



House of Commons
Committee of Public Accounts

The Department for Business, Innovation and Skills: Helping over-indebted consumers

**Thirty-first Report of Session 2009–
10**

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Sian Woodward (Clerk), Lori Verwaerde (Senior Committee Assistant), Pam Morris and Jane Lauder (Committee Assistants) and Alex Paterson (Media Officer).

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Contents

| | |
|---|-------------|
| Report | <i>Page</i> |
| Summary | 3 |
| Conclusions and recommendations | 5 |
| 1 Providing support to the over-indebted | 7 |
| 2 Improving the overall approach to tackling over-indebtedness | 10 |
| | |
| Formal Minutes | 12 |
| Witnesses | 13 |
| List of written evidence | 13 |
| List of Reports from the Committee during the current Parliament | 14 |

Summary

Consumer debt stands at around £1500 billion, and some 11% of the UK population struggle to manage their debts. In 2004 the Government launched a strategy aimed at improving the support to, and reducing the number of people who struggle with unmanageable debt. The Department for Business, Innovation and Skills (the Department) shares responsibility for co-ordinating the strategy with the Department for Work and Pensions and the Ministry of Justice, and is responsible for the strategy's evaluation.

There has been a complete failure to manage delivery of the strategy. No one is in charge of the strategy, groups intended to oversee it have not met, and there has been no reporting on its progress since 2007. The strategy has not been evaluated to assess whether the policy goals have been achieved and the Department does not know how effective the interventions making it up have been.

Since 2006 the Department has also managed a project to provide face-to-face advice for those struggling with debt. The £130 million project is funded primarily from the Treasury's Financial Inclusion Fund, and delivered locally by Citizens Advice and other third sector organisations.

The Department has achieved greater success in managing this particular project, which is delivering more debt advice than planned at a lower cost per person than budgeted. Nonetheless, the project is currently unable to meet all the demand from those users it is intended to help. More people could be reached if the Department better understood consumer needs, the effectiveness of different methods of delivering debt advice, and the most efficient ways of providing advice. In addition, much debt advice is already provided by the private sector and the Department needs to consider both the quality of the advice provided and the contribution that private sector advice could make in the future.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Department for Business, Innovation and Skills and HM Treasury on the experience to date of delivering the debt advice project, and how the overall strategy for support to the over-indebted has been managed.

1 C&AG's Report, Session 2009–10, The Department for Business, Innovation and Skills: *Helping over-indebted consumers*, HC 292

Conclusions and recommendations

- 1. The face-to-face debt advice project has gone well but management of the over-indebtedness strategy that it supports has been seriously deficient.** Our recommendations are aimed at obtaining even greater value for money from the debt advice project and addressing the weaknesses in managing the strategy.
- 2. The arrangements established to co-ordinate the 51 different interventions making up the strategy have not worked, and it is unacceptable that no one is in charge.** The groups responsible for oversight and co-ordination met rarely, if at all, and no single person or department has taken overall responsibility. The Department should work with Treasury and the other key departments to establish proper oversight of the strategy, starting with allocation of responsibility for the strategy to a senior responsible owner.
- 3. The over-indebtedness strategy has been in place for six years but its success has never been evaluated, there has been no annual report since 2007, and the Department does not even know which are the most and least cost effective of its own interventions.** The Department should work with Treasury and the other key departments to assess the relative effectiveness of the interventions making up the strategy. It should then use this assessment to review whether the interventions currently making up the strategy still present a coherent programme of action and where best to devote resources in the future.
- 4. The Department does not know why the cost of providing face to face advice ranges between its providers from £201 to £377 per person.** More people could be reached if the Department better understood the cost base and efficiencies of the advice providers. However, the Department does not analyse cost variations in detail and does not know how much variation is due to efficiencies that could be applied more widely. The Department should examine why variation occurs, and promote shared learning between providers on efficient ways of working.
- 5. The Treasury does not permit the funds it provides for face-to-face advice to be used for other, cheaper, forms of advice, even though they are preferred by some users.** Face-to-face advice costs an average of £265 per consumer, once start up costs are stripped out, while telephone advice costs £51 and internet advice is cheaper still. Directing consumers who could be supported by telephone or internet to those forms of advice would therefore allow more users to be helped, and highlights the importance of assessing the relative effectiveness of the interventions making up the strategy. The Treasury should allow the Department greater flexibility in the use of funds, and evaluate urgently the potential for other forms of advice to deliver help to more consumers than it can currently reach.
- 6. The growing demand for debt advice is outstripping the Department's capacity to provide it.** As well as the Department's project, debt advice is available from a variety of bodies in the public, private, and third sectors, but the Department lacks a clear picture of the quality of this advice, or the potential for such bodies to help meet future demand. The Department should evaluate the likely level of future need for

advice, and the ability of all providers in the field to contribute to providing advice of the quality and quantity required.

7. **It is not clear that the Department's debt advice services are targeting those most in need.** For example, younger people are particularly at risk of becoming unable to manage their debts, but seem no more likely than other groups to receive advice. The Department should compare in more detail the profile of those accessing its debt advice services with that of the wider population of over-indebted people in order to target its services more effectively.
8. **The Department's programme to tackle illegal lending by loan sharks has resulted in 150 successful prosecutions, and is projected to cost £16.5 million.** The Department has yet to evaluate the value for money of this programme. It should do so urgently and report back to the Committee on the outcome.

1 Providing support to the over-indebted

1. The Department's face-to-face debt advice project is delivered exclusively through third sector advice providers such as Citizens Advice.² The project is providing a very valuable service to consumers who find that they can no longer manage their debts, and is likely to remain relevant given the importance of credit to the UK economy.³ The majority of consumers (81%) who had received advice reported that it had improved their financial situation.⁴

2. The Department's face-to-face debt advice project is projected to cost a total of £130 million for the period April 2006–March 2011. To the end of September 2009, the project had delivered help to some 270,000 people at an average cost of £311 per person. This is around 9,000 more people than planned, at a cost of £19 per person less than the budgeted cost. The overall average cost of providing advice since the project started has been falling as a result of higher costs initially to establish the project, and increased efficiencies as the project matures. The current ongoing cost of providing advice is £265 per user.⁵

3. The cost of advice varies across providers from £201 to £377 per person. Some of the variation is due to the different locations and parts of the community that advice providers are serving. However, some of the variation may also be due to efficiency measures that have been introduced by some providers. Many advice providers are assessing whether consumers need specialist debt advice or could be helped by a non-specialist advisor, or are diverting enquiries elsewhere. The Department does not examine cost variations in detail and so does not know what the impact of these measures is, nor how much of the variance between providers they account for. The Department agreed that it needs a better understanding of variations in the cost per user, and to share best practice between providers.⁶

4. There are different ways of providing advice, each with different average costs per consumer advised, and each appropriate to users with different needs. The Department's face-to-face advice costs £265 per additional consumer (after removing start-up costs), telephone advice £51 and internet advice is cheaper still.⁷ £123.5 million of the funding for the face-to-face project was ring fenced by Treasury for face-to-face advice only, which is the most expensive form of provision. This means that it cannot be used for any other method of delivering advice. At the time that Treasury agreed funding for the project it considered that face-to-face advice was the best form of advice for the most vulnerable groups.⁸

2 Q 15

3 Qq 27, 52 and 53

4 C&AG's Report, paragraph 2.11

5 C&AG's Report, Figure 7

6 Qq 14 and 43

7 C&AG's Report, para 3.13

8 Q 15; C&AG's Report, para 2.5

5. It is important to understand the cost, appropriateness, and effectiveness of each delivery channel in order to maximise cost-effectiveness, yet neither the Department nor Treasury had carried out any comparative evaluation.⁹ Of those surveyed by the National Audit Office, around a quarter of those who had received advice as part of the Department's face-to-face advice project stated that they would have preferred telephone or internet advice, both of which cost much less to provide. The Treasury considered that further research needed to be done to determine the most effective allocation of resources between the various different ways of providing advice.¹⁰

6. Funding for the face-to-face project was provided in response to an identified shortfall in free debt advice in 2004 and was for a stable level of demand.¹¹ Since early 2008 demand for debt advice has increased. For example, the period from July 2008 to July 2009 saw an increase in demand of 28%.¹²

7. In response to the increased demand, the Department has provided an extra £10 million of additional funding to Citizens Advice for general advice, increased its funding to National Debtline by 50%, and introduced a self-help kit for those less acute cases.¹³ However, while advice services managed by the Department have delivered beyond the agreed capacity, on average by 10%, some projects still have waiting times of five weeks, and many have waiting times of two to three weeks. Two providers had to close waiting lists to new consumers.¹⁴

8. Funding for the Department's debt advice project beyond March 2011, and hence its ability to meet increasing demand, will depend on the outcome of the next spending review.¹⁵ But the Department's project is only one of many different sources of debt advice for consumers worried about their debt levels. There are currently 56,000 licensed debt advice providers, and the Money Advice Trust estimated that two-thirds of Debt Management Plans are organised through the private sector.¹⁶ The Department had not assessed the capacity of the various different sources for providing advice, or the quality of advice provided, but acknowledged that it would need to do this in future.¹⁷

9. To provide an effective service it is essential that the Department understands user needs so that it can target services. The Department collects data on people who are getting debt advice through the services it funds, but its data on the profile of the general population of over-indebted is more limited.¹⁸ Those aged between 16 and 35 are three times more likely to become over-indebted than those aged 55 and above, but seem no more likely than other age groups to get advice as part of the Department's face-to-face project. 41% of

9 Qq 15 and 28; C&AG's Report, Recommendation b

10 Qq 28–30

11 Q 15; C&AG's Report, para 2.2

12 Q 43

13 Q 43

14 Q 44

15 Qq 16 and 31

16 Qq 16 and 17; C&AG's Report, para 3.7, Figure 4

17 Q 17

18 Q 15; C&AG's Report, para 3.16

those using the Department's face-to-face project are aged between 35 and 49, and only 22% are aged between 25 and 34.¹⁹

