



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 292
SESSION 2009–2010
4 FEBRUARY 2010**

Business, Innovation and Skills

Helping over-indebted consumers

Our vision is to help the nation spend wisely.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 900 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds: at least £9 for every £1 spent running the Office.



National Audit Office

Business, Innovation and Skills

Helping over-indebted consumers

Ordered by the House of Commons
to be printed on 2 February 2010

Report by the Comptroller and Auditor General

HC 292 Session 2009–2010
4 February 2010

London: The Stationery Office
£14.35

This report has been prepared under section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

Amyas Morse
Comptroller and
Auditor General

National Audit Office

29 January 2010

UK consumers had some £1,459 billion of outstanding debt as at November 2009, and personal borrowing represented 160 per cent of household annual pre-tax income.

© National Audit Office 2010

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as National Audit Office copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Contents

Summary **4**

Part One

Tackling Over-indebtedness **10**

Part Two

Delivery of the face-to-face debt advice project **14**

Part Three

Provision of debt advice and the over-indebtedness strategy **25**

Appendix One

Methodology **36**

Appendix Two

Tackling Over-indebtedness
Strategy interventions from the
2004 Action Plan **38**

The National Audit Office study team consisted of:

Zoe Allwood, Rachel Balchin, Alexa Burgess, Charlie Gluckman, Eleanor Murray, Charles Nancarrow and Louisa Shakos, under the direction of Chris Shapcott

This report can be found on the National Audit Office website at www.nao.org.uk/debt2010

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Summary

1 UK consumers had some £1,459 billion of outstanding debt as at November 2009, and personal borrowing represented 160 per cent of household annual pre-tax income. Most consumers manage successfully to service outstanding debt but some cannot, especially at times of economic difficulty, and become over-indebted. Bank of England research in 2008 found that some 11 per cent of the UK population reported difficulty in keeping up with their bills and credit commitments. Over-indebtedness means that an individual is no longer able to service their debts.

2 Apart from the personal cost of over-indebtedness, there is also a cost in public expenditure, such as on social housing and legal costs. Accordingly, the Department for Business, Innovation and Skills (BIS) supports debt advice services for consumers in England and Wales who have problems with debt¹ – for example, providing advice on budgeting and on options for dealing with intractable debt. The support provided by BIS covers both:

- free face-to-face advice delivered exclusively through a project working with third sector providers, such as Citizens Advice, and delivered through 16 national and regional sub-projects; and
- National Debtline, a telephone advice line funded by government and the private sector.

BIS is providing £143 million for both these services between April 2004 and March 2011, £130 million of which is exclusively for face-to-face advice and £13 million for National Debtline. Of the total, £129 million is funded from HM Treasury and ring-fenced for these services.

3 BIS's face-to-face advice project is designed to contribute to the aims of a larger cross-Government strategy for tackling over-indebtedness. The strategy was launched in 2004 and is sponsored by BIS, the Department for Work and Pensions (DWP), and, from 2005, the Ministry of Justice (MoJ). The strategy involves public², private and third sectors. It aims to minimise the number of consumers who become over-indebted, and improve the support and processes for those who have fallen into debt. The 2004 strategy includes 51 different interventions ranging from access to affordable credit to providing advice (Appendix 2 lists all 51 interventions). BIS shares the secretariat function for the strategy with DWP and MoJ, and is also responsible for monitoring the levels and profile of over-indebtedness and developing the approach to strategy evaluation.

¹ The Scottish Government and the Northern Ireland Executive are responsible for debt advice in Scotland and Northern Ireland. General debt advice is provided also by other government departments such as the Ministry of Justice and Communities and Local Government, and by Local Authorities.

² The strategy is also supported by HM Treasury, the Department of Communities and Local Government, and the Department for Children, Schools and Families.

4 This study examines BIS's discharge of its duties in relation to the provision of its debt advice and the over-indebtedness strategy.

5 We have evaluated value for money as:

For the face-to-face debt advice project

- The extent to which BIS works effectively with advice providers to deliver high quality face-to-face debt advice cost effectively.

For the over-indebtedness strategy

- Whether the face-to-face debt advice provided by BIS is effectively coordinated with other forms and sources of advice to provide the right mix of advice in supporting the aims of the over-indebtedness strategy and adapting to changing circumstances.
- Whether the oversight arrangements for coordinating and measuring the success of the over-indebtedness strategy are sufficient to ensure its aims are being met.

More details of our methodology are given at www.nao.org.uk

Key findings

Delivery of the face-to-face debt advice project

6 We found that those who have received BIS funded debt advice say it has helped, and BIS's own evaluation of quality of service found it met the expectations of users. Our survey found that BIS funded advice is well regarded, with 81 per cent of recipients saying that it had improved their debt situation and 95 per cent following the advice given.

7 BIS is getting what it is paying for. Since it began operation in April 2006, BIS's face-to-face debt advice project has delivered help to some 270,000 people to the end of September 2009, more than the planned 261,000, at a cost of £311 per person, against a planned £330 per person.

8 Following the economic downturn, capacity has not kept pace with demand. Providers reported to us a 28 per cent increase between July 2008 and July 2009 in the number of clients contacting them, two of the 39 individual advice agencies who responded to this question in our survey said they were not taking new clients onto their waiting list, six had waiting times of four weeks, and one had a waiting time of six weeks.

9 Benchmarking of the face-to-face sub-projects suggests there is scope for cost efficiencies in providing face-to-face advice. BIS examines levels of activity and overall spend in each of the 16 projects and has put in place consistent monitoring requirements across these, but does not examine in detail variations in the cost of delivery between providers, which range from £201 to £377 per person. We found that since 2008 many providers had responded to increased demand by increasing the amount of advice given within existing budgets, but that there was scope for efficiency improvements to be applied more widely and consistently.

The over-indebtedness strategy

Provision of debt advice to support the strategy

10 BIS has not assessed how private sector advice provision could contribute to the achievement of the strategy's aims. Our research shows that there is a large private sector, with some 56,000 companies permitted to provide debt advice. The majority of respondents in our survey who had received private sector advice said that it had helped them improve their financial situation – for example, 59 per cent of those receiving advice from a bank – although it was less well regarded than free advice. Funding for the face-to-face debt advice project is guaranteed only until March 2011. If funding for the project is not available beyond 2011, the role of the private sector in providing debt advice to consumers will become increasingly important. BIS has not yet engaged with private sector providers on what role they might play in the future.

11 More consumers could be helped overall by ensuring a better match between consumer needs and delivery channels. Different advice channels are appropriate to different consumers. For example, those needing support with contacting creditors or accompanying to court will need face-to-face rather than telephone advice. However, our survey of consumers who had received BIS funded face to face advice found that 25 per cent of those who expressed a preference would have preferred telephone or internet advice. Around a third of those receiving advice were unaware of National Debtline; awareness of other telephone services was even lower. Telephone advice from National Debtline costs around £51 per person compared with an average of £265 for face-to-face advice, and internet advice costs even less. Moving consumers whose debt issues could be addressed through telephone advice onto this cheaper delivery channel would allow more consumers to be helped overall.

12 In designing interventions, BIS does not currently make best use of its available data to understand the behaviour and attitudes of the over-indebted. A deeper understanding of over-indebted consumers' attitudes towards debt advice, such as which delivery channels they prefer or barriers to seeking advice, would help BIS and the other departments involved in the strategy to design services to maximise the support that BIS's debt advice makes to meeting the strategy's aims.

Oversight of the over-indebtedness strategy

13 There is no clear accountability for achieving the overall objectives of the strategy and no programme management function to coordinate its delivery.

The strategy is made up of 51 different projects and a number of funding streams, so effective oversight and coordination is essential to coordinate interventions and respond to changing circumstances. The original strategy envisaged three working groups to oversee delivery, but one of these groups never met and the last to meet did so in April 2008. The diffuse responsibilities and lack of oversight have contributed to the strategy's difficulties in responding to increased demand, the growing role of the private sector and in matching customer needs with the channels used to deliver advice. In October 2008, BIS led efforts to reconvene a coordination function across departments, but this has so far focused on the delivery of individual interventions in isolation rather than programme management.

14 Evaluation of the effectiveness of the strategy is weak so an overall judgement on its success is not possible. In the absence of programme management, and with no single department having overall responsibility for the strategy, the programme has not been evaluated as a whole. There has not been a published progress report since 2007.

Conclusion on value for money

15 BIS's face-to-face advice project is delivering good value for money. Since the project came into operation in 2006 it has supported the delivery of face to face debt advice to 270,000 people. The project is helping more people than planned, at slightly less than the planned cost per person, and the advice given is well regarded by those that have received it. There are opportunities to apply efficiency improvements more widely in order to meet the growing demand for advice and further increase value for money.

16 As regards the wider over-indebtedness strategy, arrangements to control the risks that its complex delivery structure presents are not adequate: there is a lack of effective engagement between the bodies overseeing the strategy; the choice of delivery methods for debt advice is not being managed to achieve best value, or with a full understanding of users' needs; the role of private sector providers in meeting the strategy's aims has not been assessed; and there is no mechanism to evaluate the overall success of the programme. It therefore cannot currently demonstrate value for money; and value for money cannot be delivered until the strategy's separate strands are brought together in a coherent programme management framework with effective governance, performance management and evaluation.

