

MALG

Money Advice Liaison Group

A forum working for greater communication, understanding and professionalism

CONFERENCE REPORT

**THE MONEY ADVICE LIAISON GROUP
22nd ANNUAL CONFERENCE
Wednesday 24th November 2010
Institute of Electrical Engineering, Savoy Place,
Victoria Embankment, London WC2**

"Can't Pay, won't pay and now no need to pay?"

This document comprises an overview report of the Conference together with the reports from the FOUR OPTIONAL BREAKOUT SESSIONS held during the morning and afternoon of the Forum's 22nd Annual Conference held at the Savoy Place, Embankment, London WC2 on Wednesday 24th November 2010.

We do thank Wendy Stallard, Head of Service Quality at Santander Cards UK Limited and Co-Chair Creditor of the North East Discussion Forum of MALG for compiling such an excellent overview and to the scribes of the various workshops for the paragraphs recounting the happenings at the Breakout sessions. Each facilitator, presenter and scribe contributed to the synopsis of the workshop in which they participated.

We do hope that this information will be of interest to you as a delegate who attended the Conference or as an interested reader.

For those who attended in 2010, thank you for coming. We trust we may have the pleasure of seeing you again in 2011. Please put the date in your diary now – Wednesday 23rd November 2011. If you did not attend in 2010 but wish to do so in 2011, do look out for publicity on the MALG website later in the year.

**Anthony M.G.Sharp
Chair MALG 20.12.10**

Introduction

We returned again to Savoy Place for the 22nd MALG Conference; this is the 9th time that the conference has been held at this venue and for many delegates it was like “coming home”.

As usual the conference commenced with an introduction from the Chair of Conference who was Anthony Sharp, Chair of MALG. He welcomed all delegates, exhibitors and speakers. He thanked the sponsors of the conference without whose support the event would not have happened.

These were :- Lloyds Banking Group, Eurodebt, AIC, NRAM, The Co-operative Bank, Auriga Services, Santander, Royal Bank of Scotland, Nationwide, HSBC, Experian, Charis, Equidebt, Barclays Bank, Equifax and 1st Credit.

Anthony also advised adviser delegates that for the first time they could claim CPD points for attending the conference this year.

Please contact David Legg, if you require a CPD certificate – the e-mail address is davidlegg@malg.org.uk

Anthony reminded all attendees of the purpose of MALG (a discussion forum that promotes and influences best practice in the Industry) and he emphasised that MALG covers the whole of the United Kingdom.

He announced that unfortunately Paul Lewis, freelance journalist and presenter of BBC Radio 4 Money Box, had lost his voice and therefore would be unable to Chair the Question Time Panel as advertised. Neil Munroe, Head of Regulatory Affairs and Communications at Equifax had kindly agreed to stand in as replacement Chair.

A Video

In order to set the scene for the Question Time Panel session there was a fifteen minute video, which had been especially produced by Will Turland and James Jones from Experian together with considerable assistance from the Lowell Group, a debt purchase company in Leeds. This recreated some case studies and real life examples relating to the conference theme featuring interviews with case workers and “experts” in the field of debt. The video gave much food for thought and was an excellent introduction to the Question Time session.

A CD of the film has been produced and is available to delegates; price £10 including p&p. Anyone interested in obtaining a copy should, in the first instance, contact David Legg by e-mail on davidlegg@malg.org.uk

Question Time

There was a break with tradition this year as the Question Time session featured at the beginning of the conference instead of the end, which created a very interesting format.

Neil Munroe introduced the session, explaining that he had always wanted to emulate David Dimbleby. He advised that he wanted the session to be interactive and commenced with the introductions from the panel members: Jane Hingston, Lead Ombudsman with the Financial Ombudsman Service, John Fairhurst, Managing Director of Payplan Limited, Bob Collins, Director of Compliance at the Lowell Group and Nick Pearson, Director at Paymex.

