

## Report of the RAN 'Debt' Advice Forum - April 12, 2019

### Introduction

1 This was the 7th in the series of Advice Forums organised by the Reading Advice Network. It began with short presentations looking at debt in Reading from three different perspectives:

- Citizens Advice Reading (CAR) giving advice to people in debt
- Reading Borough Council (RBC) trying to ensure that Council Tax debts are paid, and
- the Berkshire Credit Union (BCU) offering financial help to people in debt

2 The participants, who were drawn from 20 different organisations, then broke into four discussion groups to share their experience and discuss the issues raised by the presentations. The key points from the discussions were then shared in a final plenary session.

### **'Advising Clients on Debt' - presentation by Sue Richards (Advice Services Manager) and Terry Dodd (Specialist Services Manager), CAR**

3 Sue and Terry talked about the different routes by which people in debt come to CAR, the volunteers and paid staff who are available to help them, the different stages of the advice process and the various options that exist for dealing with their debts.

4 They made the following key points:

- People in debt contact CAR directly by phone or drop in to the office in Minster Street, are referred by a variety of other organisations - social landlords, RBC's Housing Advice or Debt Advice Departments, or partner charities, or come into contact through the outreach work CAR does at the County Court with tenants facing eviction
- Advice is given by volunteer generalist advisers, debt caseworkers and debt specialists, and by paid caseworkers who specialise in housing debt
- The advice process begins with a ten minute initial check and then a longer face to face assessment interview. If it is a complex debt problem it will involve a subsequent longer appointment, or several appointments with a caseworker if the client is particularly vulnerable
- The first step in the process is to gather information about the client's situation. The adviser will look both at the debts - dealing with any emergencies, checking liability and challenging debts, prioritising debts and dealing with priority creditors - and at the client's income, making sure they are getting all the income they are entitled to. They will prepare an income and expenditure sheet so it is clear to the client and the adviser what money is coming in and what is going out
- They will then explore with the client the various options for dealing with the debt. This can be a direct agreement with the creditors - which can involve payment by instalments, a full and final settlement, a debt moratorium, or getting

the debt written off; a debt management plan through a debt management company; or one of the formal arrangements under the law in England and Wales - a debt relief order, bankruptcy, an administration order or an individual voluntary arrangement. All will involve the preparation of a financial statement for the creditors or the court.

- In their experience clients fall into one of two groups - people who until they come to CAR don't realise or accept that they are in debt, and people who are just too poor to manage, even though they can be very good at budgeting.
- Being heavily in debt can be overwhelmingly stressful, particularly if the client has physical or mental health problems, and a lot of the adviser's time goes into trying to reduce the client's stress. Resolving debt emergencies and getting clients the income they are entitled to can also be very time-consuming.
- It is often only by working closely with other organisations such as social services, the utility companies, or other voluntary organisations that complex and long-standing debts can be resolved and the client's ongoing situation significantly improved.

### **'Handling Council Tax Arrears' - Presentation by Samantha Wills, Recovery and Control Team Leader, RBC**

5 Samantha explained the central role that Council Tax now plays in funding RBC services, how Council Tax is collected, the detailed process she and her staff have to go through when Reading residents fall into arrears, the scale of the challenge this poses, and their success in getting arrears paid.

6 She made the following key points:

- Since the Government now only provides around 4% grant funding, Council Tax contributes 65% of RBC's income, with the balance made up by Business Rates. So ensuring Council Tax is paid, and any arrears are collected promptly, is really important.
- Residents pay their Council Tax monthly in 10 instalments, April to January - 73% by Direct Debit. If an instalment is late or not paid this automatically triggers reminders, and if it remains unpaid a summons is automatically triggered.. If a customer pays late on more than 2 occasions within a financial year, a final notice is issued for the full outstanding balance, not just the value of the 3rd late instalment. If the full amount is not paid another summons is issued, which also incurs costs for the customer. If the court finds for the Council a liability order is issued, which incurs additional costs for the individual at fault. The debt may then be paid by arrangement, by attachment of earnings or by deduction from benefit. If it isn't paid there will be enforcement action by bailiffs, insolvency or commitment to prison.
- Securing unpaid Council Tax is a major activity. Tens of thousands of text message and paper reminders are issued each year, resulting in several thousand accounts being issued with summonses, liability orders and enforcement action.
- The Council tax recovery team is a small team consisting of 3.5 FTE plus a senior officer. Most of their work follows the issue of recovery documentation - agreeing arrangements, setting attachments of earnings or deductions from

benefits, or triggering enforcement action. A key task is identifying whether someone is entitled to one of the various discounts, disregards or exemptions - single persons, carers, young people aged 18-19 and still receiving child benefit, and so on.

