

# TACKLING PROBLEM DEBT GROUP

## INTRODUCTION

The Scottish Government took responsibility for levy funded debt advice on 1 January 2019. In taking this responsibility, we understood that, while there was much to be proud of in free debt advice delivery in Scotland, the sector was also facing a range of increasing challenges – some longstanding, such as the difficulty of meeting user demand, and some emerging, such as harnessing technology in a way that meets user need. The devolution of levy funding is an important opportunity to take a holistic look at these challenges, and to ensure that it is used effectively so that it both supports individual users, and enables the wider free debt advice sector to remain sustainable well into the future.

We also recognise that levy funding represents only one part of a much larger landscape, and that advice providers and funders across the sector must come together to develop a long term vision for the future. One of our first actions, therefore, was to establish the Tackling Problem Debt Group, which sought to ensure that the voices of those who know the sector best would shape our actions. Their work was designed to support:

- evidence gathering, analysis and consultation to understand strengths, weaknesses, challenges and opportunities of the existing system;
- development of a long term vision to build a system that is user driven, efficient and effective; and
- development of practical steps to make the vision a reality.

Between April 2018 and January 2019, the TPDG met five times. These meetings were lively, challenging discussions, revealing the complexity of the debt advice landscape, and its clear links with wider advice provision. Their recommendations respond to this complexity. They will underpin the Debt Routemap that the Scottish Government proposes to publish later this year, which will outline the vision for and steps to achieve a sustainable, effective and user-centred debt advice system in Scotland by 2025.

The Scottish Government is grateful to the TPDG members for their hard work and commitment during this first stage. Collaboration and co-production are at the centre of their recommendations, and the Scottish Government is committed to ensuring that our work to implement them lives up to this. In publishing them, we acknowledge that there is much work to be done to understand how best to make them a reality, and our success in doing so will depend on the genuine involvement of the debt advice sector – both advisers, funders and users.

## **RECOMMENDATIONS OF THE TACKLING PROBLEM DEBT GROUP**

In compiling these recommendations, it is recognised that the Scottish Government makes up only a small part of the free debt advice landscape, and a smaller part of the free advice landscape as a whole. However, the Scottish Government has a role to play in improving outcomes, by both using its influence to increase collaboration across the sector, and by showing leadership through its own processes and practices.

It is not repeated in each individual recommendation, but across all areas for action, the Scottish Government should also be mindful of the Money and Pensions Service's on-going work at a UK-level to enhance the free debt advice sector. Both organisations are committed to working in close partnership to ensure that their efforts complement and support one another.

In line with that commitment, the recommendations have also recognised the Wyman Review, which also seeks a more sustainable debt advice sector across the UK.

Finally, all actions in response to those recommendations should be underpinned by a commitment to equality, and the need to ensure equal access to free debt advice for all, including ethnic minorities or those with disabilities.

### **1. Ensure that levy funding reflects the needs and experiences of users and potential users of debt advice**

A free debt advice offering that puts users at its heart requires a thorough understanding of what users want and need from advice services. This knowledge will be vital to ensure decisions by both funders and service providers can offer lasting outcomes and value. Going forward, the Scottish Government should conduct a programme of work to understand how and why users interact with advice services, and what their expectations are for future engagement. This programme should build on much of the good work already carried out on user experiences, and must be designed to gather a genuinely diverse range of views. It should also recognise the diversity of the sector, which might not be fully reflected in experience panels.

### **2. Develop a debt helpline offering that is Scottish-focused and better integrated with Scotland's advice landscape**

Discussions of the future of helpline support highlighted many benefits in remaining as part of a UK-wide system: economies of scale; intelligence sharing; and the flexibility to respond to fluctuating demand levels. However, set against this were concerns that Scotland's different debt system requires specific expertise, and that existing debt lines had under-developed links with the wider debt advice landscape. Going forward, the Scottish Government should explore how advantages, such as economies of scale, can be maintained while developing a more Scottish-focused system. This could involve either working more closely with existing providers to ensure that Scotland's needs are more accurately reflected in existing UK provision, or developing a bespoke Scottish helpline that is quality assured, perhaps with wider

links to other kinds of free advice provision. Demand for debt advice in Scotland should also be identified.

