StepChange Debt Charity response to the Money and Pensions Service consultation: MaPS proposals for the delivery of its debt advice strategy

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Introduction and summary

StepChange Debt Charity welcomes the opportunity to respond to this Money and Pensions Service consultation on proposals for the delivery of its debt advice strategy. This consultation is set against the background of rising debt advice demand and intense cost pressures on debt advice providers from the cost-of-living crisis. We agree with MaPS that this leaves the sector with a complex challenge to deliver 'services that can meet high demand, provide more comprehensive… support and increase the overall capacity of the sector'.

This challenge requires a compelling and detailed view from MaPS on how its use of levy funding will help the debt advice sector to achieve these objectives. While levy funding only accounts for around a quarter of debt advice funding, MaPS status as a public body gives you a larger influence over and responsibility to the health of the debt advice sector. So we look to this consultation for certainty and a degree of detail on how MaPS plans to work with the sector on the challenges outlined above.

Our main point of feedback is that the proposals for a delivery strategy do not quite deliver on either. While we read some interesting and stimulating thinking about advice need, the consultation gives little concrete grounding on the likely costs and benefits of the proposals therein. It places key issues such MaPS' remit, sector capacity and funding out of scope in a way that leaves foundational questions for the debt advice sector under-discussed.

Considering also concerns raised by stakeholders through the recent commissioning round, the focus of this consultation looks to be too far ahead of the necessary public discussion that needs to be had now. We see the main outcomes of this discussion as follows:

A clear and shared understanding of MaPS' remit for debt advice

We urge MaPS to stick tightly to the remit set out in the Financial Guidance and Claims Act 2018 to fund services for those 'most in need' and 'where provision is lacking'. We think this means:

- Community based advice serving those with the lowest incomes and needs underserved by other funding
- Funding DRO intermediaries with enough capacity to service all advice providers
- Investing in infrastructure that helps debt advice providers deliver better outcomes for clients or makes the sector as a whole more joined up and effective. For instance, technology-based approaches to needs such as income maximisation; API and referral infrastructure to enable seamless client journeys between providers and avoid duplication of effort or funding.
- Advice services that meet specialist debt advice needs (like Mental Health Breathing Space and small business advice).

MaPS should define this tightly and for a 10-year time horizon, so providers and other funders can put long-term plans in place.

MaPS should stay focused on its core debt advice function. While we agree that the need for housing, welfare rights and other services discussed in this consultation are important, they are not within the statutory remit of levy funding. MaPS must not dilute its limited debt advice funding.

As the levy provides a minority share of debt advice funding, MaPS should work with the broader sector to ensure its proposals complement and add value to the majority of debt advice provision. MaPS must avoid duplicating existing provision and should not commission services likely to rival or undermine existing provision rather than add genuine new capacity.

An approach to commissioning that is better aligned to the debt advice sector

MaPS should reflect on the lessons of the recent commissioning round and step back from the highly commercial and competitive commissioning approach that was used in 2021/22. Research funded by MaPS but delivered by the fully independent 40C in 2023 concluded that 'the commercial model of procurement used was not well suited to the debt advice sector in its current state'. It is not MaPS' role to make a debt advice market. Instead commissioning should ensure the efficient use of levy funding for a largely charitable sector delivering services for the public good.

A more flexible model, which allows for genuine collaboration between providers in the interests of people in debt, is needed. MaPS should consider returning to a grant-based approach that allows greater flexibility, agility to change and open collaboration between providers.

Most importantly MaPS must mitigate the risks and distortions that a commercial 'winner takes all' approach to commissioning can create in the broader debt advice sector. These include existential risks to debt advice providers that destabilise the broader funding landscape; incentivising providers to innovate to MaPS commissioning criteria rather than client need; and volume targets that create competition for client acquisition without increasing capacity or improving support to clients.