Recommendations

- a** **Benchmarking of the 16 face-to-face sub-projects shows that there is a range of costs per client.** BIS should:
- analyse the variations in the grant paid to different sub-projects to assess the extent to which variations reflect differences in efficiency rather than variations in the proportion of producers' costs being covered by the grant or other factors;
 - where differences are due to efficiency, promote these practices to the less efficient providers; and
 - in planning support beyond the end of the current funding period in 2011, work with sub-projects to develop contract arrangements that can cope with changing demand and provide stronger mechanisms to encourage efficiencies. The National Audit Office's Third Sector Decision Support Tool provides useful advice for this purpose.
- b** **On average, debt advice over the telephone costs about a fifth as much as face-to-face advice, and is preferred by 25 per cent of those users of BIS funded debt advice services who expressed a preference in our survey.** The internet costs even less. BIS has not evaluated the relative effectiveness of these different channels of advice, and funding is currently provided by the Treasury's Financial Inclusion Fund specifically for the provision of face-to-face advice. BIS should:
- seek Treasury agreement to allow flexibility in the funding of the alternative advice channels, depending on consumer needs;
 - raise the awareness amongst those seeking advice, of the telephone and internet advice available so that consumers who would prefer these channels are aware of them and can use them;
 - evaluate the relative effectiveness of telephone and internet advice so that a balanced comparison of the cost effectiveness of the different channels can be made; and
 - in the light of such a comparison, consider a more radical transfer of resources into the most cost-effective channels, so as to maximise the impact of its support for over-indebted consumers.

- c** It is now five years since the development of the over-indebtedness strategy. The economic situation is very different and the programme management arrangements established at the outset have fallen largely into disuse. BIS should work with the other key Departments contributing to the strategy to establish a more effective programme management framework for updating the strategy and developing plans for providing debt advice in the future. This should include;
- a clear statement of what the strategy is intended to achieve, how each intervention contributes to the aims of the strategy, and how they relate to each other;
 - a performance measurement framework that measures the success of the interventions in terms of the aims of the strategy as a whole. The National Audit Office guidance 'Choosing the right FABRIC – a framework for performance information' provides useful advice for this purpose;
 - a clear allocation of responsibility for achievement of the aims of the strategy, for example, by the designation of a senior responsible owner for the strategy, and the establishment of a board of senior officials from departments to coordinate its delivery; and
 - an assessment of how support will be provided beyond March 2011, the end of the current funding period. This will need to include an assessment of consumer needs and demand, the scale and effectiveness of the different types of debt advice provider across the landscape, and the contribution that each can make to meeting the aims of the strategy. In view of the growing role of the private sector as a provider of advice, the assessment should involve increased engagement with the private sector, and cover the actions needed to ensure a consistent level of service for the consumer, for example, through regulation or codes of practice. The need for such engagement will be particularly urgent if funding decisions beyond 2011 require increased reliance on the private sector.

Part One

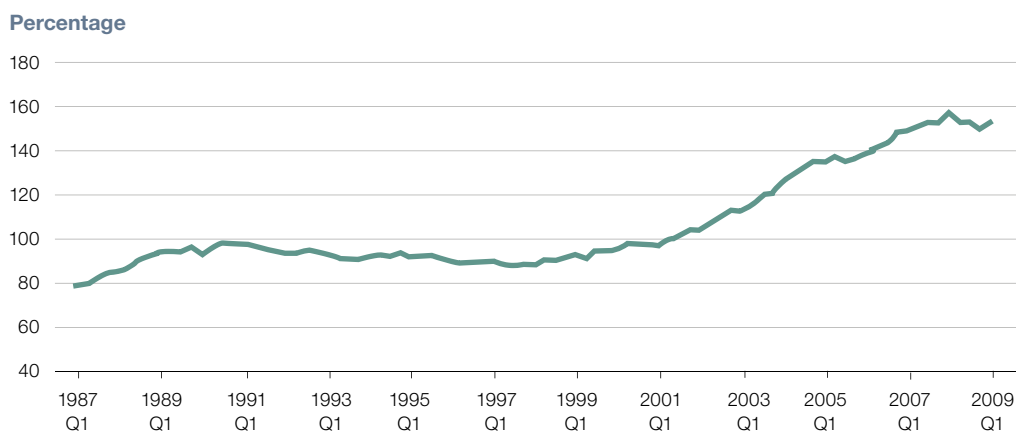
Tackling Over-indebtedness

1.1 This part describes the background to over-indebtedness, BIS's debt advice work to help over-indebted consumers, and the cross-departmental over-indebtedness strategy.

Over-indebtedness

1.2 Personal borrowing in the UK stands at just under 160 per cent of pre-tax income (**Figure 1**). Lenders and borrowers have a mutual interest in ensuring that borrowers can service outstanding borrowing and most borrowers succeed in doing so. However, for a variety of reasons, some do not and become over-indebted. There is no standard definition of over-indebtedness, but BIS recently commissioned research from Nottingham University which describes it as when consumers are unable to meet credit commitments from available income, taking account of minimal necessary expenditure.

Figure 1
Household borrowing as a percentage of income



Source: BIS, 2009, *A Better Deal for Consumers: An Economic Narrative*

1.3 Apart from the personal cost, over-indebtedness leads to costs to the public purse such as increasing social housing costs where eviction has occurred, legal aid and other court costs, and loss of productivity and increased healthcare costs where the stress of over-indebtedness prevents an individual from working. BIS estimated in its 2003 consumer credit White Paper that the cost of over-indebtedness to the economy through loss of productivity might total one per cent of gross domestic product, although this was based on an extrapolation from research into the costs of stress in the police force, so direct comparisons are limited.

1.4 The Bank of England collects data on the number of households who self report as over-indebted. This found that in 2008 some 11 per cent of households in the UK reported themselves as struggling to keep up with their bills and credit commitments.

1.5 We analysed third party research and found that over-indebtedness is usually caused by an unexpected loss of income (primarily from redundancy) or ongoing low income, when combined with one of five risk factors (**Figure 2**).

Debt advice

1.6 In 2006, following its 2003 consumer credit White Paper on improving the credit markets, BIS launched its face-to-face debt advice project to provide support to those who become over-indebted. The majority of the funding (£123.5 million out of £130.3 million) for the face-to-face debt advice project is provided through HM Treasury's Financial Inclusion Fund and is ring-fenced for face-to-face advice only (**Figure 3** overleaf). BIS is also providing £12.85 million (between 2004 and 2011) towards National Debtline, a telephone debt advice service (£5.85 million of which is from HM Treasury, specifically for this purpose).

Figure 2

Risk categories for over-indebtedness identified by our review

- **Age:** Younger people (16-29 year olds) tend to be in arrears more than older people
- **Family:** Having children is associated with having more arrears
- **Income:** Low household income (<£15,000 per annum) is associated with a higher number of arrears
- **Number of credit commitments:** A high number of credit commitments is associated with a greater level of arrears
- **Home tenure:** Social and private tenants tend to have a higher risk of over-indebtedness

Source: National Audit Office/Accenture review paper

Figure 3

Sources of funding for BIS supported debt advice

Advice service	Source of government funding 2004–2011 (£m)			Total
	HM Treasury	BIS	Other	
Face-to-Face (including funds for training advisors)	123.5	6.8	–	130.3
National Debtline	5.85	7.0	3.8 (Ministry of Justice)	16.65
Total	129.35	13.8	3.8	146.95

Source: National Audit Office

1.7 BIS's debt advice is one of many different formal and informal sources of advice that consumers have on the options available when they can no longer meet their repayment obligations (**Figure 4**). These range from basic advice on general management of debts, good budgeting, and which debts to pay off first; to the legal routes of writing off debts, such as bankruptcy.

The over-indebtedness strategy

1.8 BIS's face-to-face debt advice project is part of the government's strategy for Tackling Over-indebtedness, which was published in 2004 jointly by BIS and the Department for Work and Pensions, in association with HM Treasury, Communities and Local Government, the Ministry of Justice and Department for Children Schools and Families. This aimed to:

- minimise the number of consumers who become over-indebted; and
- improve the support and processes for those who have fallen into debt.

1.9 The Strategy includes 51 different initiatives delivered by central and local government in England, Wales, Scotland and Northern Ireland, and the third and private sectors. These interventions range from actions to improve financial capability, to providing debt advice. A full list of the initiatives from the 2004 strategy is at Appendix 2. No department or group has an overview of the total government funding available or spend under the Strategy. We analysed spending on the strategy's various different projects, sponsoring bodies and main funding streams, including those introduced more recently, and found they total some £600 million for the period 2004 to 2011.