10. As well as delivering debt advice, the Department delivers a £16.5 million programme to tackle illegal lenders, or 'loan sharks'. So far, the Department has identified 900 loan sharks of which 150 have been successfully prosecuted. The Department is not able to say whether this represents good value for money because it has not yet evaluated the project, but it has plans to do so.²⁰

19 Qq 44 and 47; NAO Analytical Supplement, Figure 9, www.nao.org.uk/publications/0910/over-indebted_consumers.aspx

20 Qq 36, 38, 40 and 42

2 Improving the overall approach to tackling over-indebtedness

11. Current outstanding consumer debt is around £1,500 billion, and some 11% of the UK population struggle to manage their debts.²¹ The Government's strategy to tackle problems faced by those struggling with unmanageable debt was introduced in 2004. The strategy aims to reduce the number of people who become unable to manage their debts, and to improve support for those who do become over-indebted.²² The strategy contained 51 different interventions, including both the Department's debt advice project and its work to combat loan sharks. The interventions were to be delivered by different Government departments, local authorities and the devolved administrations.²³ Spending on the strategy's main interventions, including more recent projects totals some £600 million for the period 2004–2011.²⁴

12. The Department shares responsibility for co-ordinating the strategy with the Ministry of Justice, and the Department for Work and Pensions. As the 51 different interventions of the 2004 strategy are spread across various departments and cover a wide range of different activities, a co-ordinated approach is necessary to achieve coherence and control the risks to value for money, such as an inability to respond effectively to change.²⁵

13. There has been little co-ordination of the strategy, which has been implemented as a collection of separate projects rather than as a coherent whole, despite mechanisms being put in place at the start which were intended to ensure effective co-ordination.²⁶ Oversight of the strategy was intended to be provided by three working groups composed respectively of Ministers, officials, and wider stakeholders. Of these, the Ministers group did not meet, with the only contact being by correspondence, and the officials group last met in March 2006.²⁷ Furthermore, no single department took on the responsibility for managing the programme of activity as a whole, and no alternative arrangements were established. There is no one in charge of the strategy and the lack of co-ordination has resulted in confusion as to which activities of Government actually constitute the strategy.²⁸

14. Despite the lack of formal co-ordination on this strategy, there have been other attempts to co-ordinate an effective response to financial problems for consumers arising from the recession. The Consumer Finance Forum has been established, and the Department for Communities and Local Government has conducted a number of cross-

21 Q 53; C&AG's Report, para 1

22 C&AG's Report, para 3

23 Qq 3, 4 and 36

24 Q 32; C&AG's Report, para 3

25 Qq 4, 19 and 27; C&AG's Report, para 3

26 Qq 4 and 6; C&AG's Report, para 16

27 Qq 7 and 20–23

28 Qq 4, 53 and 59–60

departmental meetings on support for people struggling to pay mortgages. The officials have also met through the National Economic Council to address issues relating to debt.²⁹

15. The Department has specific responsibilities for evaluating the strategy. However, the strategy has never been evaluated as a whole, so it is not possible to know if it is meeting its objectives of minimising the number of people who become over-indebted, and improving support for those who do.³⁰ The Department has found it difficult to evaluate the strategy because of the number of policy interventions, the influence of external variables and the complexity of the drivers of over-indebtedness. Individual departments had therefore remained responsible for evaluating the success of their own interventions, and there was no information on the relative cost-effectiveness of different interventions. Furthermore, the Department itself did not know the relative cost-effectiveness of those interventions for which it is wholly responsible.³¹

16. Annual Reports were produced in 2005, 2006 and 2007. These provided operational plans for the following year, but did not assess progress against the original Action Plan in the strategy. No report has been produced since 2007 as the Department considered that events were moving so quickly that a Report would be out of date by the time the Department had published it.³²

17. The Treasury was uncertain as to whether the current interventions are indeed the most appropriate ones to achieve the strategy's aims. The Department had not yet considered the future of its interventions beyond the end of the current funding period to March 2011, but agreed that it needed to focus its interventions more effectively in order to achieve maximum value for money.³³

29 Q 7

30 Q 8; C&AG's Report, para 3

31 Qq 8, 45, 62 and 65; C&AG's Report, para 3.34–3.35

32 Q 9

33 Qq 8, 9, 53 and 59–60

Formal Minutes

Wednesday 24 March 2010

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Angela Browning
Mr Paul Burstow
Keith Hill

Mr Austin Mitchell
Dr John Pugh
Rt Hon Don Touhig

Draft Report (*The Department for Business, Innovation and Skills: Helping over-indebted consumers*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations 1 to 8 read and agreed to.

Resolved, That the Report be the Thirty-first Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[The Committee adjourned.]

Witnesses

Tuesday 20 November 2001

Page

Mr Simon Fraser, Permanent Secretary and **Mr Ben Coates**, Deputy Director, Consumer Credit and Product Safety, Department for Business, Innovation and Skills and **Ms Sue Lewis**, Director, Savings and Investments, HM Treasury

Ev 1

List of written evidence

| | | |
|---|--|-------|
| 1 | Citizens Advice | Ev 10 |
| 2 | Insolvency Practitioners Association (IPA) | Ev 13 |
| 3 | Department for Business, Innovation and Skills | Ev 14 |

List of Reports from the Committee during the current Parliament

| | | |
|-----------------------|--|--------|
| First Report | A second progress update on the administration of the Single Payments Scheme by the Rural Payments Agency | HC 98 |
| Second Report | HM Revenue and Customs: Improving the Processing and Collection of Tax: Income Tax, Corporation Tax, Stamp Duty Land Tax and Tax Credits | HC 97 |
| Third Report | Financial Management in the Foreign and Commonwealth Office | HC 164 |
| Fourth Report | Highways Agency: Contracting for Highways Maintenance | HC 188 |
| Fifth Report | Promoting Participation with the Historic Environment | HC 189 |
| Sixth Report | Train to Gain: Developing the skills of the workforce | HC 248 |
| Seventh Report | Young peoples sexual health: the National Chlamydia Screening Programme | HC 283 |
| Eighth Report | Department for International Development: Aid to Malawi | HC 282 |
| Ninth Report | The procurement of legal aid in England and Wales by the Legal Services Commission | HC 322 |
| Tenth Report | Services for people with rheumatoid arthritis | HC 46 |
| Eleventh Report | HM Revenue and Customs: Dealing with the tax obligations of older people | HC 141 |
| Twelfth Report | Maintaining financial stability across the United Kingdom's banking system | HC 190 |
| Thirteenth Report | Excess Votes 2008–09 | HC 360 |
| Fourteenth Report | Department for Transport: The failure of Metronet | HC 390 |
| Fifteenth Report | Equality and Human Rights Commission | HC 124 |
| Sixteenth Report | Regenerating the English Coalfields | HC 247 |
| Seventeenth Report | Department for Business, Innovation and Skills: Venture capital support to small businesses | HC 271 |
| Eighteenth Report | Vehicle and Operator Services Agency: Enforcement of regulations on commercial vehicles | HC 284 |
| Nineteenth Report | Improving Dementia Services in England—an Interim Report | HC 321 |
| Twentieth Report | Department for Work and Pensions: Management of Benefit Overpayment Debt | HC 444 |
| Twenty-first Report | The Decent Homes Programme | HC 350 |
| Twenty-second Report | The sale of the Government's interest in British Energy | HC 356 |
| Twenty-third Report | Ministry of Defence: Major Projects Report 2009 | HC 338 |
| Twenty-fourth Report | HM Revenue and Customs: Handling telephone enquiries | HC 389 |
| Twenty-fifth Report | Adapting the Foreign and Commonwealth Office's global estate to the modern world | HC 417 |
| Twenty-sixth Report | Progress in improving stroke care | HC 405 |
| Twenty-seventh Report | Ministry of Defence: Treating injury and illness arising on military operations | HC 427 |
| Twenty-eighth Report | Preparations for the London 2012 Olympic and Paralympic Games | HC 443 |
| Twenty-ninth Report | Scrutiny of value for money at the BBC | HC 519 |
| Thirtieth Report | Tackling problem drug use | HC 456 |
| Thirty-first Report | Department for Business, Innovation and Skills: Helping Over-indebted consumers | HC 475 |

Oral evidence

Taken before the Committee of Public Accounts on Monday 15 March 2010

Members present

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Douglas Carswell

Mr David Curry
Nigel Griffiths

Mr Amyas Morse, Comptroller and Auditor General, **Mr Rob Prideaux**, Director, Parliamentary Relations and **Mr Chris Shapcott**, Director, National Audit Office, gave evidence.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL HELPING OVER-INDEBTED CONSUMERS

Witnesses: **Mr Simon Fraser**, Permanent Secretary, **Mr Ben Coates**, Deputy Director, Consumer Credit and Product Safety, Department for Business, Innovation and Skills, and **Ms Sue Lewis**, Director, Savings and Investment, HM Treasury, gave evidence.

Q1 Chair: Good afternoon. Welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report *Helping over-indebted consumers*. We welcome back to our Committee Simon Fraser, Permanent Secretary of the Department for Business, Innovation and Skills, and we welcome also Sue Lewis, who is Director of Savings and Investments at the Treasury. Mr Fraser, you have another colleague?

Mr Fraser: Yes, Mr Ben Coates, who is the Deputy Director responsible for these issues in my Department.

Q2 Chair: Thank you. Obviously, Mr Fraser, this is a very important subject for many people, particularly in times of recession. Who is in charge?

Mr Fraser: In charge of the face-to-face—

Q3 Chair: The public strategy. In Whitehall, who is in charge of all this?

Mr Fraser: In charge of the strategy, a number of departments are involved in the strategy and have delivered programmes, I believe successfully in most cases. It is true that the Report identifies some shortcomings in co-ordination which I would accept and agree should be addressed.

Q4 Chair: If we look at the Report at the summary on page seven, paragraph 13: "There is no clear accountability for achieving the overall objectives of the strategy and no programme management function to co-ordinate its delivery. The strategy is made up of 51 different projects and a number of funding streams, so effective oversight and co-ordination is essential . . ." That rather begs the question, Mr Fraser, why is there not one person like you in charge? Why is there no single department, like your own, who we can hold to account?