Develop a workable cost-effectiveness model and transparent reporting on debt advice outputs and outcomes

We note that the Wyman Review focus on efficiency is not given prominence in this consultation. The gap between debt advice needs and capacity remains apparent and it is not clear that the time-based approach to commissioning targets incentivises the efficiency improvements that competitive tendering should nominally provide. We share other stakeholders' concern at the limited visibility of the value that current contracts and grants are delivering, with little or no published data on the outputs and outcomes from levy funded debt advice. Without a firmer basis in cost-effectiveness and data led evidence there is no way to evaluate the proposals in this consultation, or to understand the cost of delivering meaningful outcomes for debt advice clients. As a result we urge MAPS to focus on developing a workable cost-effectiveness model and public data reporting as a foundation for any next steps on its debt delivery strategy.

There are good ideas in this paper that justify more exploration, but not before MaPS builds a firmer foundation for a debt advice delivery strategy. Our answers to the consultation questions below explore these themes further.

Question 1: Do you agree that MaPS continuing to commission a range of debt advice service models is the best way to make debt advice accessible and available for those who need it? (Please provide supporting evidence where appropriate)

We agree that MaPS should continue to commission a range of debt advice service models. However in doing so MaPS needs to be clear that the challenge of increasing capacity and support will not be met solely through the financial services levy that represents only 25% of funding. MaPS should not seek to replicate services or replace services that are funded directly by other means.

Here it is vital MaPS sets out with clarity and certainty what it will fund and what it won't fund for debt advice provision in the next 5-10 years. This enables the non-MaPS funded sector and other funders of debt advice to move forward and plan with certainty. It is likely the certainty will also be welcomed by MaPS funded debt advice providers.

That said, it is imperative that MaPS debt advice strategy should work with, complement and add value to other existing funding sources. **In particular, MaPS should ensure that services it commissions are not rivalrous to other debt advice services and funding**. For instance, by not seeking to disrupt existing client referral and acquisition routes to meet volume requirements.

MaPS statutory remit and range of debt advice services required.

We note MaPS assessment in the consultation paper that some 9.3 million people[1] could benefit from debt advice. However, we believe a more realistic figure of the number of people with a critical need for debt advice is closer to 3.5 million. This still leaves a large but potentially closable gap to the 2 million people MaPS estimates as being helped by debt advice. However this consultation does not set out a roadmap to secure the resources necessary to close the gap between need and capacity. Neither does the consultation explain how the additional service ideas set out in this paper would be funded.

Before seeking to increase the financial services levy, or secure new funding from other sectors MAPS must ensure that this does not jeopardise existing debt advice funding arrangements. A zero-sum transfer of funding between different allocation routes will not by itself increase debt advice capacity. Here we note that funders from other sectors are already supporting work by debt advice providers. Increased funding from both financial services firms and energy suppliers has helped StepChange to meet increased client demand after the discontinuation of MaPS funding.

In the absence of a significant increase in resources, MaPS debt advice delivery strategy will have to decide on priorities for the use of levy funding. A starting point for this would be the statutory remit MaPS is given by the Financial Guidance and Claims Act 2018. This requires MaPS to support debt

[1] Recently revised to 8 million. Money and Pensions Service press release 29th February 2024: 8 million people need debt advice and another 12 million are living on the edge. https://maps.org.uk/en/media-centre/press-releases/2024/eight-million-people-need-debt-advice

advice in areas where it is lacking and in the most cost-effective way, while ensuring that debt advice is available to those most in need of it.

Chapter 1 of the consultation is not fully clear on how these considerations will determine the range of debt advice services it commissions. Our observations on this are as follows:

Support the provision of information, guidance and advice in areas where it is lacking

The consultation paper (p15) highlights that MaPS funding supports just over a quarter of estimated debt advice capacity, and associated activities such as Debt Relief Order (DRO) application intermediation. So the large majority of debt advice provision is funded from other sources, such as FairShare Contributions and direct donations. MaPS should start with the 75% of mainstream debt advice services it does not fund and consider where strategic investment could compliment this and add value to the sector as a whole.

In this consultation MaPS proposes to continue to use levy funding to support certain specialised debt advice services (a proposal we broadly support), but there is little further indication as to how MaPS would use the levy to fund *mainstream* debt advice in a way that creates new capacity in areas where it is lacking. It is not clear that the recent commissioning round has by itself increased debt advice capacity or redirected support to areas where advice was lacking, so we are not convinced that continuing to commission services using the current approach is in line with MaPS statutory remit.

