
the Money Advice Service***

A Response by Credit Action

Background

Credit Action is a national money education charity (registered Charity in England & Wales No. 1106941) established in 1994.

In January 2009 we also created our dedicated Welsh arm, Credit Action Cymru.

We offer a range of resources, tools and training to help everybody handle their money well, and to inform consumers so that they can make informed decisions about their personal finances.

Credit Action operates at a national level through advocacy, collaboration and partnerships with various groups and companies as well as at a local level through a variety of targeted projects, with a particular emphasis on those most vulnerable to financial difficulties and over-indebtedness.

We try and help as many people as possible avoid the pain of debt. However we recognise many contacting us will be in trouble already, so we work in partnership with the major debt counselling charity the Consumer Credit Counselling Service (Registered Charity No. 1016630).

Comments

Credit Action welcomes the opportunity to comment on proposals for clarifying the Money Advice Service’s prospective debt advice function in statute. As an organisation that provides education and guidance to help people avoid debt problems, we believe that there could be significant value in positioning the Money Advice Service as a single point of entry for debt advice. This would mean, for example, that consumers who are in need of help could be consistently signposted towards a single source of support. Moreover, by offering consumers both money and debt advice, the Money Advice Service would potentially have the scope to reach those people who, if not actually in debt, may be at risk of falling into it without further help. While there are clearly important considerations that will need to be resolved as the debt advice landscape changes (such as ensuring that any new funding arrangements do not adversely affect existing free providers), we feel that if the process is managed effectively then the Money Advice Service could ultimately play a key role within the sector.

We therefore support the Government’s core proposal to clarify the Money Advice Service’s consumer financial education function in the forthcoming Financial Services Bill by including an express provision for the coordination and provision of debt advice. In particular, we believe that making the coordination of debt advice an explicit part of the Money Advice Service’s statutory obligations will help ensure stability within the sector, as it brings clarity and sustainability to the coordination role over the long-term.

Furthermore, if legislation is to be amended to include an explicit provision around debt advice, we believe that it would also be beneficial for some additional provisions to be included which specify how the Money Advice Service will actually fulfil its coordination role (by way of example, this could include a paragraph stating that the Money Advice Service will provide a certain amount of free face-to-face debt advice).

Currently, Section 6A of the Financial Services and Markets Act 2000 (which defines the Money Advice Service’s role) is divided into two Paragraphs. Paragraph (1) defines the “consumer financial education function” itself, while

Paragraph (2) describes what the function entails. We would suggest that, given the expected centrality of debt advice to the Money Advice Service's work, the core provision outlining its broad coordination role could be inserted into Paragraph (1), perhaps into a new sub-paragraph 6A(1)(c). This would then enable additional provisions specifying how the coordination role will be fulfilled to be added to Paragraph (2), perhaps in a set of new sub-paragraphs numbered 6A(2)(f) onwards.

Contact

For further information on any of the suggestions made in this response, please contact Michelle Highman or John Davies by email at office@creditaction.org.uk or by telephone on 0207 380 3390.