The Money Charity Response – HMT Statutory Debt Repayment Plan (August 2022)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.[1]

We welcome the opportunity to respond to HM Treasury's consultation on the Statutory Debt Repayment Plan.

[1] See box on back page.

Overall Comments

We warmly welcome the introduction of the SDRP and recognise how crucial this plan will be for the ever-increasing number of people in the UK who are struggling with problem debt. For the 8.4 million UK adults who are over-indebted[2], the introduction of the SDRP will be hugely significant as it marks the first time that valuable protections for people falling into problem debt, including people in vulnerable circumstances, will be implemented as statutory regulation. We feel that the SDRP has become particularly relevant in the current climate, with more and more people turning to credit and unsustainable borrowing to cover the costs of essential bills; StepChange have reported that 14,000 new clients received full debt advice in May 2022. An increase in the cost of living was cited as the second most common reason for debt, at 16%. In May 2021 just 6% of clients gave this reason[3].

Despite recognising how important the regulation will be for consumers, we are hesitant to agree that it should be implemented as quickly as possible. This is because of the heavy administrative and technical development burden that the plan will place on the debt advice providers. Even worse, this burden is not sufficiently compensated for financially within the scheme; we fear that the 8% of the debtor's repayments that are being offered as funding to debt advice providers will simply not be enough to cover the costs of the administrative and technical requirements that are being asked of debt advice providers. We suggest that the funding that debt advice providers receive from the scheme be increased, and that HMT consider extending the implementation period past 18 months to allow debt advice providers enough time to prepare for the administrative demands of the plan. As an organisation who regularly signposts to debt advice providers as part of our financial capability work, we feel it is vital that not-for-profit debt advice provision remains a viable business model as part of the UK debt advice landscape.

We are also concerned that the plan doesn't strike the right balance between allowing flexibility for debtors and providing protection for creditors. While unlikely, we recognise that there is a small potential for the plan to be abused by debtors who simply want to stall the process of repaying their debts and have no intention of ever doing so in full. Therefore, there must be some protections available to creditors in order to make the plan attractive for them, and ultimately allow it to benefit the vast majority of well-intentioned debtors. However, we suggest that some of the policies designed to protect creditors do not allow enough flexibility for debtors, many of whom are likely to be in vulnerable circumstances and in need of compassionate leeway. For example, that debtors may only have one payment holiday per year with 14 days' notice given beforehand seems excessively harsh. It also seems unclear how exactly debtors are supposed to request a

---

[2] FCA 2020, *Financial Lives Survey,* Figure 4.5, page 83.
[3] The Money Statistics, The Money Charity, July 2022, page 7.

payment break. We are concerned that unclear and inflexible policies like this defeat one of the central aims of the plan, which is to help people to engage with and recover from problem debt at a relatively early stage. Such inflexibility and lack of clarity may reduce the number of people who are able to successfully complete the plan, in turn making it more likely that they will be forced into other measures such as bankruptcy. On the same note, it is concerning that there seems to be a total lack of sanctions or regulator remit for creditor non-compliance. It seems then that there is an imbalance between the rights and protections that creditors have in the plan, and those that are afforded to debtors. This could be remedied by allowing greater flexibility to debtors in terms of taking a payment break and including sanctions against creditors who are non-compliant.

Overall, the SDRP includes good protections that will be widely available to all people, including people in vulnerable circumstances, to stop them falling further into problem debt. However, more work needs to be done with engaging debt advice organisations in the development of the administrative and technical side of the plan. There also needs to be greater flexibility for debtors. With these changes, the SDRP will become a valuable addition to the existing debt solutions on offer.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

Tel: 0207 062 8933

hello@themoneycharity.org.uk

https://themoneycharity.org.uk/