Figure 4
Sources of debt advice

Type of Advice provider	Examples	Funding structure	Free or fee for the consumer	Advice given
Not for profit				
Government funded third sector debt advice	Citizens Advice Bureaux and other 3rd sector face-to-face providers	From central or local government	Free	Specialist advice on statutory solutions Support for contact with creditors
Third sector debt advice	National Debtline (telephone)			
	Consumer Credit Counselling Service (telephone and internet)	From charitable grants, contracts, or the private sector	Free	
Free debt advice	Payplan (telephone)	Lenders pay a voluntary contribution	Free	Specialist advice on statutory solutions Support for contact with creditors Debt Management Plans
For profit				
Lenders/banks	High street banks	Customers	Free or fee charging	Advice on personal situation Extra lending
Debt management companies	An arranger of Individual Voluntary Arrangements	Interest from consolidated loans Fee from debt management plans	Majority are fee charging ¹	Consolidated loans Debt management plans Individual Voluntary Arrangements

NOTE

¹ Some consumer facing organisations are charitable organisations which then refer the consumer on to a profit-making debt management company from whom they may receive commission.

Source: National Audit Office analysis

Our report

1.10 This report examines the cost effectiveness of BIS's face-to-face advice project, the coordination of BIS's debt advice with other sources of advice in supporting the Tackling Over-indebtedness Strategy, and the oversight and governance arrangements for the strategy as a whole. We used the Consumer Credit Counselling Service, which provides advice over the telephone and internet and is funded by lenders, for comparative information. We did not examine the regulation of those who provide credit, which is shared between the Office of Fair Trading and the Financial Services Authority. More details of our methodology are at Appendix 1.

Part Two

Delivery of the face-to-face debt advice project

2.1 BIS delivers face-to-face debt advice through a project working with the third sector, with the majority of funding provided from HM Treasury's Financial Inclusion Fund. This part of our report explains the debt advice project, and examines whether the project is delivering advice cost effectively. It also gives information on the services delivered by National Debtline and the Consumer Credit Counselling Service for comparative purposes where appropriate. Delivering cost effectively means:

- BIS should get the services it is paying for;
- the quality of the services provided should meet the needs of consumers;
- advice provided should take account of demand; and
- costs of delivery should be kept as low as possible.

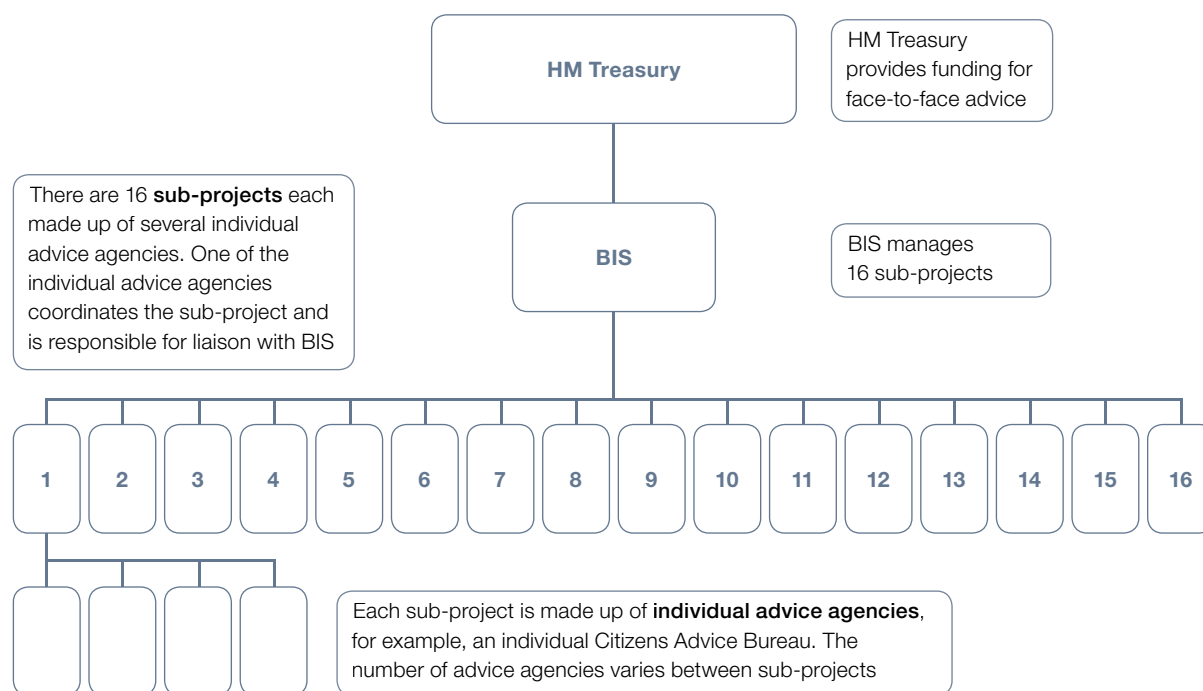
Delivery of the services paid for

2.2 At the time the strategy was launched in 2004, Citizens Advice notified BIS that it had capacity for providing face-to-face debt advice for 250,000 – 300,000 households annually, against an estimated demand of 515,500 – 957,000 households. BIS subsequently decided to procure face-to-face advice to help meet the identified shortfall in provision, as outlined in the 2004 pre-budget report, and launched its face-to-face debt advice project in April 2006. It chose to procure advice exclusively through the third sector, because there was an existing infrastructure in this sector to deliver advice.

2.3 BIS required advice services to bid in partnerships or regional bids for the funding. **Figure 5** outlines the structure of the project.

Figure 5

Structure of BIS's face-to-face advice project



Source: National Audit Office

2.4 The sub-projects vary in size. **Figure 6** overleaf lists the sub-projects with the target number of clients for each from inception of the sub-project to September 2009.

2.5 In total, the face-to-face debt advice project is intended to provide advice to some 400,000 people between April 2006 and March 2011 at a cost of £130 million – some £325 per person. At September 2009 it had seen 270,000 people, slightly more than planned at this stage, at a cost to BIS of £84 million – some £311 per person, below that expected.

2.6 Funding from the Financial Inclusion Fund covers two periods. The first covered April 2006 to March 2008 (Financial Inclusion Fund 1) and the second April 2008 to March 2011 (Financial Inclusion Fund 2). We have presented these funding periods separately as the first is complete, but we are mid-way through the second. Furthermore, the first Financial Inclusion Fund was over a benign economic climate, whereas the second covers a period of the economic downturn. **Figure 7** overleaf shows the target and actual number of clients seen and spend for the project to date. Financial Inclusion Fund 1 includes start up costs for the 16 sub-projects and this is reflected in the higher price per client. More analysis of cost variations is given in paragraphs 2.22 to 2.25.

Figure 6

The target number of clients for each sub-project to have seen by the end of September 2009

Sub-project	Target number of clients
Citizens Advice Yorkshire and Humberside	34,200
Citizens Advice North East	32,500
Citizens Advice West Midlands	31,500
Citizens Advice North West	27,000
Capitalise (London)	23,300
East Midlands Money Advice Trust	22,700
Citizens Advice Cymru (Wales)	19,100
Greater Merseyside Money Advice Partnership	16,100
Citizens Advice Rural	13,400
Citizens Advice Disability	6,700
Bristol Debt Advice Centre	6,700
Citizens Advice South East	6,200
Citizens Advice South West	6,200
Community Finance Solutions	6,200
Citizens Advice East	5,500
Advice for Life (East England prisons and probation)	3,500
Total	260,800

Source: National Audit Office

NOTES

- 1 Data in this table has been rounded. Columns therefore do not total exactly.
- 2 Data for Advice for Life runs to April 2009 as it ceased to trade in July 2009.

Figure 7

Spend and activity levels for the debt advice project

Funding period	Amount of grant (£m)		Number of clients		Price per client (£)	
	Available	Claimed	Target	Actual	Target	Actual
FIF 1	45	44	123,000	119,000	366	370
FIF 2 to date	41	40	138,000	151,000	297	265
Project total to September 2009	86	84	261,000	270,000	330	311
FIF 2 to March 2011	85	N/A	278,000	N/A	305	N/A
Project total to March 2011	130	N/A	400,000	N/A	325	N/A

Source: National Audit Office

NOTE

Data in this table has been rounded. Columns therefore do not total exactly.

2.7 If sub-projects continue to deliver at the same rate as they have been from the beginning of the project, they will have served 20,000 more clients than planned by March 2011.

Quality of debt advice

2.8 We have evaluated quality of service in terms of user views on whether advice given is likely to improve their situation and the process of receiving services.

Measuring improvements in the outcomes for consumers

2.9 Monitoring outcomes is important so that the effectiveness of the face-to-face project can be evaluated. BIS does not routinely monitor outcomes or measure the quality of service provided, but commissioned Opinion Leader to carry out an in depth assessment of the face-to-face advice project in 2008. The research was based on telephone interviews with 201 clients of advice services, and covered quality of service (paragraph 2.12) but did not cover outcomes. Instead it recommended that BIS improves its reporting mechanisms so that outcomes can be monitored.

2.10 It has not been possible within this report to carry out a long-term evaluation of the effectiveness of the advice because it can take years for the outcomes to become clear. Our evaluation has therefore focused on whether or not consumers acted on advice, as this is essential if it is to prove effective, and whether they feel it is likely to improve outcomes for them.