Secure that information, guidance and advice is provided to members of the public in the clearest and most cost-effective way

This consultation presents a number of different options for the delivery of debt advice and related services without giving any sense of the relative cost- effectiveness of different approaches. So it is not clear how MaPS proposed delivery strategy would get the biggest debt advice impact from the funds available to it.

We agree with the aim MaPS sets out in this consultation (p41) to develop '*a co-ordinated approach to outcome measurement*' and '*tools that enable all providers to monitor, measure and communicate the value their services are providing*'. StepChange has been measuring a range of client outcomes for some time and we understand how, when coupled with a social value model, outcome measures can provide the basis for a cost-effectiveness model for debt advice. Organisations within the Charitable debt advice sector are well placed to evidence the broader societal impact of the work they do in carrying out their Charitable purposes. A co-ordinated approach to measuring outcomes would help debt advice providers to do this.

As a related point, we urge MaPS to consider how incumbent and incoming providers are evaluated fairly in the demonstration of social value within the commissioning process and to be transparent on how organisations are monitored against these deliverables throughout the commissioning period.

We do not believe that the strategic choices implied in this consultation can be made without at least some basis in cost-effectiveness. So while we welcome MaPS developing a multi-year longitudinal study to better understand client outcomes, we urge MaPS to develop a usable cost-effectiveness approach that can inform these proposals for future debt advice delivery.

Steps towards a better sector understanding of cost-effectiveness might include the following.

a) Do not lose sight of efficiency

It was not long ago that the 2018 independent review into debt advice funding (the Wyman Review) mentioned efficiency 20 times and a made an explicit recommendation on increasing debt advice efficiency. This consultation does not appear to give the same prominence to efficiency, even though the gap between need for debt advice and debt advice capacity has not appreciably narrowed.

We understand that growing challenges like clients with deficit budgets and more complex needs make a case for some strategic reframing. However debt advice funding is not abundant enough to forget efficiency, particularly when debt advice providers are seeing increased demand. So we urge MaPS to consider how it can best work with debt advice providers to make continuous efficiency gains through effective channel use, seamless journeys between providers and the effective transfer of client data between providers. We believe capital investment would allow more people to be helped within the existing funding envelope. For instance:

- Investment in technology and common data formats that better connect community-based and national debt advice providers to ensure clients can be seamless referred to the right help for their needs.
- MaPS should consider how to help mainstream debt advice providers to use data and technology to efficiently identify entitlement to welfare benefits and other support (like social tariffs) without significant increase in ongoing adviser resources.
- Likewise, MaPS should consider how technological approaches can help clients access support more effectively and efficiently, at times that suite them and in a way that supports their needs, through 'digital' applications (here we note the 'digital' route to Breathing Space enabled by development of an API based approach) and effective referral to other support services, like specialist welfare rights advice.

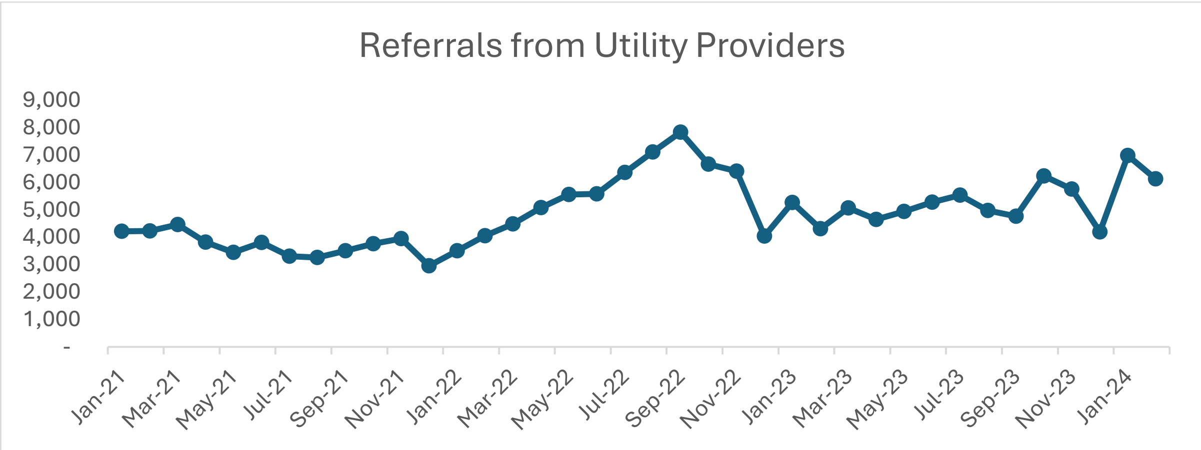
Here MaPS will need to be clear on the boundary between debt advice service innovation it funds and other support services (like specialist welfare rights advice) that should be supported by other funders.