Mr Fraser: Chair, the strategy which was put together in 2004 is not a single programme, it pulls together a number of programmes within different departments, also local authorities and devolved administrations, to give an overview of the policies that are in place to address the issues relating to over-indebtedness. Some of those are, indeed, policies involving advice to people who are over-indebted. Mechanisms were put in place at the start to ensure co-ordination between departments. On a strategy of this complexity and breadth, I do not think it is possible to have one person conducting it as a single programme management project. I fully accept that the mechanisms which were put in place, as I have said, have not been adequately pursued over time and I think the Report does make some recommendations which certainly we are ready to consider. Whether a single programme management approach is an effective and feasible approach is something which I think we need to consider.

Q5 Chair: Ms Lewis, I would have thought the first step if you are trying to co-ordinate things is to at least get together and meet, is it not? Would you like to look, please, at paragraph 3.25 on page 31 of the Report where we read: "The Ministers group did not meet . . .", presumably that means did not meet at all, ". . . and the Officials group last met in March 2006 . . .", and here we are in March 2010, ". . . although officials from the relevant Departments did attend the Advisory group, which last met in April 2008. No single department took responsibility for the programme . . ." What is going on here? Ministers are not meeting at all, officials last met in March 2006, is anybody trying to get a grip on this?

Ms Lewis: Chair, yes, the Treasury takes overall lead for the financial inclusion fund and for the financial inclusion programme which funds parts of the over-indebtedness strategy and in particular the face-to-face project which the NAO looked at. The Treasury

is accountable for that fund and for joining up policy on financial inclusion across Whitehall. We have a ministerial group chaired by the Exchequer Secretary to the Treasury containing other ministers from other departments with an interest, but that looks specifically at financial inclusion and not at over-indebtedness.

Q6 Chair: Is there anybody else who can help me? Mr Fraser, can you help me as to why paragraph 3.24 says: "... there was no allocation of responsibility for achieving the aims of the strategy ... The Ministers group did not meet, and the Officials group last met in March 2006". Apparently the Treasury appears to be washing their hands of this, but what about you?

Mr Fraser: Chair, I have already acknowledged that the co-ordination left something to be desired. That said, the Ministers group did actually meet once in correspondence, the Officials group did meet thereafter and, as you say, attended the Advisory group, but since 2008 that has not met.

Q7 Chair: I am sorry, Mr Fraser, that leaves something to be desired. What does that mean? If they last met in 2005, what would that mean? I do not know what you are talking about. I would have thought it leaves a hell of a lot to be desired if you have a strategy and the ministers did not meet at all, except in correspondence, and the officials last met in 2006, and here we are in 2010. That is not leaving something to be desired, it is just plain wrong.

Mr Fraser: Officials last met through the Advisory group in 2008. Officials are constantly in contact with each other. If I could just complete the answer. A number of other things have been done since the recession to focus co-ordination in this area. For example, the Consumer Finance Forum has been established, the Department for Communities and Local Government have conducted a number of cross-departmental meetings on the mortgage related aspects of the schemes, and through the National Economic Council there have been meetings of officials to address these issues. Whilst the mechanisms that were put in place in 2004 have—I readily acknowledge—not been properly implemented, other things have been done. The Citizens Advice Bureau, for example, in their comment I note say: "Despite the weakness that the NAO identifies in programme, leadership and governance, the Government has provided energetic, timely and joined-up responses to the recession in the past two years". I think there are things which have been done which have helped to address the weakness that has been identified.

Q8 Chair: Let us try and evaluate the success of this, shall we? You are obviously responsible for evaluating the effectiveness of the strategy. You are implying or even saying that it has been successful. Why do we read in paragraph 3.34 on page 35 of the Report: "BIS reported back in 2005 stating that it would not be possible to evaluate the strategy as a whole ...". Is that right, can we not evaluate it? It says here: "... 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 ...". That is quite a good phrase which could really apply to the whole of government at any one time, I would have thought, but still, it is an interesting phrase, I am not sure it takes us much further though.

Mr Fraser: Chair, I am responsible for the delivery of the BIS programmes within this strategy, including the face-to-face advice to over-indebted people. I am pleased that the NAO recognises the success and value for money of that programme which constitutes the majority of the coverage of this Report. As concerns co-ordination of the cross-government strategy, BIS is one of the three departments which undertook the secretariat function to co-ordinate that strategy. We have recognised already the weaknesses in co-ordination that have come about. As I said at the beginning, it is not possible for one department to evaluate a strategy across not only government but a number of other authorities and administrations with 51 constituent parts. Certainly in future, when we consider the future of our policy post-2011, which will be a new funding period, we should look at how we can focus policies in this area more effectively and ensure that they are properly monitored. I have already written to my permanent secretary colleagues most directly concerned to make that proposal and to propose to them that we should accept the criticisms that are made in the Report of the co-ordination so far.

Q9 Chair: Mr Fraser, why has no annual report been produced on the strategy since 2007?

Mr Fraser: The annual report was not produced in 2008, Chair. I will ask Mr Coates to comment on the specific reason for that. I will just add that since 2007 we have not had a single request for a report or complaint that the report was not produced. Perhaps Mr Coates could give the specific reason.

Q10 Chair: I am sorry, I rather thought in government one does annual reports. Maybe I am being naïve about this. I thought one met regularly with officials, if not ministers, one did annual reports, one evaluated strategies, but obviously this is not going on here.

Mr Fraser: I acknowledge, Chair, that it would have been appropriate to—

Q11 Chair: I agree it is only public money so why worry too much.

Mr Fraser: Can I ask Mr Coates to come in here.

Mr Coates: If I could just explain. The annual report in—

Q12 Chair: Even my local cricket club has an annual report with a budget of £520 or something, but you do not think it is necessary do you, Mr Coates?

Mr Coates: We did get quite a way down the line in producing an annual report, but at that point just as we were close to being ready to produce one we undertook a large number of developments in this

15 March 2010 Department for Business, Innovation and Skills and HM Treasury

area which led to the publication in July last year of the Consumer White Paper. The Consumer White Paper last year included two chapters which are very much an update, effectively, on the over-indebtedness strategy and the supporting economic narrative.

Q13 Chair: Are you going to do one now? Are you going to do an annual report from now on?

Mr Coates: We would certainly look to strengthen, as Mr Fraser has mentioned, the co-ordination of whatever strategy there is going forward. The problem with us there was it was such a moving feast that any annual report would have been out-of-date almost the moment we published it.

Q14 Chair: Any witness can answer this: why do we read in paragraph 2.22 that the different service providers are spending massively different amounts per person helped? "In terms of total spend to date divided by number of clients seen, the costs of projects ranged from £201 to £377 per person". Why is that, as a matter of interest?

Mr Fraser: Chair, this is on the BIS programme for face-to-face advice delivered through third sector providers. The first point to make is that the provision of this programme is proceeding effectively. It is above target on reach and below target on cost across the programme. Within the delivery of the programme, the NAO have identified different costs for different providers. There are a number of reasons for that, partly the location in which they are operating but also each provider was given an initial contract and some of them are operating in different circumstances from others and providing services which are more expensive to provide to certain parts of the community. There are a number of reasons why there are differential costs in the provision of the advice, which is certainly not to say that we should not seek to learn the lessons and share best practice which is something we are, indeed, trying to do.

Q15 Chair: Ms Lewis, paragraph 3.12 is "Selecting channels for delivering advice". As I understand it, you ring-fence some money for face-to-face meetings but you do not let the Department use funds to give out telephone and internet-based advice. Obviously this is cheaper than face-to-face and people need to have a choice. Should you not be gearing your funding streams to departments to ensure that people get whatever is most appropriate, either internet-based advice, face-to-face, telephone or whatever?

Ms Lewis: Yes, Chair. When the Treasury first gave money for the face-to-face project we had strong evidence that was where the real gap was and the most vulnerable people needed face-to-face advice. That was in 2004 when we gave £45 million from the fund to fund the project. I think it is still true to say that the most vulnerable will still require face-to-face advice, but I do also agree that we should look to be more flexible in the funding streams.

Q16 Chair: Thank you. My last question to you, Ms Lewis, is the current funding for debt runs out in 2011. Are you going to go on funding this type of advice after 2011 or will we have to rely on the private sector to do it?

Ms Lewis: I think that is going to depend on the next spending review, Chair. Certainly we will look at the evidence as part of the next spending review and make a decision as part of that review.

Q17 Chair: Of course, Mr Fraser, that begs the question if we are going to rely on the private sector how are you going to ensure that it is of a decent standard? We do not want people to be delivered into the hands of loan sharks, do we?

Mr Fraser: We should certainly examine the future of this programme and from my perspective it appears there is an ongoing requirement for the provision of free face-to-face and other advice to over-indebted people. I think that is an appropriate public policy initiative going forward, but clearly it will be subject to negotiation in the next round. I do also think that as the Report indicates we need to look at ways in which we can engage other providers in the future. We also do need to bear in mind that the motivation of many private sector providers is different, they are actually for profit operations and are probably addressing a different part of the market. Those people who are providing the advice on our behalf are targeting very often those who are in the most difficult circumstances with multiple financial difficulties and I do not think it would be appropriate for us to leave that function entirely to the private sector.

Q18 Mr Bacon: Mr Fraser, in paragraph 1.9 on page 12 it says that the strategy has these 51 different initiatives and the NAO in analysing spending on the strategy's various different projects, sponsoring bodies and main funding stream, including those introduced more recently, found they totalled some £600 million for the period 2004 to 2011. The face-to-face that is listed above there in figure three on that page and the National Debtline are really your responsibility, together with the money that you get ring-fenced from the Treasury, the £143 million, or £146 million if you include the Ministry of Justice, but that is less than one-quarter of the expenditure in this area. It is less than one-quarter of the £600 million. Am I to understand that the 51 initiatives listed at the back in appendix two on page 38, and they are very neatly listed there one through 51, which are the responsibilities of various different sponsoring bodies and departments, each have a sum of money attached to them and if you added them all up you would get to £600 million or thereabouts?