The session lasted for an hour and half and featured a wide selection of questions, commencing with discussion on Bank Charges and whether they are fair or in fact a barrier to debt repayment, because they alienate consumers. This was followed by a healthy debate on whether proposed changes in the regulatory framework would make it easier to avoid regulation or would it lead to a more straightforward system? An interesting discussion developed on the Irresponsible Lending Guidance and whether it would encourage a "no need to pay" culture. The general feeling on this was it would depend on how it was reported and the behaviour of Claims Management Companies.

There were further questions around "should payday loans be regulated" and will Financial Capability help address the conference themes? The session ended with a debate on whether future government policies would change people's attitude to debt.

Neil then closed the session by thanking all the panellists and the delegates for their contributions. There followed a coffee break ahead of the first of the breakout sessions.

Lunch

The breakout sessions (summarised from page 5 onwards) clearly created lots of debate and overran slightly so people were hurriedly directed into lunch to avoid any delays to the afternoon events. Lunch was served in the Riverside Room, which allows beautiful views of the river and key landmarks of London.

The conversations at lunch were, as always, lively and thought provoking. The different experiences and backgrounds of delegates always create a convivial atmosphere and an opportunity to meet and chat with new people.

Following a delicious lunch, coffee and chocolates were served downstairs to allow everyone a further opportunity to visit the exhibition. The Exhibitors this year were Auriga Services, Barclays Money Skills, Charis Grants, Christians Against Poverty, Citizens Advice, Consumer Credit Counselling Service, Debtflow, Equifax, Experian, Financial Ombudsman Service, Financial Services Compensation Scheme, Institute of Money Advisers, Money Advice Scotland, Money Advice Trust, NRAM, Office of Fair Trading, Payplan, Taxaid and TV Licensing. There was a great deal of activity in the Exhibition Halls and judging by the crowds at the stalls delegates were genuinely interested and anxious to gain as much information as possible about the many and diverse exhibitor organisations.

Keynote Speech

Eric Leenders, Executive Director at the British Bankers' Association, delivered a thought provoking speech on the conference theme of 'Can't pay, won't pay - and now no need to pay?'

He gave the BBA view of the existing recession and what he termed the real recession. He said "using previous recessions as a guide, unemployment figures tend to lag behind the recovery, therefore the expectation is that unemployment may well rise to 3 million before it starts to decrease once more. We should expect to see a large increase in the long-term unemployed."

Inflation is still running 2% above the Bank of England target and he forecast that base rates would start to rise in the second half of 2011. The cost of money is going up, whilst the demand for credit is decreasing because of threats to income – there is little or no confidence in the credit market. Savings are increasing and positive; borrower confidence is also good in that borrowers believe they can comfortably manage their secured debt.

The review of the Lending Code gives emphasis to working more closely with consumers at an early date to identify the vulnerable consumer.

A copy of Eric's slide presentation is available by emailing David Legg on davidlegg@malg.org.uk

Mental Health and Debt Collection – the first national survey of creditor practice.

MALG and the Royal College of Psychiatrists have worked closely together for a number of years, producing the MALG Good Practice Awareness Guidelines for Consumers with Mental Health Problems and Debt and the Debt and Mental Health Evidence Form. Chris Fitch and Ryan Davey from the Royal College presented the results of the first national behaviour survey conducted with lenders to capture the views of collections staff on working with indebted customers who report a mental health problem.

The Research was funded by Friends Provident and run by both the Royal College and the Money Advice Trust supported by a cross industry Steering Committee.

The research comprised a survey of 1270 frontline staff working in 19 different creditor organisations and it gives an insight into the challenges and business opportunities facing creditors. A staggering 88% of creditors responded to the survey which is a great credit to this sector of the industry. Chris gave his thanks to these creditor organisations who participated in the survey. From the evidence of the survey on average every 30 seconds a member of staff has to make a decision on mental health, which equates to 5 disclosures per agent per month. The survey indicated that staff believe mental health is the most difficult aspect of customer contact to deal with.

At a high level the report suggests that creditors should consider adopting a 10-step plan to improve their processes. If this plan was adopted the hope is that it would help creditors identify ways which would allow them both to meet their commercial

obligations, and improve the service they give to indebted customers with mental health problems.