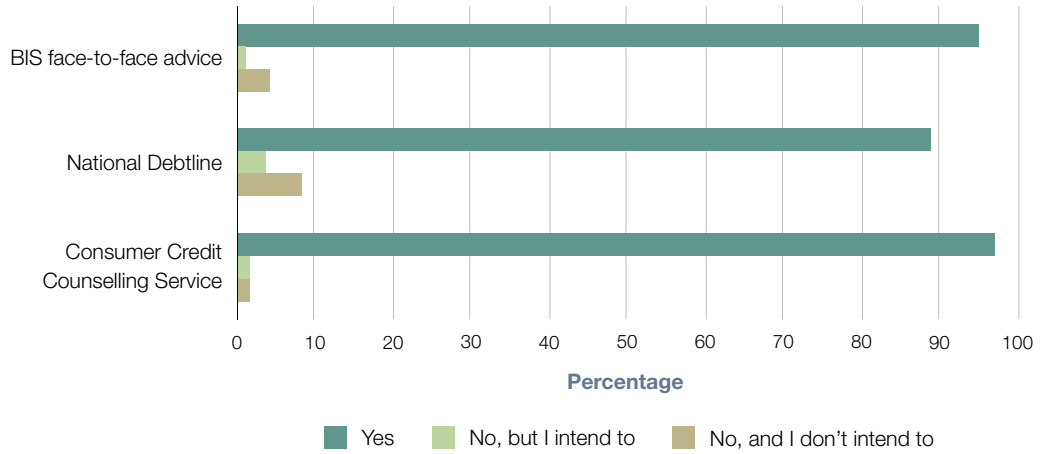
2.11 We found that almost everyone given advice by any of the three advice agencies whose clients we sampled had taken that advice (**Figure 8** overleaf). Furthermore, 81 per cent of recipients of BIS funded advice felt that it had improved their situation, compared to 82 per cent of recipients of advice from the Consumer Credit Counselling Service and 79 per cent of recipients of advice from National Debtline (**Figure 9** overleaf). This shows that the advice received by those accessing the service is valued and, in the opinion of the recipients, likely to have a beneficial outcome.

Views on the process of receiving advice services

2.12 Opinion Leader's research and our own found that the quality of face-to-face debt advice services was well regarded by recipients. Opinion Leader found that 50 per cent of users felt it had exceeded their expectations and 37 per cent felt it had met their expectations. 92 per cent reported that they would recommend the service to a friend and 97 per cent found it helpful. Our research found that around two-thirds of those who received BIS funded face-to-face advice or called National Debtline felt the adviser understood their situation, compared to 79 per cent of those receiving advice from the Consumer Credit Counselling Service. Few felt that getting advice had been more trouble than it was worth (**Figure 10** on page 19).

Figure 8

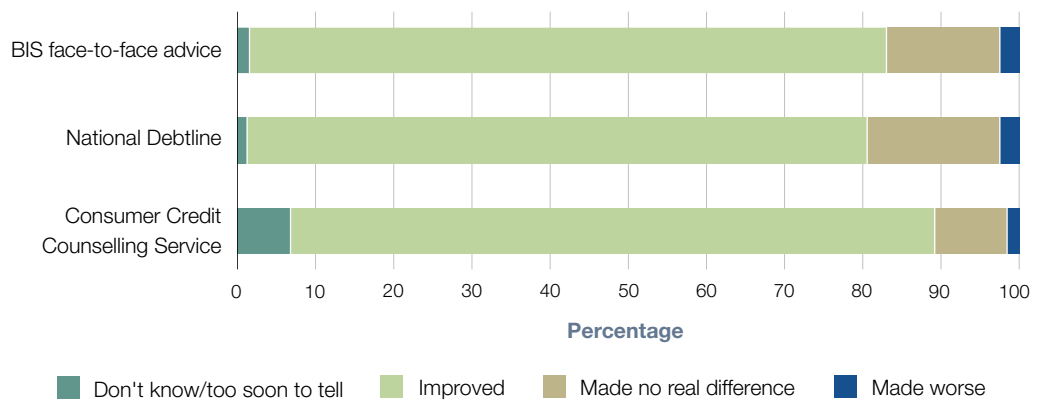
Percentage of respondents who followed advice given



Source: National Audit Office survey of users of BIS funded advice or the Consumer Credit Counselling Service

Figure 9

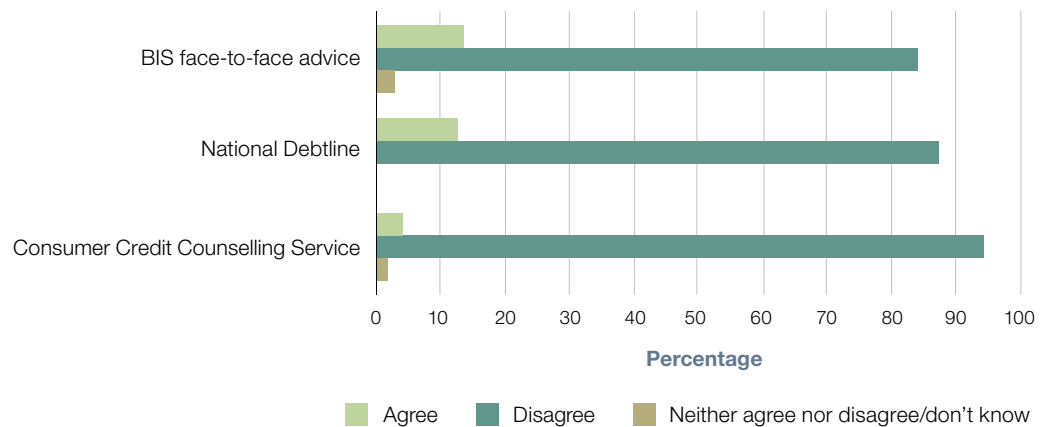
Individuals' assessments of the effect of advice on their situation



Source: National Audit Office survey of users of BIS funded advice or the Consumer Credit Counselling Service

Figure 10

Percentage of respondents who felt getting advice was more trouble than it was worth



Source: National Audit Office survey of over-indebted consumers

Meeting demand

2.13 The funding provided from the Financial Inclusion Fund towards BIS's debt advice project was for an ongoing steady level of demand. Since early 2008, there has been a significant increase in the level of demand for debt advice. Our survey of advice providers found that there was an average 28 per cent increase in the number of clients contacting them for advice in the year to July 2009, compared to the year to July 2008.

2.14 Capacity data from BIS funded face-to-face debt advice services shows that most frontline services are delivering beyond the agreed capacity, but on average by only ten per cent. In our survey of the providers across the third sector 90 per cent said that they needed additional staff to meet demand for advice.

2.15 Waiting times have increased at a number of the face-to-face individual advice agencies with four-week waiting periods at six of the providers, and a six-week waiting period at one. Two providers have also closed waiting lists to new clients until waiting times are reduced. To address capacity issues, BIS provided an extra £300,000 in July 2009 for face-to-face advice, and some of the BIS funded individual advice agencies are trialling a number of new ways of working. The impact of these initiatives is not yet known.

Ensuring economic delivery

2.16 To evaluate whether advice services are being delivered economically we evaluated the competitive pressures at the procurement stage and the extent of ongoing cost-efficiencies.

Procurement

2.17 BIS decided to rely on a competition to ensure that the costs of the services it was procuring were competitive. As it had already decided to procure services through the third sector BIS did not evaluate the relative costs of procuring debt advice services from the private sector. This decision placed an extra constraint on BIS, because alongside obtaining a good price and incentivising cost efficiencies BIS needed also to ensure that it paid a fair price, in compliance with the Government's aim of supporting a viable third sector in the longer term. This aim is set out by the Funding and Procurement Compact Code of Practice, an agreement between Government and the third and voluntary sectors in England and Wales, which Government has committed to following.

2.18 We found that BIS developed an understanding of a fair price through the development of a 'should cost' model, based on information provided by the three main not for profit providers, the Legal Services Commission and the Advice Services Alliance. It used this model in evaluating whether bids were consistent with both a competitive and viable price.

2.19 The procurement exercise was launched on 20 September 2005. A total of 101 expressions of interest were submitted in the first round of the bidding process, and 36 bids in the second round (**Figure 11**), all of which had to comply with the Legal Services Commission quality mark. The low number of bids for some regions in the second round partly reflects BIS's encouragement of a partnership approach, so in some cases the final bid was an amalgamation of several smaller bids. However, there was only one bidder for four of the regions and only two bidders for six, meaning that competitive pressure was limited for a number of the sub-projects.

The delivery phase

2.20 If competitive pressures are not fully effective at the procurement stage, a department needs a good understanding of costs and activity in the delivery phase to ensure it is paying a fair price. This is particularly important in this project where funding is through a grant. The grant mechanism allows providers to draw down funds up to the maximum level in return for seeing the number of clients agreed. While providers cannot claim for any overspends, they have to apply to BIS to carry forward any under-spends. In practice, therefore, BIS reimburses providers their actual costs, subject to the maximum of the agreed grant. This means that the grant mechanism provides only limited incentives for advice providers to identify cost efficiencies, although this risk may be somewhat mitigated by the alignment of the objectives of not-for-profit organisations with those of BIS. Furthermore, much of the risk of demand being higher than the projected levels is passed through to the third sector.