Mr Fraser: The figure, as I understand it, is a totalling up of the programmes run by the different departments. For example, there are programmes run by Communities and Local Government relating to mortgage rescue schemes, the Department for Work and Pensions has a growth fund which is active in this area and the Ministry of Justice has programmes as well. The total adds up to

this figure of 600. Each of those programmes is run and monitored within the department concerned just in the way that we monitor the programmes and supervise the programmes in BIS.

Q19 Mr Bacon: But they are all part of the strategy referred to in 1.8, “. . . the government’s strategy for Tackling Over-indebtedness, which was published in 2004 jointly by BIS and DWP”. That is right, is it not?

Mr Fraser: They are, indeed, brigaded into what is called the strategy that was published in 2004 which is, in fact, the pulling together of the activities of different departments, administrations and authorities in this area.

Q20 Mr Bacon: “Brigaded” is a term of art that I do not usually find outside the Army. I have heard it once or twice and it was always from permanent secretaries. While we are on the subject of jargon, the Ministers group “met in correspondence”. Is that really something you say internally or just something you say for Committees like this? What is a meeting in correspondence? It sounds like a contradiction in terms to me.

Mr Fraser: What it means, Mr Bacon, is I am informed that because of diary clashes it was not possible to get ministers to meet in a room—

Q21 Mr Bacon: So they email each other?

Mr Fraser: —so there was an exchange of letters from the different departments.

Q22 Mr Bacon: Why do you call it a meeting? Why do you say afterwards they met? Why do you use the verb “met”?

Mr Fraser: I apologise if I used an inappropriate verb.

Q23 Mr Bacon: Presumably it is a term of art, is it not?

Mr Fraser: This group of ministers were in contact to discuss this issue, if I can use the word “discuss”, by correspondence. They corresponded on it.

Q24 Mr Bacon: You said when you repeated it, and I wrote it down, “As I said earlier, it is not possible for one person to evaluate it”, but actually what you said the first time was, “For a project of this complexity it is not possible to have one person in charge”. Why not?

Mr Fraser: Because these programmes—and it is not a single programme, there are a number of programmes—fall within the responsibility of different departments, therefore different accounting officers and different ministerial authority and, therefore, what we are doing is seeking to co-ordinate cross-government activity in this area.

Q25 Mr Bacon: To say it is not possible to have one person in charge, the Olympics has got one person in charge of the building programme. It has got a thousand contractors, lots of subcontractors, they are building something twice the size of Terminal 5 in half the time to an immovable deadline on a

contaminated site and there is one person in charge, we know who it is and we see him on this Committee. Complexity is not a reason, is it? The accountability lines might be a reason, but you could do something about that as well, could you not, put one department in overall charge and call one of the people the accounting officer for that? This is talked about by the Cabinet Office, is it not, co-ordinating cross-departmental budgets with cross-departmental ministers in a way that currently does not exist?

Mr Fraser: I think both complexity and accountability are issues in this case given the breadth of these programmes. It would certainly be theoretically possible to draw these budgets together and put one person in charge of them. It would not have been possible in the structure of the departmental responsibilities that were in place when the strategy was put in place. I certainly think that it is possible for us to identify a clearer senior responsible officer or group of senior responsible officers who have that shared accountability perhaps or lead responsibility for the programmes.

Q26 Mr Bacon: So you agree with the recommendation on page nine: “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”? That was singular. You would agree that is possible?

Mr Fraser: That is certainly something I would agree that we should consider. I am not clear that it is the best approach, to be honest with you.

Q27 Mr Bacon: I do not want to lose sight of the fact that a lot of the work that is going on is terrific and certainly in the Citizens Advice Bureau I have seen in my own constituency the work they do on debt advice, and they have retired building society and bank managers who are helping, is probably extremely worthwhile and very good value for money as well because there are a lot of volunteers and so on and so forth, there is no dispute about that. The stuff that you are doing on the face-to-face is less than a quarter of the expenditure in this area and without having anybody in overall charge, on page 31 at paragraph 3.25 it talks about the fact that the Ministers group did not meet and the Officials group last met in March 2006. I have to say, that does not make it sound like it was a high priority or something really urgent otherwise presumably you would not have gone three years without a meeting even of officials. Also, no single department took responsibility and no shared programme management function was established. This is the sentence that interests me, and it should interest you as an accounting officer: “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”. You have to sign a statement of internal control, as do your fellow accounting officers, and if

15 March 2010 Department for Business, Innovation and Skills and HM Treasury

between you in signing your SICs you do not collectively have a tight grasp or overview then you face a risk of inadequate control, do you not?

Mr Fraser: As I have already said, Mr Bacon, we recognise that the co-ordination could have been more effective. However, there is no evidence in this Report that because there were shortcomings in the co-ordination there is any lack of value for money in the delivery of the different programmes. That is not evidenced in this Report. Indeed, in my own case, in the programme that is under consideration in this Report the conclusion is that good value for money was achieved. As an accounting officer, in my own case I feel fairly comfortable and I am grateful for the conclusion the Report has reached. I agree that it is desirable for those accounting officers responsible and, indeed, ministers, to meet and co-ordinate a cross-government approach of this sort, and I accept that recommendation from the Report.

Q28 Mr Bacon: You say there is no evidence, but if you had been closer to the users you might have known, as the NAO found out, that quite a few of them would have preferred—I think the figure was 25%—a telephone interview, which of course is cheaper. Ms Lewis may want to answer this. Even though you did achieve reasonable value for money, you might have achieved better value for money and got more out of the same pot if more of them had been done by telephone and if you had identified earlier that more of them could have, if you had known more about the preferences of the people using the service, you would have squeezed more out of the same lemon, would you not?

Ms Lewis: Both BIS and ourselves were slightly puzzled by that finding and we would like to delve into it in a bit more depth. If I might digress slightly, we have just finished a Pathfinder on money guidance which is the new service the Chancellor announced last week, and in that Pathfinder we have found that people did not like using the telephone very much, they liked face-to-face, they liked the internet. In the light of that recent evidence this finding, as I say, is quite puzzling to us and we would like to find out a little bit more about what underlies it.

Mr Shapcott: I think we would endorse the view that the internet advice is something that people like. One of the difficulties in this area is that is a very personal and delicate area for people and some people do find it difficult in the face-to-face and prefer less direct methods of communication.

Q29 Mr Bacon: In light of that, on page 29 it talks about understanding consumer needs and one of the things it says in paragraph 3.16 is that BIS does not currently include profiling of the behaviours, attitudes and preferences of its consumers in the project. Are you planning to change that?

Ms Lewis: If I might say, Mr Bacon, we have conflicting evidence on the use of the telephone and the preference. The best thing I can say at the moment is we should do further research on this.

Q30 Mr Bacon: You have got that planned, have you?

Mr Fraser: We are certainly discussing the appropriate format of future provision of advice after 2011 and this will be one of those issues for discussion because clearly we want to provide the best advice as economically and efficiently as possible and, therefore, being clear about who benefits most from which form of advice is a part of that.

Q31 Mr Bacon: Whichever government wins the forthcoming General Election, realistically, at the end of next year or when we get into the new Spending Round it is unlikely there will be more money available for this.

Mr Fraser: Therefore it is important that we achieve the most effective and efficient delivery possible. I agree with that.

Q32 Mr Bacon: Finally, is it possible to get some sort of summary of the £600 million that is referred to on page 12, in other words, what it is comprised of? You mentioned I think earlier the help with avoiding repossessions on mortgages, which is presumably one component of it, but could we have a chart sent to the Committee perhaps?

Mr Morse: Can I offer to furnish our chart to the Department and, if you find it accurate, it can be sent on, if that is helpful.

Q33 Nigel Griffiths: I see that 270,000 people were helped at a cost of approximately £311 per person, which makes a total of £83.97 million. That is £59 million short of the £143 million total. What was the rest of the money spent on?

Mr Fraser: That was not the whole programme, Mr Griffiths, because the target was to reach, I think, 400,000 so that is work in progress. Perhaps Mr Coates could give more detail.

Mr Coates: Mr Griffiths, could you point to the particular numbers?

Q34 Nigel Griffiths: I cannot. That part is in my general briefing. I am not sure if the Comptroller can home in on it.

Mr Shapcott: The position briefly is that they have spent £84 million so far. The £130 million is what the projected spend is at the end of the programme period. Is figure 7 what you are talking about?

Q35 Nigel Griffiths: £143 million all together, I think, from the Report.

Mr Fraser: That includes the National Debtline.

Q36 Nigel Griffiths: That is the figure so far. Is the £16 million—that is page 27, 3.11—to research loan sharks a separate sum from the £143 million or the £130 million?

Mr Coates: That is an entirely separate sum of money being spent on illegal loan sharks.

Mr Fraser: From within the BIS programme.

Mr Coates: It is part of the £600 million number and not part of the debt advice number.

Q37 Nigel Griffiths: Has it been value for money?

Mr Coates: That programme is currently being evaluated.

Q38 Nigel Griffiths: Will part of that evaluation look at the cost, as the Report says on page 27, of securing only 100 prosecutions, which would be at a cost of £160,000 per prosecution of a loan shark?

Mr Fraser: In fact, Mr Griffiths, the latest figures we have are that 900 so-called loan sharks have been identified, 150 have been prosecuted, 10,000 people have been helped by this programme and about £30 million worth of the illegal debt has been written off, so I think there would appear to be value for money coming through this programme, quite clearly, but I think it needs to be evaluated. As a Department, we consider it to be a successful programme.

Q39 Nigel Griffiths: Let me come to those figures, because 600 were identified by the time the Report was written and for the £16 million that was £26,000. However, prosecution did not occur for 500 of them. What you are now saying is that it is 900, is it, and that 750 have not been prosecuted?

Mr Fraser: We are saying 900 identified and 500 prosecuted at this point.

Q40 Nigel Griffiths: I thought you said a moment ago 150 but I may have misheard you.

Mr Coates: I am sorry. That was successful prosecutions.

Mr Fraser: I apologise.

Q41 Nigel Griffiths: It is 150?

Mr Fraser: Yes.

Q42 Nigel Griffiths: It does not jump out to me as being value for money, around about £100,000 per successful prosecution.