b) Transparent measurement of debt advice activities

This consultation paper highlights the number of people that MaPS expects commissioned services to help but it does not give enough information on how people are helped. There is not enough transparency showing how existing contracts are delivering against measures that demonstrate effective use of levy funding or good client outcomes. In the absence of this, it is hard to make a compelling case for continuing with the current approach to debt advice commissioning.

Appendix A sets out a range of activities that MaPS expects to be carried out as debt advice, but the consultation doesn't provide any indication of the volume of each of these activities completed as a proportion of cases funded. A clearer understanding of this would allow a considered view as to whether funding is being targeted effectively. In the absence of a fully developed cost-effectiveness model this would seem to be the best available indicator of value for money.

This is important as cost of living pressures on households and reduced funding for other areas of advice may mean people are seeking help from debt advice providers for what are not essentially debt advice needs. For example, when rising energy bills increased referrals to StepChange from utility companies, it became apparent that many of these clients needed support and forbearance from their energy provider rather than debt advice per se.



Transparent measurement and reporting of the debt advice activities listed in appendix A could create a basis of comparison between the costs and content of different debt advice approaches and cases. This would seem to be an essential starting point for any strategic decisions over debt advice delivery.

Measuring and reporting on next steps activities, such as setting up a solution or referring to a solution provider, and outcomes from advice (improved wellbeing, progress dealing with debts, financial confidence, financial resilience etc.) would provide the strong basis for comparison necessary to develop an effective debt advice delivery strategy. Here we note the importance of people being able to take the next steps from advice to a suitable debt solution where one is available. StepChange receives relatively few referrals from MaPS commissioned providers for DMPs and other debt solutions. MaPS should ensure that debt advice providers receiving levy funding have effective referral processes in place. The correlation between debt solutions and better client outcomes aligns this issue with the FCA's Consumer Duty.

Some information on outcomes is provided in the consultation (p15), but it is not clear how and when these measurements were taken. StepChange's own work on debt advice outcomes shows how measurements such as wellbeing, progress on dealing with debts and ability to save are heavily dependent on factors such as when measurements were taken (how long after advice[2]), the micro economic and policy background (pandemic advice outcomes were different to pre-pandemic[3]) and client circumstances at the time of advice.

For instance, our reported advice outcome measures show 12% of clients saying their debt problem was completely sorted by three months after debt advice[4]. This compares to this consultation reporting a third of people receiving MaPS funded debt advice saying their debt problem was completely sorted. This might suggest that MaPS reported outcomes are measured over a different period or that the debt problems MaPS funded advice was dealing with were different in nature. There is an opportunity to share best practice across the sector.

We urge MaPS to collect, collate and publicly report data on the activities and outcomes of the debt advice it funds.

Ensuring advice is available to those most in need of it

We strongly support the principle that MaPS should target levy funding to support those most in need of debt advice. Here we believe MaPS should focus on improving the effectiveness of debt advice rather than seeking to develop services beyond MAPS debt advice function.