Figure 11

Number of bids by region for Financial Inclusion Fund (FIF) funding

Region	Number of bids
National	14
North West	3
West Yorkshire	3
East England	2
East Midlands	2
London	2
South West	2
Wales	2
West Midlands	2
East Yorks	1
North East	1
South East	1
Yorkshire	1

Source: National Audit Office

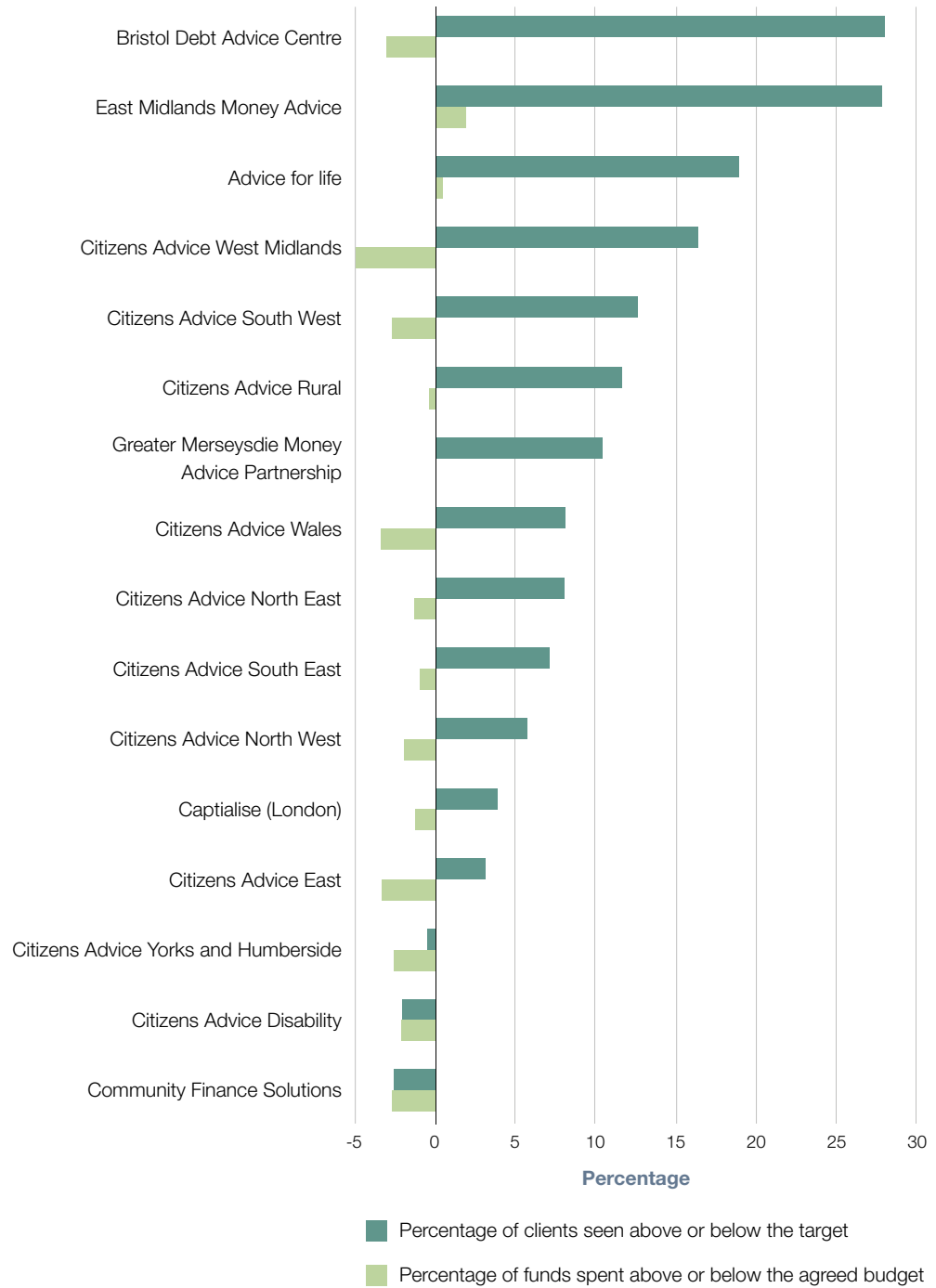
2.21 To monitor costs and delivery BIS obtains information from the delivery bodies on the costs reimbursed by BIS and activity levels, and analyses changes in activity. BIS does not currently examine in detail whether and why cost variances have occurred. We therefore analysed the variances between budgeted and actual costs reimbursed by BIS per client, focusing on performance to date in the second Financial Inclusion Fund period, covering April 2008 onwards.

Cost variances at sub-project level

2.22 In terms of total spend to date divided by number of clients seen, the costs of projects ranged from £201 to £377 per person, with the exception of the disability project which covers a particular demographic rather than a region and costs £584 per client.

Figure 12 overleaf shows the variance between sub-projects in the percentage of clients seen above or below the target, compared to the amount of grant spent. All but three of the providers had seen more clients than budgeted, and 13 had used less grant than expected. Three providers, Bristol Debt Advice Centre, East Midlands Money Advice, and Citizens Advice West Midlands, were costing over £40 less per client than the agreed budget and had all seen at least 15 per cent more clients than budgeted.

Figure 12
Spend compared to clients seen against target



Source: National Audit Office analysis of BIS financial data

NOTE

This table includes only BIS funded advice providers.

2.23 Variations between budget and actual cost may occur because either the initial projections were incorrect, or there are efficiencies or inefficiencies which are having an impact on the costs of delivery. Our survey of providers found that many have introduced new ways of working which allow them to increase their activity levels without increasing their overall cost base, although it is not possible from our survey to determine the exact level of cost efficiencies gained by each provider from these initiatives (**Figure 13**).

Figure 13

Approaches adopted by BIS funded advice providers to cope with increased demand

Approach	Advice providers adopting approach (%)	Potential impact on cost per client
Triage	74	Cost per client may be reduced as the advisors' time is used more efficiently, although the mix of cases might tend towards the more complex, counteracting this effect somewhat.
Extended opening hours	72	Fixed costs such as building costs are spread over more clients, reducing cost per client.
Using more volunteers	62	Overall staffing costs per client are reduced if client throughput is increased.
Taking on more paid staff	54	Cost of extra staff is unlikely to have a large impact on cost per client.
Encouraging self help	51	Clients are encouraged to use cheaper forms of help.
Diverting enquiries elsewhere	31	Cost per client may increase since resources are used responding to enquiries that are then diverted.
Introducing more service channels (eg. telephone)	18	Clients are directed to cheaper channels of delivery.
Stop adding to waiting lists	18	Unlikely to have an impact.
Reducing advertising	5	Unlikely to have an impact.

Source: National Audit Office survey of advice providers

2.24 While some of the actions in Figure 13 are genuine cost efficiencies, others, such as taking on unpaid staff or volunteers are more down to the goodwill of the third sector providers than genuine cost efficiencies, and may not be sustainable, or may indicate that providers are under financial pressure. In our survey of providers, 26 per cent said they were not satisfied that the funding met the costs of their service. One of the providers, Advice for Life, ceased to trade in July 2009 and the Official Receiver was appointed Liquidator of the company on the 28 October. The reasons for it ceasing to trade have not yet been established.

2.25 As BIS does not currently examine cost variations in detail, it is not possible to know exactly how much of the observed variances in Figure 12 are due to incorrect budgeting, genuine cost efficiencies, or increasing financial burdens on providers. However, it is notable that some providers (for example, both Bristol Debt Advice Centre and Citizens Advice West Midlands) both saw more clients than planned, and spent less than budgeted. A better understanding of the variances will allow genuine cost-efficiencies to be applied more widely and consistently, allowing either a reduction in the overall grant paid by BIS, or an increase in the number of clients seen.

Part Three

Provision of debt advice and the over-indebtedness strategy

3.1 It is now five years since the over-indebtedness strategy was written. In the meantime, the economic situation has changed considerably. This part examines:

- whether the face-to-face debt advice provided by BIS is effectively coordinated with other forms and sources of advice to provide the right mix of advice in supporting the aims of the over-indebtedness strategy and adapting to changing circumstances; and
- whether the oversight arrangements for coordinating and measuring the success of the over-indebtedness strategy are sufficient to ensure its aims are being met.

Provision of debt advice

3.2 BIS's face-to-face debt advice project was set up to support the strategy's aims for the provision of free debt advice, in response to an identified shortfall in this service. The majority of funding for the debt advice project is being provided from HM Treasury's Financial Inclusion Fund, and is ring-fenced for face-to-face advice.

3.3 Since the project's inception it has faced increasing demand, and funding is currently only guaranteed until March 2011. To provide an effective service that can respond to these challenges, maximise value for money, and enable longer term planning, it is important to have:

- an understanding of the delivery landscape to identify if other organisations are delivering services that could contribute to meeting the aims of the strategy and the longer term viability of provision;
- information on the cost, appropriateness and effectiveness of different channels of debt advice, so that any identified shortfall in provision can be filled in the most cost effective way; and
- an understanding of consumer needs, so that services can be designed to maximise effectiveness in reaching and advising the over-indebted.