Mr Fraser: Of £16.5 million spent on the programme, as I say, £30 million of debt has been written off, so people are benefiting from the programme. I do not know if one would cost it by prosecution. I would have to seek advice from the NAO as to how best to evaluate value for money in the programme.

Q43 Nigel Griffiths: Paragraph 2.15 highlights the cuts in the service, and I am concerned to know what sort of forward planning and analysis was done as the UK joined the world going into recession, when there were not sufficient resources, and two key providers stopped taking on new clients. At a time of what was likely to be peak demand, how come the planning in BIS did not, with the Treasury, look at how to meet that demand and in fact the result has been a poorer service, in a non-existent service, in those two key areas?

Mr Fraser: Of course, the recession has hit hard in this part of the economy as in others. In fact, in response to the recession a number of steps have been taken. First of all, £10 million was put into ensuring that Citizens' Advice Bureaux were open longer, had longer opening hours, to help deal with

people applying for advice. Secondly, actually, there has been a 10% increase in the amount of advice offered within the existing budget, so there has been a productivity increase. We have increased by 50% the capacity of National Debtline, the telephone service, to respond to the increasing demand and we have introduced a new sort of self-help kit to try to filter out the less acute cases so that we can focus the advice on those most in need. That is one form of triage. In fact, if you look at figure 13 on page 23, a number of the new approaches to cope with increased demand are identified there. That is not to say that we have met all the demand. I acknowledge that the increase in demand, which I think is put at 28%, has led to increased pressure on the services.

Q44 Nigel Griffiths: That would be reassuring if it has impacted on paragraph 2.15 on page 19. Has that ensured that the waiting periods have reduced? It says waiting times have increased here, a six-week waiting time, and two providers have closed. Has that done anything?

Mr Fraser: Two providers have closed down their lists. Can I ask Mr Coates to give you the latest information we have on waiting times.

Mr Coates: The reason you close a list is because from a best practice point of view people are finding that if they are making appointments eight to nine weeks out, then they get a lot who do not attend. It is more effective to close the list for a period, clear the backlog and then reopen the list. The sorts of waiting times we are getting: there are some projects with five-week waiting times but many now have two to three weeks' waiting time at the moment.

Q45 Nigel Griffiths: I am a CAB-trained person; indeed, I opened a CAB in Wester Hailes before I came into Parliament but I am not sure it is adequate to say that because there are a lot of no-shows waiting lists have been closed because that penalises those who show up. My time is short. I want to move on to page 12, which Mr Bacon touched on. There are 51 different initiatives in this strategy. Which do you think has been the least effective?¹

Mr Fraser: I am not in a position to answer that, Mr Griffiths, because these are strategies which, as I said, are the responsibility of a wide range of departments, authorities and local administrations and I could not myself take a view on which is the least effective.

Q46 Nigel Griffiths: Might I suggest that when you do produce the annual report, you might want to put that in and then you would have it at your finger tips.

Mr Fraser: I certainly think it is something that we should consider in the co-ordination of the programmes going forward.

Q47 Nigel Griffiths: Age is mentioned as being a factor, and young people are more likely to be in debt. Were they part of any of the target group

¹ Ev 14

15 March 2010 Department for Business, Innovation and Skills and HM Treasury

initiatives? Which initiative covered them and has it been successful and, if so, is it being rolled out elsewhere?

Mr Fraser: I can only speak about the provision of face-to-face advice on over-indebtedness in this Report, Mr Griffiths, and clearly, the risk categories that were identified are very useful. We have used the indicators in figure 19 in trying to target the people who we believe fall into the category of over-indebted and the advice has been targeted in that direction. I do not know if Mr Coates wants to add anything more on the age profile.

Mr Coates: I could just add a little on the age profile of the project. We are seeing that about 22% of our clients are in the age group 25–34. The largest single demographic age group is actually 35–49 year olds, where we get something like 41% of our clients.

Q48 Nigel Griffiths: How much extra was put in as a result of the recession and other factors?

Mr Coates: In terms of the recession, we put an extra £5.85 million into the National Debtline. That answers something like 220,000 calls now instead of 150,000 previously. We invested £10 million for one year and are now putting an extra £5 million in Citizens' Advice to extend opening hours. That has allowed Citizens' Advice in the past year to reach over 300,000 clients, with about 800,000 problems actually being solved because people are presenting with more than just debt problems; with redundancy based problems or housing problems, during recession. We as a Department have put £500,000 into self-help, which is designed to get as many people as possible who can help themselves out of the advisers' offices as quickly as possible, freeing up the adviser time to support the vulnerable. Finally, we have also put in a small amount of extra money, £300,000, just to help debt advice agencies during a particularly busy time. That allowed them to extend working hours for part-timers, to bring back some people from maternity leave, that sort of thing. That helped an extra 1,200 clients.

Q49 Nigel Griffiths: Mr Coates, summarising that, which is encouraging, how much extra is that if you roll those elements together?

Mr Coates: If you roll all of that together, it is around £22 million.

Q50 Nigel Griffiths: That is meant to cover the 28% that is listed in the Report in the extra clients now approaching the various agencies?

Mr Coates: Yes, it is on top of the spending on an annual basis of around £30 million on the face-to-face project anyway and the £1 million a year that we were already putting into National Debtline.

Q51 Mr Carswell: I just had one very general question. You might feel it is slightly too broad for the Report but it is just a general one. I would be grateful if you had any comments. Tackling indebtedness is obviously very important; it is vital that we do it, but do you not get a feeling that in a way, what we are dealing with—what you are dealing with—is the symptoms and however effectively you

might be doing that, or however ineffectively critics might say you are doing that, do you not think we need perhaps to deal with the cause? Might it not be that for 40 or 50 years we have had successive governments that have allowed a monetary policy that in effect encourages consumption and spending over production and saving, and that public policy has in effect undermined thrift, and you are really just a band aid, however effective, on a far more serious wound?

Mr Fraser: I do not think I can comment in this context on the rather wide-ranging policy issues.

Q52 Mr Carswell: But you are a senior public official. You must have some view on it.

Mr Fraser: Those are policy matters which are not principally the responsibility of my Department. What I can say is, of course, credit is a vital part of our economy. It is true that household debt has risen in recent years but also household wealth has risen so we need to look at the balance of these things. It is true also that the debt to income ratio has risen in recent years but also the housing stock value has risen and actually a very large proportion of debt is secured debt. Often what you find in the cases that we are dealing with here, the most difficult cases, are people with unsecured debts with very limited assets against those debts and we are trying, as you say—I would not say it is a band aid but you are seeking to, if you like, remedy the acute manifestation of over-indebtedness in that part of society.

Q53 Chair: That concludes our hearing, Mr Fraser. I have to say that I am “underwhelmed” by your performance and that of your colleagues this afternoon. This is an extraordinarily important subject. The amount we owe on mortgages, credit and store cards stands at almost £1.5 trillion. We have got used in this Committee to talking about first millions, then billions and now £1.5 trillion. Consumer debt equates to some 160% of household gross annual income and averages out at around £56,000 for each and every household in the country. Now, a lot of good work, of course, is being done by dedicated people who you employ on the ground but your overall strategy, frankly, is a triumph of bureaucracy over practicality. You have a hugely complex system, over 50 different projects and initiatives, a number of funding streams, and we have seen that the co-ordination that we have investigated this afternoon is, frankly, hopeless. So what we want from you, Mr Fraser, when you next return to this Committee—and you may want to comment, because it is only fair that you should have the last word—is for you, because you are the accounting officer and you are in front of us here this afternoon, to commit yourself to putting somebody in charge of the strategy as soon as possible and having proper evaluation and control. Are you prepared to do that, Mr Fraser?

Mr Fraser: Chair, I am very pleased that the NAO found that that part of this strategy for which I am responsible has been successful and has delivered

good value for money, and that is a pleasing conclusion for my Department. I have recognised that, on the broader cross-government strategy, for which I am not the accounting officer but I am one of those involved, there have been some shortcomings in the co-ordination mechanisms that were put in place at the start. I have also pointed out however that there have been a number of other forms of co-ordination since which have led people to conclude that the Government has actually been effectively and actively engaging in this area. I am not in a position to make the commitment you asked for because I am not the official responsible for the whole strategy. I am however prepared to take that message back and, as I told you, I have already written to my Permanent Secretary colleagues concerned, suggesting that we review both the policy priorities going forward to ensure maximum efficiency and the co-ordination mechanisms between Departments.

Chair: Mr Bacon wants to come back in.

Q54 Mr Bacon: It is actually something you prompted me to question you on in your last answer when you said, “I am pleased to say the NAO found the bit that I am responsible for is going well.” You reminded me of the Permanent Secretary for the Northern Ireland Department that the Committee saw when we went to Northern Ireland a few years ago. We were investigating a thing called the Navan Centre, which, if you can imagine something like an Iron Age earthworks combined with visitor number projections like the Dome, you get some idea of the sort of thing we were looking at. This Permanent Secretary said in answer to the first question, “I am very glad to say, Chairman, I am only responsible for 2% of this budget.” Nonetheless, she was responsible for more than anybody else, which was why she was in front of us. You are responsible for £143 million together with the Treasury out of £600 million. I am glad you are talking to Permanent Secretary colleagues but what shouts at me out of this Report is that there is nobody in charge and one of the National Audit Office’s clear recommendations is that there should be a—singular—senior responsible owner. Can you just tell us for the record if you agree with that?

Mr Fraser: All I was doing, Mr Bacon, was quoting back the first sentence of paragraph 15 of the Report.

Q55 Mr Bacon: Yes, and I am quoting to you page 9, third bullet point under (c), and what I would like to know is do you agree, as the senior official representative of BIS, with the National Audit Office Report, which said that there should be—I think this is an agreed Report, is it not?

Mr Fraser: Yes.

Q56 Mr Bacon: Do you agree with the sentence that there should be a senior responsible owner for the strategy?

Mr Fraser: I agree that there should be a clear allocation of responsibility for achievement of the aims of the strategy and the NAO suggest, for example, that that might be done by the designation of a senior responsible owner for the strategy.

Q57 Mr Bacon: Yes, I can read too. I can see that it says “for example”; what I am asking is, do you agree with that?