MaPS should start with the 75% of mainstream debt advice services it does not fund and consider where strategic investment could add value to the sector as a whole. In doing so we urge MaPS to consider a definition of 'most in need' as describing people who are currently underserved by debt advice. We believe that there are two main groups of people underserved by debt advice whose needs MaPs should focus on:

- People who currently come out of debt advice with poor outcomes (deficit budget clients for instance) where these outcomes could be improved with better support.
- People or communities that are less likely to access mainstream debt advice, are harder to reach or have specific access, cultural or support needs to benefit from debt advice.

People coming out of debt advice with poor outcomes

In lieu of a working cost-effectiveness model MaPS needs to exercise caution over its knowledge claims about mainstream debt advice effectiveness. For instance, the consultation paper states that '*thinking of the value of debt services purely in terms of debt solutions would create a tension with our responsibility to support those most in need and people in vulnerable circumstances*'.

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[2] StepChange (2020). *Paths to recovery: Understanding client outcomes 15 months after debt advice*. https://www.stepchange.org/Portals/0/assets/pdf/Paths-to-Recovery_March-2020.pdf

[3] StepChange (2022). *Client Outcomes during Covid-19*. https://www.stepchange.org/Portals/0/assets/pdf/Client-Outcomes-during-Covid-19-March-2022-StepChange.pdf

[4] StepChange (2019). *Measuring client outcomes: An overview of StepChange Debt Charity's client outcomes measurement pilot project*. https://www.stepchange.org/Portals/0/documents/Reports/stepchange-debt-charity-measuring-client-outcomes-pilot-project.pdf

We do not fully agree with this. Our 2023 client data shows 48% of clients who reported additional vulnerable circumstances were recommended a debt solution. This compares to a slightly larger proportion (53%) of clients without additional vulnerable circumstances.

We see a similar pattern with clients facing debt enforcement action (about 10% of all clients), where 42% were recommended a debt solution compared to 51% of clients not reporting debt enforcement action against them.

Our outcomes data tells us that clients entering any debt solution report considerably better outcomes (wellbeing, debt progress, financial resilience) than clients who do not enter a debt solution. So we do not believe there is a tension between a focus on debt solutions and vulnerable clients or clients facing enforcement action per se.

This suggests that before shifting the focus away from debt solutions, MaPS should consider how more people might be helped to get an effective solution for multiple debt problems. MaPS should ensure that levy funded debt advice providers have effective referral arrangements where debt advice shows a suitable debt solution is available and the debt advice provider does not provide this themselves.

Clients with a deficit budget and vulnerable circumstances

Our 2023 client data shows only a small proportion of deficit budget clients entering debt solutions (3%). In addition to potentially experiencing worse outcomes as a result of poor forbearance and debt enforcement, deficit budget clients are more likely to struggle to make ends meet after advice, use more credit for essentials and fall behind or further behind on priority bills.

Further analysis of our 2023 client data also shows that around 20% StepChange clients had both a deficit budget after advice and vulnerable circumstances in addition to their financial difficulties. Given that other debt advice providers have a higher proportion of clients with deficit budgets, this could be a conservative estimate for the sector as a whole.

Scaling that up to the entire population of people seeking debt advice suggests some 400,000 debt advice clients may have deficit budgets and additional vulnerable characteristics. These clients are currently being underserved by debt advice so would seem to fit a definition of 'most in need' of better support from debt advice. In which case we would support the case for MAPS future debt advice delivery strategy to include the following three elements:

- Develop cost-effective income maximisation capacity in the debt advice sector
- Ensure that debt advice services are accessible for clients with additional or specific support or access needs.
- Policy advocacy within government for a debt solution or solutions that better support deficit budget clients.

Our response to *Question 8* includes evidence from a current income maximisation pilot project. Initial findings suggest that more intense income maximisation work can result in some clients moving out of a deficit budget. However many clients remain in deficit budget even after income maximisation work. This aligns with comments in our response to MaPS' consultation on supporting clients with deficit budgets that public policy change will be needed to address this problem.

People with specific access, cultural or support needs

Our answers to subsequent questions cite StepChange research suggesting a strong correlation between intersectional disadvantage and likelihood of having a deficit budget after advice. This highlights how demographic factors such as gender, age, geographic location and ethnicity and disability will be important in developing a robust theory to help target levy funding at areas of greatest need.