A copy of Chris & Ryan's joint presentation and a copy of the Royal College's report are available by e-mailing David Legg on davidlegg@malg.org.uk

Conclusion

Anthony closed the conference by recapping on the day. He emphasised the value of the breakout sessions and thanked all the presenters and the note takers for the sessions. He thanked all the speakers and the members of the Question Time panel, together with the exhibitors and all the sponsors. He made special reference to all the unseen helpers and to the delegates, without whom there wouldn't be a conference.

He closed with a final farewell to Jane Guy for her enormous contribution to the MALG Conference over so many years and she was given a free place to any future MALG Conference for life.

The MALG conference for 2011 will be on Wednesday 23rd November at the same venue.

Wendy Stallard. December 2010

The Break-out Sessions

1. CASHflow is one solution for providing greater support for self-help clients. Is there more that can be done to support self-help clients and if so what?

Presenters & Facilitators: Louisa Parker, Head of Research and Policy, The Money Advice Trust.
Colin Soulsby, Relationship Manager, Royal Bank of Scotland

Scribe: David Quinn, Student Welfare Adviser, Durham Students' Union Advice Centre & representing the North East Discussion Forum.

The workshops began with a brief overview of CASHflow, explaining the origins of the scheme and how the scheme operates.

CASHflow was developed by the Self Help Working Party after the publication of the Citizens Advice report "With a Little Help From My Friends", to provide a reliable and trustworthy self-help scheme. CASHflow users are put on the scheme by an agency (there is no provision for self-referral) and they will develop their own budgets and offers, based on the style and format of the Common Financial Statement. A money adviser will then 'sign off' the offers after seeing proof of the client's income and expenditure; The CASHflow logo is then added to the statement to prove to creditors that the client has been identified as suitable for self help advice and they have received advice from a debt adviser.

The scheme has been operating as a pilot since October 2009, with a limited number of agencies involved. Thanks to generous support from the Royal Bank of Scotland the scheme will gradually be rolled out on a wider basis throughout 2011.

Conversation then turned to the findings of the evaluation into the CASHflow pilot. The evaluation found that CASHflow was very suitable for some client groups, such as students and the newly redundant, with non-priority debts and a surplus income. However CASHflow was less suitable for 'vulnerable' clients, such as those with some mental health problems who preferred an agency to negotiate on their behalf. Although agency advisers in the evaluation felt that CASHflow was only suitable for people with a significant surplus income, the statistics show that most offers made using CASHflow were token offers or small pro-rata offers. Some agencies were also reluctant to use CASHflow as they did not want to "let go" of clients, despite feedback that showed that CASHflow was a useful tool in empowering clients to take control of their own finances.

Delegates from both the credit and advice sectors broadly agreed with the findings of the evaluation. One large creditor found that 91% of clients making offers through CASHflow were maintaining their agreed payments, although it should be noted that this is a small sample. Agencies without casework provision agreed that the scheme would be better than guided self-help, although they would not always consider CASHflow to be appropriate.

It was also felt that the changing client base, with more professional people requiring money advice, will make CASHflow a more useful tool in managing caseloads at a time of reduced funding in the advice sector. Advisers also agreed with the view that it can be difficult for an adviser to 'let go', as there is an 'urge to take the pressure off the client' and achieve a satisfactory outcome through casework; this perhaps was not always empowering for clients.

A number of concerns about the CASHflow system, in its current form, were raised. Awareness of CASHflow was considered to be mixed, both in the creditor and advice sectors. One adviser had a CASHflow offer rejected as there was no written form of authority sent with the letter, despite all correspondence under CASHflow coming from the client. Some advice agencies perhaps had an uncertain perception of CASHflow, considering it as an 'overspill' for casework advice rather than as a debt solution in its own right.

Accessibility was also an issue, as it is not currently possible to access the service without a referral from an agency. Some creditor delegates pointed out that the most confident debtors won't go to an advice agency and will not have access to a system that would otherwise be perfect for them. A comparison was also drawn to other assisted self-help systems, such as CCCS's Debt Remedy, which clients can directly access without a referral. Issues were also raised with the requirement for internet access, particularly as many people with severe financial difficulties have lost internet access due to non-payment; the paper-based system of entering CASHflow was seen as too time consuming.