Mr Fraser: I agree that we should consider that. I have pointed out some of the complications relating to diverse responsibilities between Departments so it is certainly something that we should consider.

Q58 Mr Bacon: I would like to ask the Treasury, because you, after all, are responsible for the ring-fenced portion of the money that is going in effect via BIS but in this Report it is listed as Treasury money on page 12. It actually says HM Treasury £129 million and BIS £13.8 million. That is because it is ring-fenced, I take it, but the point is, Ms Lewis, you are also responsible as Treasury for the other £454 million, the other 78% or whatever it is that is not covered specifically by this Report but is mentioned in the £600 million figure at the bottom of page 12. You are responsible for all of that, so what is the Treasury going to do to make sure there is somebody in charge?

Ms Lewis: Mr Bacon, other Departments are responsible or accountable for the various elements of it. So, for example, the Growth Fund comes under the Department for Work and Pensions, et cetera. In the widest sense, yes, the Treasury is responsible—

Q59 Mr Bacon: You are responsible in two ways: you get the money in from taxpayers and then you dish it out to the other Departments. My point really comes back to what Mr Griffiths was saying when he asked Mr Fraser about this list of the 51 things. After all, these 51 things were in the strategy that was launched jointly by BIS and DWP in 2004. When Mr Griffiths asked Mr Fraser, “Of these 51 things, which is the least effective?” Mr Fraser could not answer; he said he is not in a position to because he is not in charge of all of it. Surely, this is the problem, that there is nobody in charge, and there needs to be. You would probably get more out of it if there were, and you are entering an economic climate where you are going to need to get more out of it because there is going to be less money to go round. Once again, going back to the recommendation of the NAO on page 9, do you agree, as the Treasury, that their suggestion that there should be a designation of a senior responsible owner for the strategy is something that should be put in place? Yes or no?

Ms Lewis: I think I would say not this collection of projects which is shown in figure 18 because I do not think that is the strategy; I think that is a collection of projects.

Q60 Mr Bacon: Is it not?

Ms Lewis: For example, some of these were not in the original 2004 plan, for example, Save Christmas, which came along later on. So I think there is a set

15 March 2010 Department for Business, Innovation and Skills and HM Treasury

of projects for which there should be a senior responsible owner. I am just not convinced that this is the set of projects, and I think we should indeed, as my colleague Mr Fraser has said, and I agreed earlier, look at the governance of a set of projects which contributes to over-indebtedness but I am not quite sure this is the exact set.

Q61 Mr Bacon: It just seems to me that the money gets spent quite easily and the governance and the control mechanisms seem to come later, if at all, and that, in the climate we are entering, is probably the wrong way round.

Ms Lewis: I think within each individual Department the responsibility, accountability and control, as Mr Fraser said earlier, is right. I think your question is, is there something sitting over the top of this, and the answer to that question is no, there is not.

Q62 Mr Bacon: Mr Fraser, of the ones that you are responsible for, which is the least effective?

Mr Fraser: Can I add a comment to your last question, Mr Bacon, and then answer that, because I think there is a second part to the recommendation, which is the establishment of a board of senior officials from Departments to co-ordinate its delivery, and I think that is something we should definitely be pursuing in a much more effective, tight-knit way than has been the case.

Q63 Mr Bacon: But there is going to have to be in effect somebody in charge of that board, making sure it meets, making sure that the action points from it are driven forward and that might mean chasing around people in several different Departments, might it not?

Mr Fraser: That could certainly be one individual.

Q64 Mr Bacon: And that person would in effect be the senior responsible owner for the whole lot, would they not?

Mr Fraser: They would be in charge of ensuring the co-ordination worked.

Q65 Mr Bacon: What about my other question? Of the ones for which you are responsible, which is the least effective?

Mr Fraser: I do not have the list of which ones I am responsible for immediately before me. I cannot answer that immediately.

Q66 Mr Bacon: Even the ones that you are responsible for? I think that illustrates the scale of the challenge that we face.

Mr Fraser: Well, no, to be fair, I have been focusing very much—

Q67 Mr Bacon: You can write to us with that.²

Mr Fraser: —on the Report in front of us, Mr Bacon, which was on one particular thing.

Chair: If you write, it has to be very quick, because we have to publish this Report in 10 days, so you have to write to us within three or four days, if you are going to write to us at all.

Q68 Mr Bacon: With respect, I do think that illustrates the scale of the problem. I thought Mr Griffiths put his finger very firmly on it, and you gave a fair answer, which is that you are only accounting officer for some of them, not for all of them, but even those for which you are accounting officer it is not easily possible to say which is the least effective when it probably should be when you have to account for how the money is spent.

Mr Fraser: These are very different programmes, a lot of them addressing very different things, so whether they are directly comparable is one question. I have been focusing very much on the Report before the Committee and I would need to consider your question on a much broader basis but I am not sure whether the evidence, properly validated evidence, is available to answer that question at this present time.

Mr Bacon: You are getting better at this, Mr Fraser. You are sounding more and more like Sir Humphrey Appleby each time you come before us!

Chair: And less and less like the diplomat that you would much rather be. I think Mr Griffiths is emboldened to have another question. So although I said it is the end of the session, it is like the encores at an opera.

Nigel Griffiths: I did want to say, Mr Chairman, that I thought that your summary was a little harsh. I think at a time when unemployment shot up, indebtedness shot up as well, it is really a tribute to the work that has been done by BIS and colleagues in this strategy that repossessions did not go through the roof, if that is not an inappropriate metaphor, and that indebtedness has not resulted in considerably more misery than it has. It is clear that the National Audit Office feel that good value for money is being delivered but also there are the shortfalls that both you and Mr Bacon have highlighted. If I might say, in terms of the presentation of evidence in my 12 years on and off this Committee, if the witnesses were to look at our last session, when Mr Paul Hayes, Chief Executive of the National Treatment Agency for Substance Misuse, came before us and gave evidence to us, his testimony was among the most impressive that I have heard and I think worth every civil servant studying as a model of clarity and mastery of the brief. Perhaps—I know this is a complex issue too—studying that might help a future appearance before this Committee.

Chair: Put it in a video in the Civil Service College! Thank you very much. Thank you, lady and gentlemen.

² Ev 14

Memorandum from Citizens Advice

SUMMARY

In advance of the Committee of Public Accounts' evidence session on 15 March with representatives of the Department of Business, Innovation and Skills, please consider the following memorandum submitted by Citizens Advice.

Citizens Advice welcomes the findings of the National Audit Office Report (NAO). The report is extremely positive about both the impact, value for money and client satisfaction with the face-to-face debt advice programme.

However, we express caution at the NAO's suggestion that different delivery methods of money advice are interchangeable. If the Government is to pursue the NAO recommendation for a "radical transfer" of resources for money advice into the most cost-effective channels, it is vital that the evaluation of different methods of delivering advice takes into account the actual impact and results achieved, as well as client preferences and capability to use different channels.

We agree with the NAO's conclusions that the cross-Government strategy for tackling over-indebtedness has lost focus and momentum since its inception. Citizens Advice was represented on the initial over-indebtedness steering group (which oversaw the creation of the strategy) and have been a member of the wider "advisory group". We have not regarded this group as a vehicle for getting things done and it has perhaps been a missed opportunity. However, despite the weaknesses that the NAO identifies in programme leadership and governance, the Government has provided energetic, timely and joined-up responses to the recession in the past two years. Whilst this has primarily focussed on support for home owners, it has also influenced consumer credit providers to exercise forbearance when customers are in debt and instigated several major reviews of aspects of consumer credit. The Government has also increased investment in local advice services and telephone money advice services (primarily through the Pre-Budget Reports in 2008 and 2009.

The Financial Inclusion Fund was conceived before the recession and it could be argued that it has assisted enormously in enabling local advice services to be able to cope with the increased demand for their services since the recession began. It is debatable whether better outcomes could have been achieved if the governance of the over-indebtedness programme had operated as might have been intended.

THE ROLE OF THE CITIZENS ADVICE SERVICE IN DELIVERING DEBT ADVICE

A core part of the work of the Citizens Advice service in England and Wales is assisting people who are experiencing problem debt—in 2008–09, bureaux helped people to resolve some 1.9 million debt problems. Citizens Advice Bureaux are currently dealing with 9,500 new debt problems every working day, with this increasing at an annual rate of 25%.

A significant proportion of the clients seeking our help with debt problems have been assisted by a debt caseworker funded through the Government's face-to-face debt advice programme.

THE ROLE OF THE CITIZENS ADVICE SERVICE IN THE FINANCIAL INCLUSION FUND (FIF) FACE-TO-FACE DEBT ADVICE PROGRAMME

Citizens Advice administers 11 of the 16 face-to-face debt advice projects which make up this programme, employing 338 of the 500 specialist debt caseworkers, with paid assisting support staff. Debt caseworkers have a high level of expertise and are fully trained professionals, complementing the work of generalist volunteer advisers in bureaux. They have an in-depth knowledge of their subject and negotiate with multiple creditors on behalf of their clients. The 16 projects serve selected regions throughout England and Wales and three designated client groups; people with disabilities, ex-offenders and social housing tenants. Service delivery in geographic locations has been prioritised, often on the basis of an analysis of the indices of multiple deprivation, to reach out to the most economically disadvantaged communities.

Delivering advice face to face was identified as the most likely way of reaching financially excluded clients. Statistics from the projects have confirmed this to be the case, with steady increases in the numbers of financially excluded individuals being assisted recorded. In 2008–09 nearly 40% of all debt clients had arrears on high cost credit, with 67% of clients never having sought debt advice previously.

The projects have been extremely successful in increasing the capacity of the advice sector to deliver specialist advice to the groups who were most in need of it. Prior to the FIF programme in many parts of the country, Scarborough for example, there was no free face-to-face expert debt advice provision at all. In other areas, as in Wansbeck in Northumberland, there may have been just one Legal Services Commission funded debt adviser (providing advice only to those eligible for legal aid) endeavouring to manage a large caseload. In many Citizens Advice Bureaux it was often the case that debt advice would be given by generalist advisers, mostly volunteers. Generalist advice is important but for clients with serious multiple debts who require assistance to negotiate on their behalf it has limitations.