### **3. Develop a three year funding model for levy-funded debt advice**

The majority of project funding for free debt advice is currently awarded on an annual basis. This leads to insecurity for advice providers, meaning it is difficult to retain staff or develop clear career progression. It also makes it challenging to develop and test innovative ways of working, and by creating an ever-more competitive funding environment, it creates barriers to collaboration between advice providers. A transition to longer term funding models must be the long term aim, recognising that it is also important that funding is adequate and sustainable. Achieving this is complex and is particularly challenging in the current budgetary environment. However, there is an opportunity to take advantage of the relative certainty of levy funding to demonstrate the benefits of more sustainable approaches. Going forward, the Scottish Government should therefore move to three year commitments of levy funding as the norm.

### **4. Operationalise the Funders Framework to bring more consistency and clarity to advice funding**

The Funders Framework was a collaborative approach developed by Scottish Government, the Improvement Service and Scottish Legal Aid Board with a view to bringing more consistency and clarity to advice funding across Scotland. Discussions suggest that there is strong support for the principles set out in the Framework, but that they are not always well understood and that turning them into a reality is challenging. Going forward, the Scottish Government should work to ensure their debt advice funding adheres to these principles and more broadly, explore how the process of embedding the principles of the framework into wider advice provision can be achieved.

### **5. Develop a model of Scottish Government levy funding that is transparent, independent and rigorously reviewed and evaluated for impact**

The complexities of the free debt advice landscape and the challenges of ensuring limited funding is used most effectively have been well-documented. Although solutions to these challenges are complex, it is clear that Scottish Government funding must complement local delivery and that achieving consistent advice coverage might require different interventions for different communities. Achieving this means continuous monitoring of existing provision, and rigorous assessment of which interventions deliver most.

Delivering change will require Scottish Government to develop a mechanism to:

- assess provision of free debt advice across Scotland and how it complements or interacts with other provision;
- recommend where levy money could have the most impact; and
- evaluate outcomes of interventions to monitor impact.

## **6. Develop a more integrated funding landscape for free debt advice**

As set out in the previous recommendation, the Scottish Government must ensure that its free debt advice offerings complement rather than displace existing funding. A recurring theme of TPDG discussions has been the proportionately small size of the levy funding available and the acknowledgement that the Scottish Government is only one organisation among many. The Scottish Government cannot and should not drive the priorities and methods of other funders. However, as the Wyman Review noted, there is a need to reduce duplication of effort, which makes collaboration between funders advice and providers vital. Going forward, the Scottish Government should use its influence to bring funders together and encourage strategic decision-making and the sharing of best practice. Encouraging an independent voice for the Scottish debt advice sector could also help in this.

## **7. Harness the potential of technology in a way that practically improves the experience of both providing and receiving debt advice**

It is accepted that technology could have a profound impact on the delivery of debt advice, and in many cases, is already altering the advice experience. The Wyman Review noted that channel shift can be a means of reducing unmet demand by simplifying processes and freeing up face-to-face advisers for those who need the most help. Discussions suggest that this potential must be realised, but that the Scottish Government should avoid rigid targets for embedding new technology. Instead, efforts should support continually developing and evaluating solutions that offer genuine value to both users and providers. In particular, the Scottish Government should focus its funding efforts on innovations that can improve intelligence sharing and simplify the process of providing advice. In both these areas, the role of FinTech Scotland should be noted.

## **8. Develop a workforce strategy for the free debt advice sector**

To attempt to meet the substantial demand for debt advice, against the background of financial constraints, it is important to develop the workforce to improve the quality and quantity of debt advice. Given the relatively small size of the current workforce, it is particularly vulnerable to an ageing profile where a number of advisers will retire at the same time, leading to a loss of expertise and knowledge.

Five broad principles should underpin the development of a workforce strategy:

1. Retaining expertise
2. Attracting new talent
3. Driving learning and development
4. Maximising adviser time to focus on clients
5. Protecting adviser wellbeing

## **9. Ensure sustainable funding is available to achieve the outcomes identified above**

The outcomes identified by the Tackling Problem Debt Group can only be achieved by working towards a future funding environment that is supported by a range and breadth of funding sources. This will only be achieved by developing models that work

for both funders and recipients of advice. Going forward, the Scottish Government should explore all models, including levies on formal debt solutions. New sources of funding should also be explored, including whether specific sectors have an interest in helping consumers who have become over-indebted. The Scottish Government should also work to understand future demand in order to forecast what level of funding will be required. This could identify how to mitigate the demand before it arises.