Here we would point out that debt advice services delivered by national charities online and by telephone are capable of supporting people across this range of demographics and, including people who need additional support to access debt advice effectively. StepChange supports people with an array of different needs through our omni-channel client journey. This enables more people to get advice without delay, in a way that is cost-effective to our funders. So we do not support to the idea implicit in this paper that only community-based and face to face advice services can support different client groups and needs.

However we believe there is an important role for community-based providers to serve the most in need and urge MaPS to continue to target support at community-based services that can engage with underserved groups, meet needs that cannot be met by national charities, and serve clients who choose to seek advice from a local provider.

Here we would urge MaPS to consider a grant giving approach where community-based services serving particular groups or needs are able to pitch for project funding. This approach has provided a competitive and effective bottom-up approach to funding advice needs for many years and might work better than the current commissioning approach for some debt advice needs.

Question 2: Do you have any additional evidence or insight that would help MaPS to decide on the level of capacity that is needed across the range of services it funds (nationally accessible to community and place-based)?

It is generally difficult to predict debt advice demand at the level of precision required for operational resource planning. It is more difficult still, if not impossible, to predict demand at points of inflection, for instance macro shocks like the covid pandemic or the recent rapid increases in energy costs and inflation.

We do know that debt advice demand is growing again. In 2023 the number of people completing debt advice with StepChange increased 10% on 2022 to over 182,000. This was a 16% increase on 2021[5].

[5] This and following statistics are from StepChange (2024). *Statistics Yearbook: Personal debt in the UK January-December 2023*.

Our statistics support MaPS' assessment (p15) that need and demand for debt advice is likely to remain high in the mid-term. We also note the findings of the We Are Debt Advisers briefing 'The State of Debt Advice' from November 23. In which, debt advice respondents from community-based advice said they refer clients to StepChange, when their capacity is limited, ahead of MaPS funded National debt advice providers (image below).[6] This raises questions about the capacity MaPS intended the Commissioning process to create.

<u>The Relationships between Local & National Debt Advice Agencies</u>

Debt advisers told us that if their agency is unable to take on a client, they refer the client to these agencies (top 3):

1. Stepchange
2. National Debtline
3. Citizens Advice (National)

It is important MaPS note that the circumstances of StepChange clients have also changed over that period:

- 32% of clients had deficit budgets in 2023, up 2% from 2022
- 37% of clients were in receipt of Universal Credit – up 4% from 2022
- 59% of clients were in employment in 2023 compared to 56% of clients in 2022.
- 42% of clients were in full-time employment in 2023, compared to 40% in 2022.
- The proportion of clients with priority bill arrears has remained high but broadly stable in 2023, with 50% of clients with one or more priority arrears.
- The average monetary amount of priority arrears has increased across every category (except TV licences). The average amount our clients owed in priority arrears increased in 2023 to £3,124, up 10% from 2022.
- Average unsecured (credit) debts increase by 8% on 2022 to £14,654. On average StepChange clients had 6 unsecured debts.
- Average debt total increased to £16,706, a 6% increase on 2022.
- The proportion of clients reporting vulnerable circumstances in addition to their financial difficulties remained at 55%.
- In 2023 StepChange clients were disproportionately women (63%), single parents (27%); households with children (49%), renters (64%) and notably private sector renters (33%) and people aged 25-44.
- We have a 2% increase in the proportion of clients who are homeowners, but higher mortgage costs did not translate into any large increase in clients with mortgage arrears in 2023.

[6] WADA (2023). The State of Debt Advice *2023*. https://wearedebtadvisers.uk/news/new-state-of-debt-advice-briefing

Tracking polling commissioned by StepChange from YouGov in January 2024[7] found **40% of UK adults saying they were finding it 'difficult or very difficult'** to keep up with household bills and credit commitments. This has reduced from the first half of 2023 but is still **much higher than the 15% of UK adults who said this in 2020**.

The polling finds 28% of UK adults showing signs of financial difficulty and 7% showing signs of severe problem debt. This would seem to support the recent MaPS finding that over a third of the UK adult population are dealing with some degree of financial difficulty. However the proportion of people reporting financial difficulties was lower than in H1 2023, but higher than September 2023, so we did not see a clear forward trend on household financial difficulties in this polling.