3.4 In addition to examining the costs and delivery of services against the above three criteria, we carried out a survey of the general population of the over-indebted to understand service delivery from the consumer perspective. Our survey covered 1,361 consumers who reported that they were falling behind with credit commitments or household bills, or found it a struggle to keep up with them. The sample was taken from the general population rather than just those that had received BIS funded advice, in order to understand the behaviour of the general population of the over-indebted and not just those that have chosen to seek advice.

Understanding the delivery landscape

Private sector advice providers

3.5 As well as free debt advice provided through government funding, debt advice is available to consumers from the private sector (Figure 4). Our research shows that there is a large private sector provision and that the majority of respondents in our survey of the over-indebted stated that it had helped them improve their financial situation (69 per cent for a fee charging company, and 59 per cent for a bank), although this was lower than for free debt advice services at 80 per cent.

3.6 Companies that offer debt advice either provide the service for free, charge consumers a fee, or receive commission by referring consumers to fee charging companies who provide services such as arranging new loans and administering debt management plans (DMPs) or individual voluntary arrangements (IVAs). Many lenders offer advice to their customers, while other private businesses specialise in debt advice.

3.7 The size of the private sector market is not known, although all advice providers have to be licensed by the Office of Fair Trading. The Office of Fair Trading's data shows that some 56,000 companies are permitted to provide debt advice. The Money Advice Trust estimates that two-thirds of debt management plans are organised through the private sector. Our survey of the general population of the over-indebted found that, of those people who had received advice 28 per cent had received it from a bank, 25 per cent from a fee-charging professional adviser, and 21 per cent from a free debt advice service.

3.8 The risks to the consumer of engaging with the private sector are different to seeking advice from the third sector, and private sector advisers' incentives are not necessarily aligned with the best interests of the consumer. For example, a debt advice company that is funded by commission on debt management plans may be incentivised to recommend these when informal negotiations with creditors may be more appropriate. Debt advisers are licensed by the Office of Fair Trading, and lenders are obliged to comply with the Financial Service Authority's guidance *Treating Customers Fairly*, which states that advice to consumers is suitable and takes account of their circumstances.

3.9 One of the aims of the over-indebtedness strategy has been to support responsible lending and it included several actions with this purpose. However, BIS has not assessed the ability of private sector advice provision to affect the achievement of the strategy's aims. BIS has not yet developed plans for advice provision beyond the current funding period which ends in March 2011, but our analysis shows that the private sector is an important component of the debt advice landscape, and could play a valuable role in the ongoing ability to meet the Government's strategic aim of providing sufficient high quality debt advice, particularly in the context of unmet demand and uncertain funding levels.

Loan sharks

3.10 Some consumers do not follow good debt advice and attempt to tackle their over-indebtedness by borrowing money from illegal lenders or 'loan sharks'. Our consumer research indicated that it may not always be obvious to consumers whether they are dealing with a third sector, private sector, or unlicensed advisor (**Figure 14**). BIS identified the use of loan sharks as a risk to meeting the aims of the strategy, and carried out research in 2006 into the problem. This found that 165,000 households used illegal money lenders, including six per cent of households in the most deprived areas of the country.

3.11 BIS has responded to its research by coordinating a £16.5 million programme to identify and prosecute loan sharks. The approach was piloted in Birmingham and Glasgow and has since been expanded to every region in England, Wales and Scotland. The project to date has identified 600 illegal lenders, of which 100 have been prosecuted, and closed down lending books worth approximately £30 million.

Selecting channels for delivering advice

3.12 Where advice is provided through public funding, there are several different ways to deliver the service: face-to-face, by telephone, or over the internet. Understanding the cost, appropriateness, and effectiveness of each channel is important so that consumers can be directed to the most cost effective channel for their needs and resources directed accordingly. The majority of funding for BIS's debt advice comes from the Financial Inclusion Fund, and is ring-fenced for face-to-face advice, although BIS also contributes to National Debtline, a free telephone service.

Figure 14

Extract from interview with over-indebted consumer

"You're forever getting e-mails and circulars...the difficulty is knowing what is the right place to go to for information and what is the right information...because a lot of agencies or organisations dress themselves up as being like a government department that can help you."

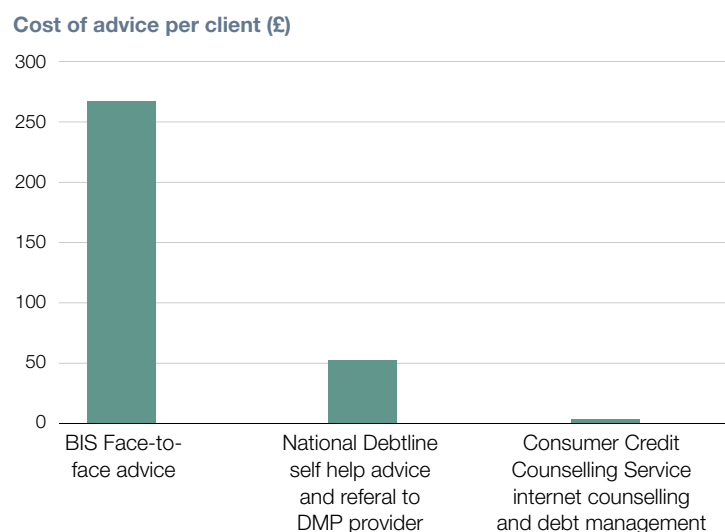
Source: National Audit Office qualitative research

3.13 We analysed the difference in cost of these different delivery channels and found large variations. While BIS's face-to-face advice costs around £265 to take an individual through the debt counselling process, telephone advice from National Debtline costs £51 and internet counselling and management averages £16 per client. The Consumer Credit Counselling Service estimate the marginal cost for additional clients on the internet at £3 (**Figure 15**).

3.14 Each of these channels provides a different service and so will be appropriate for different consumers. Face-to-face advice may be preferable for consumers who need support in dealing with creditors, or accompanying to court. Telephone advice may be more convenient for people who are not able to attend a specific location for advice or would prefer not to wait for an appointment. Internet-based advice may be preferable for consumers who feel self-conscious about discussing their financial situation. BIS face-to-face advisors and National Debtline will not normally administer Debt Management Plans for consumers, whereas the Consumer Credit Counselling Service online services will. As different consumers have different needs it would not be appropriate to provide exactly the same service on each channel.

3.15 We analysed the preferences of people who had received BIS funded face-to-face advice. Of those who expressed a preference, 25 per cent who had received face-to-face advice stated that they would have preferred telephone or internet advice. Furthermore, 31 per cent of those who had gone through the face-to-face project had not heard of National Debtline. BIS has evaluated the quality of service of the support it provides, but does not evaluate the comparative effectiveness of different channels. Our findings suggest that directing consumers who would prefer telephone or internet advice to those cheaper channels, for example, by raising awareness of National Debtline, could allow BIS to give advice to more consumers overall.

Figure 15
Costs of different forms of debt advice



Source: National Audit Office analysis

Understanding consumer needs

3.16 Understanding consumer needs and behaviour is necessary to design effective interventions, and is important for the long-term planning for both the strategy and BIS's debt advice project. BIS collects data from the face-to-face advice projects that allows it to gain insights into financial exclusion, and has some socio-demographic information about debt advice service users and those identified as over-indebted from data it collects from a survey run by YouGov. However, BIS does not currently include profiling of their behaviours, attitudes and preferences, so it is of limited use in designing services that meet their needs.

3.17 We examined over-indebted consumers' views to understand:

- whether consumers who need advice know where to go to access services; and
- whether there are discrete groups within the population that might allow BIS to tailor its interventions once consumers have decided to access services.

Awareness of debt advice services

3.18 Our survey of over-indebted consumers found that 25 per cent did not know where to go to get help with their debt problems, including 33.5 per cent of the most heavily indebted. This is despite an almost universal awareness of Citizens Advice, and awareness levels of 59 per cent for National Debtline, and 43 per cent for Consumer Credit Counselling Service (**Figure 16**). This suggests that awareness needs to be raised of the nature of services available.

Figure 16
Awareness of provider organisations

Source of Advice	Percentage of consumers aware of advice
Citizens Advice	97
National Debtline	59
Consumer Credit Counselling Service	43
The Insolvency Service	32
Community Legal Advice	16
Payplan	16
Money Advice Trust	10
Advice UK	10
All others	Below 1

Source: National Audit Office survey of over-indebted consumers

3.19 We found that consumers would like to be made aware of services, principally through television or newspapers (21 per cent), information on bills and statements (16 per cent), or through a government website (14 per cent). While there is likely to be a cost attached to advertising on television or in newspapers, many of the other options are either free or would have a low cost attached. The Central Office of Information has research on government owned channels of communication, which could assist with raising awareness at a low cost. As the current services are capacity constrained, raising awareness would need to be coordinated with other measures to increase or use current capacity better, such as channel selection and consideration of the role of the private sector.