Over 205,000 clients have been assisted by the Citizens Advice led projects since June 2006. Caseworkers regularly each see more than 200 clients per year and are consistently exceeding their targets at no additional cost. This means that the Citizens Advice FIF projects are delivering reduced costs per client throughout the duration of the project.

As the NAO reports (paragraphs 2.11 and 2.12), clients who have received advice from this service both regard it well, and had acted upon the advice that they were given. This correlates with Citizens Advice research amongst its service users which indicates the positive impact of face-to-face debt advice delivered through the project. A series of surveys undertaken in 2009 throughout the Yorkshire, Humberside and North-East regions revealed that 95% of the 1,300 respondents were highly complementary of the debt advice service they had received and acknowledged the difference that it had made in their lives.

THE BENEFITS AND IMPACT OF DEBT ADVICE

Debt advice can bring particular benefits by setting sustainable repayment schedules, increasing household income, and avoiding or mitigating legal and recovery action (including eviction). Health and wellbeing are reported to have improved dramatically among people who receive advice. The evidence also suggests that receiving advice may lead to an increase in financial capability, improving people's money management skills and confidence.

Surveys of clients who have received debt advice reveal these trends consistently. For example, a survey by the FIF project at Swansea Citizens Advice Bureau revealed that:

- 73% considered that their problem had been completely or partially resolved;
- 37% said that their problem had been completely resolved;
- 61% felt that debt advice had improved their piece of mind and well being;
- 78% thought the debt advice had been brilliant or good; and
- 78% of beneficiaries were happy with the service that they had received.

Academic research supports these findings. An in-depth analysis of the Face-to-Face Project's Leeds Money Advice Project (five debt advice agencies that linked together in a partnership) has been undertaken by the University of Salford. In their study, conducted with clients six months after face-to-face debt advice provision, they noted that:

- 66% of clients said they were better off;
- 60% had reduced, or paid off, their debts;
- 61% had made new arrangements for paying off debt;
- 55% found it easier to manage their money;
- 41% said their general health had got better (and 96% of those attributed this to the face-to-face debt advice provision); and
- 12% said they were making fewer visits to their GP.

DEMAND FOR SERVICES NOW AND IN THE FUTURE

During the recession, demand for Citizens Advice services have increased dramatically. The number of debt problems is up by 25% year on year and benefit enquiries by 23% during the same period. Every working day Citizens Advice Bureaux are dealing with 9,500 new debt problems. This increase in demand for services is mirrored by the findings by the National Audit Office report, which finds those they surveyed reporting a 28% increase in demand between July 2008 and July 2009.

Face-to-face advice provides help for clients who are unable to deal with their debts in any other way. They are the clients who require the most time to both identify and then rectify their problems and who are most lacking in financial capability. Not everyone who approaches a bureau requires this level of expertise, some people are confident and able enough to use other, less specialist forms of advice, which place greater emphasis on the client arranging their own affairs.

As demand for advice has increased, bureaux have sought to work in different ways to ensure as many people as possible can receive the help that is most appropriate to their needs and problems. Greater efficiencies are being achieved through use of volunteers and administration staff in bureaux to ensure that the time of the specialist caseworker is used in the most appropriate way.

- To ensure that everybody who needs the help of a bureau can be seen, bureaux are both prioritising clients and implementing new ways of working. If a client is identified as being either vulnerable with support needs or with a crisis case, for example if they are about to lose their home, they are prioritised for an appointment.
- Bureaux are piloting new ways of working, with greater use of volunteers.
- Not all clients need to see a specialist debt caseworker. There are a range of assisted self-help tools available that clients can be shown which may mean they can start to resolve their problems themselves, rather than waiting for an appointment. These include tools and information on www.adviceguide.org.uk
- A perennial issue of all appointment based services is clients who do not attend their meeting. Reducing the number of clients who fail to present for their session with an adviser, and ensuring that this time is not wasted is a core part of the work of the bureau.

- The impact of the recession, has meant that people who were previously financially included, have become at risk of financial exclusion if their debt is not managed and controlled. Advisers have noted that the range of people seeking debt advice has changed with both high and low wage people now seeking advice, often about priority debts and mortgage arrears.

With demand for debt advice already at record highs, we are conscious that if this recession follows previous trends, then after the economy improves there can be a significant time lag in terms of demand for advice on debt and benefits. Debt can remain manageable for a long period of time with it only becoming a crisis if clients experience a change in circumstances due to redundancy for example, or if bills become too large to keep up minimum payments. The time lag in clients reaching this point means that for some time after a recession it is important for services to be available for clients to use.

DELIVERY CHANNELS—THE VALUE AND NEED FOR FACE-TO-FACE ADVICE

The Citizens Advice service gives assistance to clients face-to-face and via the internet and telephone. In this way clients can choose how they would like to receive their information depending on their needs and capabilities. Telephone advice is usually better suited to those who are capable of handling their debt problems independently after receiving advice. Face-to-face advice is the most effective way of financially excluded clients receiving advice. These clients often struggle to identify and deal with their money problems and maintain repayments.

- The face-to-face advice projects were designed to address a specific gap in the advice sector. Face-to-face advice for debt problems was available, but there were often long waiting times for appointments. Increasing provision of this kind of advice was identified as the most likely way of reaching the poorest and financially excluded. Data from the FIF projects about their work shows that the target group has been reached.
- Those lacking access to banking services, affordable credit or insurance can often result in over-indebtedness through people using high cost sub-prime financial services with unfavourable terms and conditions.
- Research seems to suggest that large numbers of people on low incomes, many of whom would be financially excluded, seek the human touch and a more personal service in relation to financial affairs. For people used to officialdom and society judging them and finding them wanting, face to face-to-face contact allows clients to experience the fact that the adviser will not judge and, in fact, will be on their side.
- For clients who present at bureaux with complex debt situations and who are not confident in dealing with their own financial affairs, receiving help face-to-face can be the only way the full picture of their debt problem can be established and accurate information given to them by a caseworker.
- Visual contact between a caseworker and the client can be especially important in gauging whether a client has understood what they have been told. This contact allows advisers to build an atmosphere of trust within which hidden or deeper debt issues can be tackled. Advisers often note that people come about one debt problem, but this really masks many more and it takes an exploration within an atmosphere of trust to get to the root causes of the problem.

INVOLVEMENT OF THE PRIVATE SECTOR

The Citizens Advice service works in partnership with the public, private and voluntary sector in delivering a wide range of projects to help our clients. Whilst it is important to recognise the benefits that each of these sectors provides, it is key not to lose sight of why the Government's FIF programme was designed to deliver face-to-face advice through local advice services in the not for profit sector.

Poorer households make unattractive customers for most private sector debt advisers as they have lower levels of disposable income to cover repayments and are not therefore attractive for a commercial provider of debt advice and debt management services, unless of course they pay a fee. Money Advice Trust research has found that where fees are charged by debt management companies these can be equivalent to 18% of the customer's debt repayments monthly.

The people who seek advice from Citizens Advice Bureaux are living on half the average income and most do not own their own home or have any assets. Our most recently published report on our debt clients' profile (*A Life in Debt*, Citizens Advice, February 2009) found that it would take our clients 93 years, on average, to repay their debts at a rate they could afford. Many of their debts were to priority creditors, like fuel, rent or council tax and only 9% of our clients had any assets worth more than £300. Just 12% had a positive balance in a bank or building society account. We are not generally serving a client group that the commercial sector is interested in serving.

Low income households often struggle with low value debts and sometimes also a range of other welfare issues. Our clients can often lack the required skills or knowledge to progress their own negotiations confidently. This can make providing advice to this group complex and time consuming. Debt solutions such as Debt Management Plans or IVAs are unlikely, in the case of the poorest households, to generate a commercial return for a fee earning advice agency.

We find that many advice agencies that depend on fees or income from settlements will refer customers, where they are not in a position to help them directly, to non-commercial advice agencies, such as ourselves.

THE GOVERNMENT'S OVER-INDEBTEDNESS STRATEGY

Citizens Advice was represented on the initial over-indebtedness steering group (which oversaw the creation of the strategy) and have been a member of the wider "advisory group". We agree with the NAO's finding that the cross-Government strategy for tackling over-indebtedness has lost focus and momentum since its inception. We have not regarded this group as a vehicle for getting things done and it has perhaps been a missed opportunity—had there been an effective structure across government and wider stakeholders for identifying emerging trends in the scale and nature of indebtedness, and monitoring the impact of government interventions, the Government might have been in a better state of readiness for responding to the recession. It was apparent to us during Summer 2008 that despite the theoretical presence of the over-indebtedness programme the Government did not have up to date intelligence on the extent of consumer exposure and therefore potential impact from sudden financial shocks, such as job loss.

However, despite the weaknesses in programme leadership and governance that the NAO identifies, the government has provided energetic, timely and joined-up responses to the recession in the past two years (primarily focussed on support for home owners), has influenced consumer credit providers to exercise forbearance when customers are in debt without the need for legislation or formal regulation and instigated several major reviews of aspects of consumer credit. The Government has also increased investment in local advice services and telephone money advice services (primarily through the Pre-Budget Reports in 2008 and 2009). It is arguable that the continuing low interest rates during the recession have been a key factor in suppressing demand for debt advice.

The Financial Inclusion Fund was conceived before the recession and it could be argued that it has assisted enormously in enabling local advice services to be able to cope with the increased demand for their services since the recession began. It is debatable whether better outcomes within this programme could have been achieved if the over-indebtedness programme governance machinery had operated as might have been intended.

We would also offer the view that with the creation of the Financial Inclusion Fund by HM Treasury and the allocation of responsibility for managing distribution of some of the funds to DTI (now BIS), the focus within DTI (now BIS) shifted—rightly—to concentrating on this programme and reporting to Treasury. Reviewing the original over-indebtedness strategy and action plan it is apparent that many of the proposed interventions or ongoing delivery areas are not particularly well targeted. This made leading the programme and evaluating its achievements challenging without sufficient authority. The team within the Department was scaled back and carried a wide range of responsibilities—including implementation of EU consumer protection legislation.