The tone and content of some creditor correspondence was also flagged as an issue by delegates, where offers are 'not formally accepted' but a client is told to pay nonetheless. Clients were sometimes left lost as to whether their offers had been

accepted and some delegates believed this quickly made clients lose faith in the scheme.

The consensus was that CASHflow will not be suitable for everyone, as the system inevitably requires a certain level of financial and numeric literacy. But for clients who are suitable then the system can be empowering, educating clients to take control of their own finances, and the system will be useful for advice agencies facing budget cuts and loss of casework provision. Raising awareness of the scheme will be important; as expansion will require more agencies to approve financial plans and the overall success of the scheme will depend on creditors trusting CASHflow clients.

2. Vulnerable consumers: exploring the meaning. Who are they? Are they all really vulnerable? What can we do to help them?

Presenters & Facilitators: Alex MacDermott, Creditor Liaison Policy Officer, Citizens Advice
Maria Wadsworth, Stakeholder Relationship Manager, Allied International Credit & CSA Board (money advice arena portfolio).

Scribe: Joan O'Byrne, Money Adviser, Citizens Advice, Guildford and representing The South East Discussion Forum

Provocative presentations compared arguments that the credit industry creates vulnerability and all debtors should be held accountable.

The Addressing Financial Difficulty project's "best practice" model to define The British Standards Institute (BSI) "inclusive service standards" to overcome "consumer vulnerability" gave evidence that standard things done well eg. accepting offers on Common Financial Statements(CFS), giving quick responses, easy to read letters, flexibility on missed payments and ease of making payments achieves excellent results for the 'vulnerable'.

THE DISCUSSION INCLUDED THE FOLLOWING KEY POINTS:

You should not assume that vulnerable clients will always want a 'write off':-

- They may want to pay their debts but can't for the time being
- They would look to offer token payments to prevent creditors from pursuing the debt further
- Insolvency can be 'forced' for the vulnerable to avoid excessive stress
- Creditors rarely write off but moratoriums would be helpful

Attempts made to broadly define vulnerable customers as:-

- those with mental / physical health problems or literacy / language problems
- those who have difficulty accessing the process and / or managing their money and / or managing their debt repayments and fulfilling what is agreed
- those who match the criteria Local Authorities use to give priority to housing need

But the following need to be borne in mind:-

- Vulnerability need not be a permanent state. It is often dynamic.
- A "Tick Box" strategy for identifying the 'vulnerable' is not helpful. e.g. age isn't an absolute criteria
- Vulnerable 'lists' generate vulnerable 'processes' and then gaps are opened and not covered

Consider the following:-

- "shades of grey" and a need to look at the whole situation and current circumstances
- Everyone is vulnerable when a broader financial vulnerability is considered. After suffering a traumatic event, causing financial problems, an individual will not think straight and even normally intelligent and articulate people will struggle with the new place they find themselves in.
- There are different types of people and different types of vulnerability. The Equality Act establishes how to identify people when society is not protecting equally and causing detriment as a consequence.
- Vulnerability is an equation of personal circumstances and environment so there is a need for the completion of clear evidence forms to get the message across
- Flexibility in response to debtors is needed

Dealing with debtors on a case by case basis overcomes problems of identifying vulnerable people because:

- Holistic / responsive approach is needed for all
- Treating all debtors fairly and reasonably will help identify and reduce problems for all

Advisers need to:-

- Structure their presentation and arguments properly to highlight the case and give salient detail
- follow up the 'vulnerable' who don't respond and do what they've agreed

Problems presented for creditor processes because:-

- Large, multi-skilled call centres can't easily deal flexibly. There is a need for specialist units for referrals
- Automated collection processes make it difficult to deal on a case by case basis and lists can provide help for collectors to trigger different approaches that are needed
- It is difficult for creditors to work out whether someone is vulnerable when the debtor cannot be trusted to tell them and take appropriate action. For example, 65% don't provide evidence of their health problems so do they have health problems?

But:-

- Debtors will become reclusive and don't want to admit or deal with their problems. Specialist departments with good communicators who have time to understand and hold open discussions with the debtor are working well for creditors.