Clusters of behaviour

3.20 We identified four distinct clusters of over-indebted consumers from our survey (**Figure 17**), each demonstrating different behaviours. The cluster analysis was based on three characteristics: the extent to which consumers feel they are currently managing with their credit commitments and household bills, the number of bills or credit commitments that the individual has fallen behind on, and the total number of credit commitments the individual has. More information on the characteristics of the clusters can be found at www.nao.org.uk.

3.21 The clusters are useful because they display different characteristics and give information on the particular problems that each group of the over-indebted has. For example, the “worried well” have the highest level of educational attainment, suggesting the greatest ability to self help, but have a preference for face-to-face advice, the most expensive form of provision. BIS used information on financial exclusion when designing its face-to-face advice project. A greater understanding of the population could allow an improved ability for the various interventions in the strategy to target resources on those areas which will have the greatest impact on the over-indebted.

Figure 17

The four clusters of behaviour of those who feel they are struggling with debt

Worried well: this group are not falling behind and do not have a high number of commitments, but sometimes struggle to keep up with repayments (49%).

Over-indebted: this group are not badly indebted, but are falling behind on a small number of bills (22%).

Worried and at risk: this group are currently keeping up, but they are always struggling to meet their repayments (14%).

High over-indebted: this group of consumers are the worst hit. They have the largest number of commitments, and are falling behind the most (15%).

Source: National Audit Office survey of over-indebted consumers

Oversight of the over-indebtedness strategy

3.22 As well as covering the provision of debt advice, the over-indebtedness strategy also includes activities such as improving financial capability and access to affordable credit. In total the 2004 strategy includes 51 different projects with various different funding regimes. **Figure 18** overleaf illustrates the main bodies and funding streams that support the strategy including projects introduced more recently.

3.23 Complex delivery structures create risks to achieving value for money, for example, because they can make it more difficult to coordinate activities or respond quickly to change. To control such risks and ensure that the strategy remains relevant during changing economic circumstances, it is therefore essential that there are effective systems for:

- governance arrangements to manage the strategic direction of the programme and provide oversight of funding;
- monitoring of over-indebtedness, so that ongoing progress can be measured; and
- evaluating success, so that the effectiveness of the strategy as a whole in meeting its aims can be evaluated.

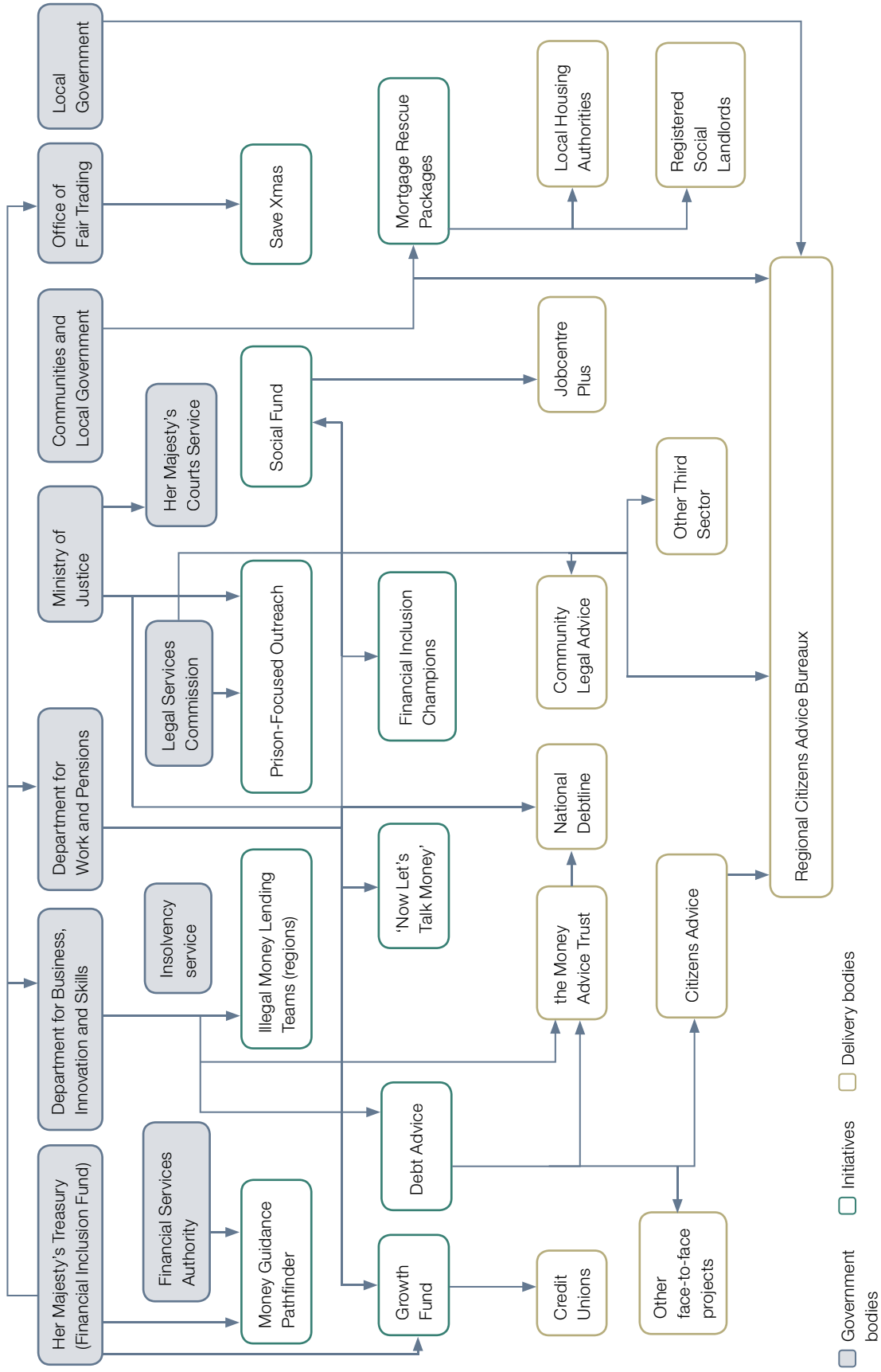
BIS is responsible for monitoring over-indebtedness and developing the approach to evaluation, and shares responsibility with DWP and MoJ for the secretariat function which provides oversight and governance.

Governance arrangements

3.24 The 2004 strategy identified lead organisations for each of the 51 interventions, but there was no allocation of responsibility for achieving the aims of the strategy. Programme management across the strategy was to be provided by three Working Groups to 'ensure cross government working and implementation of work to tackle over-indebtedness.' The Working Groups were made up of Ministers, officials and wider stakeholders. BIS was jointly responsible with DWP, and later MoJ, for providing the Secretariat Function and all Departments were jointly responsible for ensuring the Groups were convened.

3.25 The Ministers group did not meet, and the Officials group last met in March 2006, although officials from the relevant Departments did attend the Advisory group, which last met in April 2008. No single department took responsibility for programme management, and no shared programme management function was established to support or replace these groups. There is therefore an inadequate control environment to manage the risks of poor value for money, for example, ensuring that the programme responds to changing economic circumstances, or the growth in private sector provision.

Figure 18
The delivery landscape



Source: National Audit Office analysis of funding streams

NOTE

This figure includes the main bodies and funding streams of government's current support to the over-indebted. It is not intended to be an exhaustive list of all interventions.

3.26 In October 2008, BIS led efforts to reconvene a coordination function for interventions to reduce and ameliorate consumer over-indebtedness, through the Consumer Finance Forum. However, the Forum has tended to focus on one new initiative at a time, rather than reviewing and coordinating existing work. Many local authorities provide funding for advice services, and some of the costs of over-indebtedness, including, for example, housing benefit for people who lose their home, fall on local authorities, but there are no representatives for local government on the Forum.

3.27 The National Economic Council was launched in October 2008 to coordinate Government's response to the downturn, and BIS has submitted briefing papers on consumer debt to it. However, the Council has a very broad remit and is neither intended nor able to provide a project management function to the Tackling Over-Indebtedness Strategy.

3.28 Despite the lack of governance arrangements for the over-indebtedness strategy as a whole, there is oversight of much of the funding it receives through the Financial Inclusion Task Force, which meets quarterly. This monitors spending against the aims of the Financial Inclusion Fund although not the aims of the over-indebtedness strategy. It is therefore not possible to know how many of the people who have received help are over-indebted.

Monitoring over-indebtedness

3.29 BIS has the lead responsibility for developing a basket of indicators to monitor the level of over-indebtedness. There are two key issues in such monitoring:

- Agreeing a definition of over-indebtedness, as the basis for measurement and to allow consistent monitoring of trends and variations.
- Obtaining good data to measure over-indebtedness.

Developing a basket of indicators

3.30 We found that BIS already had a basket of indicators for monitoring over-indebtedness at the time the strategy was launched, and refined its approach through further research in 2004.

3.31 Nottingham University carried out further research for BIS in 2008. This found that the five indicators in **Figure 19** overleaf overestimate levels of over-indebtedness. The research advised assessing over-indebtedness on the basis of ability to meet credit commitments from available income taking account of minimal necessary expenditure. BIS has not yet updated its indicators in the light of this research.