Moving forward we would suggest that instead of trying to revive the current over-indebtedness action plan the Government learns from the lessons of the policy and spending responses to the recession and puts in place appropriate arrangements, with appropriate leadership and authority, to monitor and co-ordinate responses to over-indebtedness going forward.

4 March 2010

Memorandum from the Insolvency Practitioners Association (IPA)

1. The NAO published its *Helping Over-Indebted Consumers* Report on 4 February 2010, on which the PAC is due to take evidence from the BIS Permanent Secretary on 15 March 2010.

2. The NAO reported that around a quarter of BIS-funded face-to-face debt advice agencies were either refusing new clients or had waiting periods of over one month—and that against a background of an expected increase in demand and increasing pressures on public expenditure. There is no composite data about the numbers of over-indebted consumers who seek advice from the private sector—the NAO Report refers to "the growing role of the private sector": it has been suggested that the numbers at least equal, if not exceed, those who approach funded advice agencies. What perhaps is also not fully recognised is that insolvency practitioners, as well as reputable debt management companies, generally provide initial information, analysis and advice without charge—primarily by telephone or internet which are widely advertised and which seem to be their debtors' preferred delivery channels.

3. The NAO recommends that BIS should assess the role that all debt advice providers, including the private sector, could have in meeting government's aims for debt advice—a recommendation which the IPA strongly supports.

4. But looking only at advice seems, in the IPA's view, to be looking only at part of the issues in and about helping over-indebted consumers—there is a compelling need to join up all the dots on the landscape and putting in place a coherent and comprehensive debt advice/protection/relief/repayment framework. That was the thrust of the recent IPA Response to the BIS/Insolvency Service Consultation on their proposed Reform of Debtor Petition and Early Discharge Procedures¹—in summary:

- While the government has launched various proposals for addressing issues in and about personal insolvency stemming from its multi-departmental Tackling Overindebtedness initiative, there is now something of an impression that these are proceeding as separate, rather than joined up, streams with elements of overlap—for example individual voluntary arrangements, statutory debt repayment plans and administration orders.
- The debtor bankruptcy application proposal provides the opportunity to, but it singularly fails to, address a more fundamental issue—a continuing gap between the government's broader objectives for and its delivery of a modern insolvency system, oft-stated by Ministers and The Insolvency Service, that “where debtors can pay, they will pay”; that it should provide “fair returns for creditors”; and that “bankruptcy should be the last resort”.
- A single insolvency “gateway” approach would direct debtors into the procedure which delivered fair returns to creditors but without any diminution in protection, relief and rehabilitation, and certainly in relation to “can pay/should pay” debtors—see Addendum to the IPA Response.²

5. While debt solutions fall outside the scope of the NAO Report, and therefore the matters immediately before the Committee, nevertheless the IPA would invite it to take into account the need for effective and efficient debt solution mechanisms alongside advice provision.

9 March 2010

**Supplementary memorandum from the Permanent Secretary, Department for Business,
Innovation and Skills**

I am writing to provide the extra information I promised during Monday's Public Accounts Committee hearing on Helping Over-Indebted Consumers.

Richard Bacon MP asked for a breakdown of the £600 million figure provided by the National Audit Office in paragraph 1.9 of the report. I have now confirmed with the NAO that the constituent programme budgets that make up that figure are as set out in the table in Annex 1.

Both Mr Bacon and Nigel Griffiths MP asked for more information on the relative performance of the BIS-led projects set out in Appendix Two. There were 14 projects from the original 51 on which BIS took a lead or shared lead role. Three of these relate to the governance of the over-indebtedness action plan (Elements 49, 50 and 51 in the appendix), which we covered in depth on Monday and on which I have said that Departments accept the criticism in the NAO report. The largest programme in financial terms by a significant margin is the Face-to-Face Debt Advice Project (Element 33). This was the main focus of the NAO's scrutiny and has been assessed as delivering good value for money.

We discussed in the hearing the work BIS is leading to tackle illegal money lenders and provide support for their victims (Elements 28 and 29). The £16.5 million invested to date in this project makes this the second largest BIS programme contributing to tackling the problems of over-indebtedness. As I indicated on Monday, BIS investment in this area has led to 150 convictions since the project's inception in 2004, helped over 10,000 people and written off over £30 million in illegal debts. It is also helping with the rehabilitation of the victims of loans sharks and promoting greater financial inclusion. As we informed the Committee this programme is currently being evaluated.

The other eight projects are too diverse to allow for easy comparison of their relative effectiveness. They include regulatory initiatives such as the Consumer Credit Act 2006 (Element 23) and the Consumer Credit Directive (Element 27). They also include a range of more focused interventions, such as developing new debt advice gateway and formal referral agreements (Element 30). This was a pilot project that subsequent evaluation suggested should not be rolled out nationwide. Some have been superseded by more recent activity—eg changes to the advertising, agreements and early settlement regulations (Element 3) which are now being updated by the Consumer Credit Directive implementation.

¹ Not printed here.

² Not printed here.

I provide an update on how BIS has evaluated these initiatives or is planning to do so in Annex 2 to this letter. I regret if there was a misunderstanding on Monday over the range of programmes the Committee wished to consider in addition to the Face-to-Face programme. I hope this letter will reassure the Committee that BIS is carrying out its responsibilities under the wider strategy and is assiduous in monitoring and evaluating implementation and results.

19 March 2010

Annex 1

The main funding streams identified by the NAO, which includes projects introduced since the 2004 report:

| <i>£m</i> | <i>Lead Dept/Org</i> | <i>April 2004 to March 2007</i> | <i>April 2008 to March 2011</i> | <i>Total</i> |
|---|----------------------|---------------------------------|---------------------------------|--------------|
| Illegal Money Lending | BIS | 6.6 | 9.9 | 16.5 |
| National Debtline | BIS/MoJ | 8 | 13.85 | 21.85 |
| Face to Face Debt Advice | BIS | 45 | 85.3 | 130.3 |
| Money Advice Outreach pilots | MoJ | 6 | 5 | 11 |
| Growth Fund | DWP | 42 | 56.75 | 98.75 |
| Regional Financial Inclusion Champions | DWP | | 12 | 12 |
| Money Made Clear | FSA | 12 | 12 | 24 |
| Personal Financial Education in school curriculum | DCFS | | 11.5 | 11.5 |
| Mortgage Rescue Scheme | CLG | | 285 | 285 |
| Total | | | | 610.9 |

The NAO rounded down to arrive at their £600 million figure. The figure for Illegal Money lending is for spending up to end March 2010. A further £5.2 million has now been committed to this project for the year to March 2011.

Annex 2

BIS was responsible for 14 of the key elements identified in Appendix 2 in the original 2004 Action Plan. Numbers 28, 29, 33, 49, 50 and 51 were covered in the NAO report. Updates on the other projects are provided here:

No 3. *New statutory instruments on consumer credit advertising, agreements and early settlement.* These were laid in Parliament in June 2004 to update the regulation in these three areas to reflect the way credit was being offered in the market at that time and to deal with any future developments ahead of the fuller implementation of the Consumer Credit Directive (CCD). They are now in the process of revision as a result of the CCD. The new regulations in these areas will be evaluated as part of the wider assessment of that directive (see No 27).

No 12. *OFCOM—promoting best practice in the telecoms industry*—All fixed line telecoms providers are required to have debt management and disconnection procedures that are proportionate and not unduly discriminatory. OFCOM monitor complaint levels on an ongoing basis. They can take enforcement action if a provider is in breach of the relevant general conditions.

No 18. *Consumer Credit (Amendment) Bill*—This refers to the Consumer Credit Act (CCA) 2006 which was fully implemented on 1 October 2008. The Act updated the CCA 1974. It established a fairer, more transparent and competitive credit market, updating consumer credit legislation that had been in place since the 1970s. The Act will be further amended by the introduction of the Consumer Credit Directive (see No 3). We are committed to carrying out an evaluation of the Act within three years.

No 24. *Addressing the high cost of some credit*—A report by Policis for the Department, *The Effect of Interest Rate Controls in Other Countries*, was published later in 2004. This concluded that imposing an interest rate cap would harm the consumers it was intended to protect, forcing them to use alternative less appropriate forms of credit including illegal loan sharks. This view on caps was shared by Citizens Advice, Which? and other leading consumer groups. OFT is currently reviewing the high cost credit market and they will publish their findings shortly.

No 27. *EU Consumer Credit Directive (CCD)*—Although under discussion in 2004, this was only adopted formally by the EU in May 2008. The CCD replaces a 1986 directive and takes a maximum harmonisation approach. It harmonises key aspects of consumer credit legislation in Member States as part of the objective of creating a common credit market while maintaining high levels of consumer protection. We are currently nearing the end of the implementation phase. We will be making the necessary UK regulations in the next few weeks. It is too early to evaluate the impact of this wide ranging set of reforms, but we will do so within three years of its implementation.

No 30. *Developing new debt advice gateway and formal referral agreements*—This was trialled by the free advice sector in two pilots in Yorkshire and Gloucestershire during 2006. The pilots aimed to direct enquirers through to the most relevant advice source for them. The assessment was that it was not cost effective and so it was not rolled out nationwide. There have since been efforts to improve triage in the sector and many agencies have introduced initial “vetting” of clients to make sure the right clients are assisted by the right mechanisms.

No 35. *Widening and deepening the funding base for debt advice*—This was part allocated to the advice sector, creditors and DWP, MoJ and BIS. The Money Advice Trust, a charity set up in 1991 to increase the quality and availability of free, independent money advice in the UK, led on the practicalities of getting in extra funding for the sector and has met with success from many creditors. Over 30 leading creditors contributed in the last year.

No 41. *Encourage better use of the time order provisions*—The Consumer Credit Act 2006 (see No 18) was implemented in three phases and the final phase on 1 October 2008 enacted the changes on time orders. These enable consumers, following receipt of an arrears notice, to apply for a time order (which is where a court can give consumers more time to repay a debt if the court considers it fair to do so). This will be evaluated as part of wider evaluation of the Consumer Credit Act.

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