Communication is a determining factor:-

- The challenge is for creditors to take a lead in identifying the 'vulnerable'. The onus is on them to ask the right questions as for example insurers getting the correct information for insurance cover they were providing.

3. Keeping people out of debt: the role of a National Financial Advice Service

Presenter: Rezwan Malik, National Partnerships Manager, Money Guidance Trusted Intermediary Team, Consumer Financial Education Body (CFEB)

Facilitator: Yvonne MacDermid, Chief Executive, Money Advice Scotland

Scribe: Phill Holdsworth Corporate Relations Manager, Christians Against Poverty and representing The Midlands Discussion Forum

Before Rez started his presentation it transpired from a 'hands' vote that 60% of the delegates had heard of CFEB.

Rez Malik highlighted the following matters in his presentation:-

Financial Inclusion is about giving people access. However, Financial Capability is about people being able to make use of that access, use it to their advantage and make better informed financial decisions; it is 'preventative' in nature.

Borrowing is a good example; considering the element of affordability and understanding the consequences of not being able to meet your commitments, before you get into the agreement.

CFEB was originally set up to deal with financial capability and until April 2010 CFEB was a part of the Financial Services Authority's (FSA) Capability Division which led on the National Strategy for Financial Capability. The National Strategy was delivered over a 5 year period and the Delivering Change Programme comprised 8 elements which were continued when they became CFEB.

Examples of this are the 'Parents Guide to Money', which covers all financial capability aspects geared towards 'mum's with infants', workplace seminars, young people, etc. The target is to reach 10 million and at present CFEB has reached 11 million. The question is however, what difference does it make and is it stopping people getting into debt?

CFEB offers money guidance, not money advice, through a multi channel approach, online, phone, and face-to-face, which will last anywhere between 8mins and 1½ hrs. People can make a phone call, ask questions about their money problems and receive guidance.

The Financial Health Check is an online tool which has a universal target audience; anyone can have a go and complete a questionnaire which then gives possible routes to assistance.

The Financial Health Check once completed and printed out is like having a prescription detailing what you need to look at for the future. You can take it to an agency for additional support where necessary. These so called prescriptions will list basic help guidance and product types.

At present people will come with a financial problem, be given a solution but there is nothing to stop them from coming back later in the same position. Ken Clarke, The Lord Chancellor, wants CFEB to work on a complimentary basis to provide preventative financial education in order to support the money advice sector. CFEB is very grateful for these partnerships and realises that it can't achieve its aims without them.

CFEB is preventative in nature which provides front end support & guidance and where appropriate will refer to the money advice sector. Money Advice can refer people to CFEB for financial education but CFEB will always refer them back where necessary for ongoing assistance. CFEB is dependant on the Money Advice sector in order to offer a holistic service. Without this partnership the consumer may suffer.

Points raised for discussion:

There could be some duplication of services – CFEB need to consider carefully the services they offer and how they will dovetail with other agencies providing the same services.

The opportunities for creditors to engage with CFEB were stated as the following:-

- Creditor collection teams could look at the debtors budgeting
- Creditors could refer debtors to 3rd party free money advice
- Encourage debtors with a financial health check
- Advise CFEB on what the drivers are for creditors
- Be seen to offer every help they can...

Around 30,000 librarians will be trained to assist people along with support from the finance industry with possible support from money advice offices. We have also engaged an agency to advise us on consumer engagement with the Financial Health Check.

We may be tasked with debt advice co-ordination in respect of procurement and co-ordination, the funding, of which is an entirely different matter. This has still to be worked out. Debt advice will always be done through partners.

- Problems that cause debt such as benefits issues and the delays in sorting them out.
- Mixed messages coming from Government concerning Student Loans, i.e. a post-graduate in work who wanted to take out a manageable loan was denied due to their student loan
- Work needed to be done in raising CFEB's profile to the public

A consumer awareness programme has been planned for April 2011 the details of which are still to be worked out.

- The help and support a consumer needs should be looked at holistically

- Debt seems to be part of our culture and it is impossible to account for every eventuality; unmanageable debt will always be with us and creditors should be more sympathetic.