Figure 19

BIS's indicators of over-indebtedness

2002: Personal Finance Research Centre identified three indicators of over-indebtedness

- 1 Having four or more credit commitments
- 2 Using 25 per cent of income to service unsecured credit
- 3 Using 50 per cent of income to service both secured and unsecured credit

2004: MORI research recommended an additional two measures

- 4 Being three months in arrears
- 5 Finding meeting payments on credit commitments and household bills 'a heavy burden'.

Source: BIS commissioned research

Data sources for monitoring

3.32 BIS currently uses two forms of monitoring but both have limitations:

- BIS uses a YouGov debt tracker survey to monitor levels of over-indebtedness. This is carried out quarterly on a sample of around 3,000 people, and a longitudinal sub-sample of around 2,000 people in financial difficulties, who are followed for eight months. However, the survey is carried out over the internet and is therefore likely to under-represent some groups who are at high risk of being over-indebted.
- BIS monitors the number of clients seen at each of its debt advice sub-projects. This is a useful indicator for measuring current activity but only includes the number of people who have accessed advice, not the number who are over-indebted.

3.33 To improve its data systems and gain better quality monitoring information, BIS has been one of the sponsoring departments of a Wealth and Assets Survey which is due to become part of the official national statistics in 2010. This will be a longitudinal study which aims for an achieved sample of 32,000 households interviewed in person every two years. This should give BIS a much clearer indication of the level of over-indebtedness.

Evaluating success

3.34 The 2004 strategy document listed BIS as responsible for development of the approach to strategy evaluation. Evaluation is important to know whether or not the strategy is meeting its aims, whether it is still appropriate to the changing landscape, and whether resources are efficiently allocated. BIS reported back in 2005 stating that it would not be possible to evaluate the strategy as a whole because of the number of policy interventions, the influence of external variables and the complexity of the drivers of over-indebtedness, but that where evaluation was possible this would take place by 2007. The 2007 Progress Report reiterated that measuring the success of the strategy as a whole was difficult, therefore success would be measured for individual programmes and workstreams against specific factors identified for them that contribute directly to over-indebtedness. It did not state what these specific factors were for each of the departments' programmes. Evaluation of the individual policy areas has therefore remained the responsibility of the individual departments.

3.35 The Secretariat did produce annual reports for the Strategy between 2005 and 2007. The annual reports reported against each of nine strategic areas, in each case detailing work done over the past year. The annual reports provided an operational plan for the following year but did not report against the original Action Plan contained in the strategy, or report on the strategic priorities against their criteria for success. No annual report has been produced by the Secretariat since 2007. Whilst individual interventions have reported through their departments, there has been no attempt to evaluate the strategy as a whole.

Appendix One

Methodology

The following table shows each of the main elements of our fieldwork and its purpose. Fieldwork took place between May and September 2009.

Selected method	Purpose
<p>1 Review of key documents</p> <p>Our review included BIS files from the face-to-face advice project, including procurement documents, information returns from the sub-projects, and monitoring information and systems.</p>	<p>To inform our understanding of the BIS face-to-face advice project, and BIS's monitoring arrangements for over-indebtedness.</p>
<p>2 Literature review</p> <p>We examined current research on consumer over-indebtedness and debt advice.</p>	<p>To understand how well debt advice works for consumers and to develop questions for our surveys.</p>
<p>3 Semi-structured interviews</p> <p>We interviewed key stakeholders, including:</p> <ul style="list-style-type: none"> ● Staff from BIS ● Staff from other government departments ● Debt advice agencies ● Industry groups 	<p>To identify:</p> <ul style="list-style-type: none"> ● How the tackling over-indebtedness strategy has been implemented ● How the programme was managed
<p>4 Survey of over-indebted consumers</p> <p>We engaged GfK to manage a telephone survey of over-indebted consumers. There were three groups:</p> <ul style="list-style-type: none"> ● 1,361 consumers who identified themselves as over-indebted ● 445 users of three debt advice services (BIS funded face-to-face debt advice, National Debtline, and the Consumer Credit Counselling Service) ● 150 consumers with IVAs and 121 bankrupts. <p>We followed up in greater depth through in-depth face-to-face interviews with 20 consumers.</p>	<p>To explore consumer preferences, and evaluate how well the tackling over-indebtedness strategy is meeting the needs of over-indebted consumers.</p> <p>A more detailed description of our methodology for the survey of over-indebted consumers can be found at www.nao.org.uk.</p>

Selected method	Purpose
<p data-bbox="453 445 799 470">5 Survey of debt advice providers</p> <p data-bbox="453 501 932 555">We carried out a web-based survey of debt advice providers. We received responses from:</p> <ul data-bbox="453 573 868 761" style="list-style-type: none"><li data-bbox="453 573 868 627">● Government funded third sector debt advice providers<li data-bbox="453 647 868 672">● Other third sector debt advice providers<li data-bbox="453 692 868 716">● Providers of civil legal aid debt advice<li data-bbox="453 736 868 761">● Fee-charging debt advice companies	<p data-bbox="1003 501 1107 526">To identify:</p> <ul data-bbox="1003 544 1401 772" style="list-style-type: none"><li data-bbox="1003 544 1401 598">● BIS's compliance with the third sector compact in terms of:<ul data-bbox="1042 616 1318 730" style="list-style-type: none"><li data-bbox="1042 616 1318 640">● Procurement procedure<li data-bbox="1042 660 1318 685">● Monitoring arrangements<li data-bbox="1042 705 1318 730">● Full cost recovery<li data-bbox="1003 750 1401 772">● The nature of the debt advice sector.

Appendix Two

Tackling Over-indebtedness Strategy interventions from the 2004 Action Plan

Strategic priority	Key elements
Financial Capability and information	<ol style="list-style-type: none"> 1 National Strategy for Financial Capability 2 Skills for life – financial literacy project 3 New statutory instruments on consumer credit advertising, agreements and early settlement
Access to affordable credit	<ol style="list-style-type: none"> 4 Policy development on access to affordable credit 5 Development of credit union movement 6 Exploring other models of credit provision 7 Social Fund – role and administration 8 Northern Ireland – review of policy on credit unions and industrial and provident societies
Encouraging people to save	<ol style="list-style-type: none"> 9 Child Trust Fund 10 Savings Gateway 11 Stakeholder Suite
Household bills	<ol style="list-style-type: none"> 12 OFCOM – promoting best practice in the telecoms industry 13 OFGEM – promoting best practice in energy markets 14 OFWAT – promoting best practice in the water industry 15 Cross-departmental working group on possessions and evictions 16 Research into possession action and evictions carried out by local landlords 17 Best Value performance indicators on levels of rent collected
Responsible lending	<ol style="list-style-type: none"> 18 Data sharing and the identification of over-commitment 19 Expansion of the register of County Court Judgements 20 Review of the Banking Code 21 Development of industry consumer codes of practice 22 Consumer Credit (Amendment) Bill 23 Monitoring the effect of the changes to the consumer credit regulatory framework

Strategic priority	Key elements
	<p>24 Addressing the high cost of some credit</p> <p>25 Office of Fair Trading research on consumer's problems with credit</p> <p>26 National Consumer Council (NCC) super complaint on the home collect credit market</p> <p>27 EU Consumer Credit Directive</p> <p>28 Illegal money lending pilots</p> <p>29 Research on the extent of illegal money lending</p>
Providing advice	<p>30 Developing new debt advice gateway and formal referral agreements</p> <p>31 Community Legal Service Direct Advice Line</p> <p>32 Sign posting debt advice from government services</p> <p>33 Increasing debt advice access and service to vulnerable groups</p> <p>34 Increasing debt advice access and service to vulnerable groups in Scotland</p> <p>35 Widening and deepening the funding base for debt advice</p> <p>36 Addressing the shortfall in face-to-face advice, identifying and developing funding opportunities, and growing capacity</p> <p>37 Research into the impact of debt advice</p> <p>38 Northern Ireland – Advice and information strategy</p>
The justice system and debt	<p>39 Assisting debtors temporarily unable to meet their commitments</p> <p>40 Non court-based resolutions of debt problems</p> <p>41 Encourage better use of the time order provisions</p> <p>42 Streamlining court processes and incentivising appropriate use</p> <p>43 Approved codes of practice for debt collection</p> <p>44 Compliance review of Office of Fair Trading Guidance on Debt Collection</p> <p>45 Review of personal bankruptcy legislation in Scotland</p>
Government systems and support	<p>46 Improvements in Housing Benefit and Council Tax Benefit administration</p> <p>47 Improvements in Housing Benefit and Council Tax Benefit administration – Local Housing Allowance</p> <p>48 Tax credit overpayment recovery</p>
Implementation, monitoring and evaluation	<p>49 Formation of Ministerial Group, Officials Group and Advisory Group</p> <p>50 Monitoring indicators</p> <p>51 Strategy evaluation</p>

Source: *Tackling over-indebtedness 2004*



Design and Production by
NAO Marketing & Communications Team
DP Ref: 009229-001

This report has been printed on Consort 155 and contains material sourced from responsibly managed and sustainable forests certified in accordance with FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation this ensures that they have effective procedures in place to manage waste and practices that may affect the environment.

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline

Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

£14.35