The polling found 31% of UK adults saying in the last three months they had done things like cut back on heating, food or clothing, or asked family and friends for help in order to keep up with credit commitments. The polling also found 23% of mortgagors, 28% of private renting tenants and 30% of housing association tenants using credit to keep up with housing payments.

Our client data, this polling and other data sets like the FCA's *Financial Lives* survey tell a consistent story about groups who are most vulnerable to problem debt. This does not necessarily help in predicting demand but it might help focus strategies for earlier identification of people in financial difficulty.

It is not clear how these indicators of financial pressure translate into a level of demand for debt advice. The same tracking polling finds less movement in the proportion of respondents we considered to be facing severe debt problems; from 9% September 2022 to 7% in January 2024. While aggregate outstanding consumer credit is returning to pre-pandemic levels, we understand missed credit payments and defaults are rising more slowly. So it is hard to be clear how debt advice demand will develop in the next year or two.

We know that the journey from experiencing financial difficulties to seeking debt advice can be long and mediated by factors like financial resilience, the quality of forbearance and quantity of referrals from lenders and creditors in other regulated sectors; coping behaviours; capability to seek advice and barriers to asking advice.

We do know that the reduction in debt advice funding following the initial 'covid boost'[8] led to redundancies that had an impact on colleagues' wellbeing. Given this, and the seemingly inherent uncertainties in predicting debt advice demand at an operational level, MaPS might consider how to manage significant fluctuations in demand as part of considerations of adviser wellbeing in Chapter three of this consultation.

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[7] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,096 adults. Fieldwork was undertaken between 13th - 15th January 2024. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+)

[8] StepChange received funding form the 'Increasing Capacity' and 'Maintaining Capacity' pots. Discontinuation of the 'Maintaining Capacity' pot resulted in redundancies.

Question 3: Should MaPS change the scope of the services that it funds (see Appendix A) given increased debt advice case complexity? If so, how? (Please provide supporting evidence where appropriate)

MaPS should, at this point, only be changing scope to better align debt advice to serving those most in need and adding provision where it is otherwise lacking. Given the large gap between debt advice capacity and need there is no justification to dilute levy funding away from a defined core of 'in-scope' debt advice activities. MaPS should focus on its core debt advice function and compliment the majority of debt advice services it does not fund by filling gaps in provisions and supporting infrastructure that supports the sector as a whole.

Definitions and Measurement

Our response to *Question 1* highlighted the need for MaPS to improve collections and publication of data on the debt advice activities carried out by levy funded advice. It is not clear how the scope of services funded by the statutory levy can be expanded until there is clear public data describing the scope of debt advice services being delivered now. MaPS could co-ordinate the debt advice sector to agree a common set of definitions and outcome measurements in relation to 'standard debt advice'. This would allow better, clearer comparison between the outputs of different services, in lieu of a cost-effectiveness model.

At the same time there is opportunity to clarify the meaning of individual activities within scope of 'standard debt advice'. For instance income maximisation, breathing space, debt solution provision, referrals to 3rd parties, casework etc. This would also allow a clearer distinction to be made between standard and specialist elements of a debt advice service.

Implications of Scope Change

Such a clarification exercise could by itself extend the agreed scope of debt advice in a managed and achievable way. However, MaPS would need to consider whether funding for debt advice providers is sufficient to deliver the current definition of in-scope activities to required quality and volume. This would seem to be important in the context of increasing debt advice demand and a necessary step before extending the scope of levy funded debt advice.

Finally we would highlight that the statutory levy is funded by credit firms and derives from policy concerns about the rapid growth of consumer credit debt from the late 1990's to the recession that followed the 'global financial crisis' in 2007. This levy approach to funding was designed to support people struggling with consumer credit debt on a 'polluter pays' basis. The need for help with consumer credit debts has not diminished for clients seeking help from StepChange. Therefore we would strongly argue that any extension of scope that brings in elements that otherwise belong in other advice disciplines (such as welfare rights and housing advice) would need to be supported by new funders as specialist services.