The Government require a 10 year, long term strategy.

- People put their trust in banks just like they do in their dentist or doctor. Banks need to be aware of this when dealing with customers in financial difficulty rather than be fixated with their sales targets.
- Delegates would like to understand more about what CFEB's scope will be around monitoring, enforcement, support, etc

It is difficult to detail at this time. CFEB won't cut across existing professional help or across regulatory boundaries.

Will these partners have to focus on the so called target groups to deliver the service recommended by CFEB and how will this be funded?

CFEB's role will be to provide information to the consumer on how to manage credit amongst other services already mentioned.

- It was said that 35% of consumers rely on debt – do we want to keep people out of debt?
- Better communication from CFEB about who they are and what they will do.
- The prescription idea may well be best for a specific audience.
- How are you going to encourage those people who go online to engage with the money advice sector where it is felt that it is needed?

The idea is to manage expectations and even look at segmenting target audiences.

What is the incentive to get people to use the services early enough in their life?

The 10 year plan will also cover those not in debt.

There are many levels in which financial inclusion can be tackled; one of which is at an individual level. The credit industry looks at indicators on a preventative basis in order to capture early those in debt and potential debtors. What about using the online social network to get the message out? I suppose the challenge to CFEB is what message it puts into the public arena.

4. To what extent have insolvency and other solutions become the soft option- encouraging the 'no need to pay' culture?

Presenter: Fiona Hoyle, Head of Consumer Finance & Fraud, Finance & Leasing Association

Facilitator: Peter Madge, Specialist Support Officer, Citizens Advice Specialist Support (Money Advice).

Scribe: Jayne Bellis, Founder, Pennysmart CIC Community Money Advice & Training & representing the North West Discussion Forum

Following the presentation from Fiona, the group split into three groups to discuss three questions:-

Question 1 – Are borrowers able to get off paying their debts too easily? If so, why is this happening?

Question 2 – What could be done to improve the current debt solutions to achieve a fairer balance between lenders and borrowers?

Question 3 – What is the one thing you would introduce to improve the position of borrowers in arrears taking into account funding constraints?

Question 1 – Are borrowers able to get off paying their debts too easily? If so, why is this happening?

The Group comments are listed below:-

- Access to insolvency has become easier
- The impact of insolvency has not changed
- More players in the market
- The stigma has reduced
- Consumers might be misled into thinking it is an easy way out
- Often Income Payment Orders & Bankruptcy Restriction Orders are put in place
- Ambulance chaser companies preying on IVA/Bankruptcy clients to come out of it – no regulation
- Creditors seem to be working better with advisers
- Those with assets are highly disadvantaged; those without assets seem to get off more easily
- Advice workers say borrowers do NOT get off too easily
- Creditors argue because evidence in Debt Relief Orders is not reliable, and statements are not available for creditors to examine

Question 2 – What could be done to improve the current debt solutions to achieve a fairer balance between lenders and borrowers?

The Group comments are listed below:-

- A flexible arrangement based on affordability with some finality and timeline
- No unilateral agreement – with bankruptcy in England & Wales quite a stressful experience whereas in Scotland it is more flexible because the court stage has been removed recently and those with experience of this state it works well.
- Advisers argue 'one size' fits all
- Expenditure guidelines don't work across the board looking at existence level Job Seekers Allowance claiming versus someone in a high earning profession

Question 3 – What is the one thing you would introduce to improve the position of borrowers in arrears taking into account funding constraints?

The Group comments are listed below:-

- There are NOT solutions for everyone

- Some sort of multi charging order type solution or a formal debt management plan might be a good way to go
- A consistent quality mark for all advice providers
- A universal portal for accessing all debt solutions
- A multiple ethical equity release scheme to release capital in assets to address debts
- Free advertising for the free debt advice sector to raise awareness
- Many financial institutions already carry details of CCCS & CABx on their default letters – further advertising

The winner of the evaluation prize draw was Kirsty Allen from Christians Against Poverty who will now have a free place at the 2011 conference.

All enquiries regarding the 2011 conference and to make an early provisional booking please contact David Legg on davidlegg@malg.org.uk