- Enforcement action is a last resort and follows a detailed, regulated process. Her team have to check whether this would be proportional in all the circumstances, whether the individual is able to pay, whether they are receiving all the income they are entitled to, whether they have been referred to debt advice agencies, and what attempts have been made to contact them. In order to receive an enforcement agent visit an individual must have ignored final demands, emails, phone calls and texts. Moreover, if at any point in the process it looks possible that the individual concerned may be 'vulnerable' the process is put on hold while this is investigated by the Welfare Team. If vulnerability is confirmed the team will work with the debtor to agree a longer term arrangement.
- Their work is effective - over 99% of the Council Tax due to RBC is eventually paid. But they want to improve the process further and as a result of a recent review with CAR will be signposting individuals to them for debt advice earlier in the process.

### **'Berkshire Credit Union' - Presentation by Gordon Ross, BCU Treasurer**

7 Gordon began by saying that there was a lot of misunderstanding about the nature and role of a credit union. So he explained what it was and what it wasn't, highlighted the benefits of becoming a member, and set out how it helped the financially excluded.

8 He made the following key points:

- A credit union is not a charity or a debt advisor, it doesn't make crisis loans, it doesn't get State support, and it's not trying to compete against the high street banks
- It is a not-for-profit co-operative, in and for the local community, owned and managed by its members, and dedicated to promoting thrift, facilitating financial inclusion and making credit available at affordable rates. It's fully regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and covered by the Credit Union Act rather than the Consumer Credit Act. It's self-sustaining, covering its costs and paying its members a reasonable dividend, and totally focused on helping its members.
- Members save as they borrow. There is no joining fee - members join through depositing a £10 share, which is redeemable. They can save by standing order, bank transfer, cash or cheque, and have online access to statements and withdrawals. They can borrow from £250 to £7500, at interest rates from 1% to 3% a month, and can repay their loans over 6 - 60 months. Interest is calculated on a daily basis to benefit early repayment with no penalty costs.
- The BCU helps the financially excluded because it makes credit available to people who would never get a loan from a high street bank, and does so at an affordable rate - particularly compared to payday lenders. It sets a low entry threshold, and rewards saving by charging lower rates of interest to members with a good membership record.

- It also offers two specific financial exclusion products:
  - a Child Benefit Loan of £250 or £500 repayable over 48 weeks to new or existing members if they arrange to have their Child Benefit paid into their BCU share account (with the surplus available for on-line withdrawals)
  - a prepaid Visa Debit Card which is limited to the £'s loaded on it, but which provides the holder with a full banking service with no credit check required
- Debt advice agencies should:
  - make sure that their advisers understood how credit unions operate and can help people in debt
  - encourage people to join a credit union at the start and not the end of their journey

## **Discussion Groups**

9 The discussion groups were asked to consider three questions:

- What problems are our service users up against?
- What are we doing to help resolve these problems?
- What needs to change in Reading to help reduce debt?

10 The key points emerging from the discussions are set out below.

## **What problems are our service users up against?**

11 A wide variety of different problems were identified:

- Several problems around Council Tax:
  - The high cost of Council Tax
  - Removing the right to pay by instalments when people ignore reminders makes their debt problems instantly worse
  - People paying their tax arrears and then falling behind on their rent
  - Lack of understanding that Council Tax relief is stopped when people move onto Universal Credit and that they need to submit a new claim
  - Young people being unfamiliar with Council Tax and forgetting to pay it
  - The extent of automation in the process - people often stop using their phones when their credit is used up, so may miss texts and emails
- Difficulties with Universal Credit (UC):
  - Being paid monthly in arrears
  - People not understanding what the UC payments have to cover
  - Managing the repayment of the DWP loans which are provided to bridge the gap when people move onto UC
  - The requirement to have access to, and skill with, IT and a mobile phone to manage UC claims
- People finding themselves in difficult new situations for which they are not prepared:
  - Bereavement
  - Physical or mental illness
  - Family breakdown
  - Older women now having to wait longer than they expected for their State Pension

- New migrants for whom English is not their first language having to understand the benefits system
- Other specific financial challenges:
  - The high cost of living in Reading
  - People who rent, as many do in Reading, having to move more frequently and meet removal costs
  - The way overpayment of benefits are deducted
  - People running up debts on credit cards because they can't get overdrafts
- More general problems
  - People who have never learned to budget or manage money - perhaps because they grew up in a household living on credit
  - People with low IQ - just above the threshold for Learning Disabled support
  - People not recognising or acknowledging that they have debt problems
  - People not knowing what support is available or how to access it

### **What are we doing to help resolve these problems?**

12 Between them, the various organisations represented at the Forum are providing a wide range of general advice on debt, and on the specific problems identified above. In addition:

- Some agencies are helping with education on managing money
- Others help service users with applications for grants
- Others run befriending programmes
- CAR has provided extensive training on Universal Credit for staff and volunteers from other agencies
- There is a lot of collaboration between different organisations to help resolve specific debt problems - for example, referring a service user who is house-bound to a partner organisation who makes home visits.

13 However, some recent changes have reduced the support particular agencies can provide:

- Some organisations used to visit young people's groups to discuss money management, but funding cuts have meant this has had to stop
- Changes in the Advice Quality Standard mean that some agencies can no longer give debt advice.

### **What needs to change in Reading to help reduce debt?**

14 There were five specific proposals on Council Tax, together with some more general suggestions.

15 The suggestions on Council Tax were as follows:

- There was strong support for the recent decision by RBC to signpost people in arrears to CAR for debt advice earlier in the process. But when individuals call RBC about Council Tax and are put on hold, could RBC replace the muzak that they hear with messages about debt advice and support?

- Improve the clarity of some of the correspondence with residents. If it is about Council Tax support stopping it should say so clearly up front, because then the recipient might respond more quickly and not end up in arrears
- In the past, when RBC received information from DWP or HMRC about an individual's benefits or work situation changing, they suspended their housing benefit/Council Tax support and wrote to the individual asking for the necessary new information - the reason for the change of benefits or their new wage slip. The individual had a month to supply the information and once RBC was satisfied they re-started the benefit/support from the day it stopped. Now, when an individual moves onto Universal Credit RBC stops their Council Tax claim and the individual has to go through the full reapplication process. Why cannot RBC simply suspend the claim as they used to do?
- Examine the recent initiative by Hammersmith and Fulham Council, who have stopped using bailiffs and are trying to treat people holistically across Departments, to reduce the risk that chasing people for unpaid Council Tax merely puts them into rent arrears
- Increase the number of staff in the Recovery and Control Team, so that there is more chance that an individual in arrears will be able to speak to someone who will understand their difficulties and direct them to help

16 The other suggestions were as follows:

- RBC and all the agencies and charities who help people in debt to work more closely together. There are many examples where close collaboration has resolved debt problems which would have been insoluble for any single organisation. Ensure the lead contact information in each organisation is up to date.
- RBC to work with schools to try and get financial management and budgeting given greater prominence on the school curriculum
- Develop a pool of trained advocates that agencies could call on to support individual service users - who could work with them to get the help and support they need and be the liaison point with their creditor(s)
- Provide more information about loan sharks
- Develop better support for staff and volunteers in some charities to reduce the risk they become overwhelmed by the problems their service users are facing.

## **Conclusion**

17 This was a productive couple of hours, highly rated by those who attended, which will have helped to build closer working relationships between the organisations involved. RAN will consider what more it can do to strengthen these relationships, and examine the suggestions on advocates and better support for charity staff and volunteers. We urge RBC to consider carefully the suggestions on Council Tax, schools and loan sharks.