The exception here would be debt advice services focused on specific client groups that require a specialised approach, as with some of the services described in Section 1.2 of the consultation.

Question 4: Do you have any views on how this work should be prioritised or additional views you want to share? (Please provide supporting evidence where appropriate)

Prioritisation

MaPS should prioritise laying the right foundations for a strategic approach to debt advice delivery. We believe these are as follows.

- ***Be guided by your statutory remit:*** This consultation contains many good and interesting ideas about services that could meet different needs. The consultation does not seem to connect these ideas to the core provisions of MaPS statutory remit in a way that sets out a clear blueprint for a future delivery strategy.
- ***Prioritise effective, efficient delivery of core debt advice*****:** This has to be the first priority of a future delivery strategy.
    - ***Get commissioning right*****:** The 4OC report highlights concerns that the current approach to commissioning does not work well for debt advice providers and may create 'cliff edge risks' and an uneven playing field for not-for-profit providers, particularly when they divert their attention from planned innovation and recruitment, to focus on contractual requirements. There are other ways to ensure levy funding delivers good outcomes and social value via grants.
    - ***Develop a workable cost-effectiveness model to support an effective delivery strategy:*** As a key step towards this ***Get data gathering and reporting right***. A delivery strategy needs more transparency and clearer common measures about outputs and outcomes to demonstrate effectiveness.
    - ***Embrace omni-channel advice:*** The consultation (p11) highlights a 'lack of strategic approach' to channel mix/ omnichannel as a challenge. Stepchange has a very clear channel strategy, so do some community-based providers. The lack of a strategic approach is not necessarily the issue. Instead MaPS needs to properly bottom out what it will fund providers in each channel to do. The main aim of a channel strategy is to improve the efficiency and effectiveness of the debt advice eco-system as a whole. Resource for complex case work can be freed up by referring clients who can (and are happy to) get advice from national debt advice providers with lower per-case service delivery costs. However we would also note that more complex debt advice needs, like income maximisation work, can be delivered efficiently and effectively by digital and telephony-based services. By approaching more complex needs mainly from a face-to-face advice perspective this consultation does not seem to address the channel strategy challenge that it raises.

To be clear, StepChange strongly supports using levy funding to support people with more complex needs who may be underserved by mainstream high volume debt advice. We are very comfortable with community-based debt advice taking a lead on this for cases where that channel is likely to be most effective, for instance:

- In cases that require in person advocacy such as court hearings
- Clients who want a face-to-face service or for whom remote channels are not appropriate
- Debt advice located with other in-person services where this is a cost-effective access route
- Complex casework or ongoing support that is likely to need community-based interactions

However national providers like StepChange are well placed to provide an accessible well supported service to people with additional vulnerability (like 55% of our current clients) and to deliver services like income maximisation at high volume. MaPS delivery strategy will need both an evidence base and a cost-effectiveness model to demonstrate the mix of interventions across different channels that deliver the best social value.

- ***Refocus on efficiency as a key route to effectiveness:*** We do not see a route to the UK Financial Wellbeing Strategy target of 2 million more people a year accessing debt advice by 2030 without a renewed focus on incentivising and supporting efficiency. MaPS can add value to the majority of debt advice funding by investing in infrastructure that supports a more efficient debt advice ecosystem. This could include improving the effectiveness of referrals between local and national providers (and vice versa) by using technology such as API to move data and join services seamlessly together. It could include embedding income maximisation and benefit application technology into debt advice journeys.

Broader funding landscape

The 4OC research commissioned by MaPS provides an indicative summary of debt advice funding broken down by source. This estimates total debt advice funding for 2022/23 at around **£495 million.**

4OC estimates over £250 million funded Individual Voluntary Arrangements. Recent Insolvency Service statistics[9] show around 372,000 live IVAs and the end of 2023, suggesting a crude average annual funding per case of **£680**. The report estimates £42 million of funding for Scottish debt solutions. Statistics from the Accountant in Bankruptcy[10] suggests this could relate to around 53,000[11] cases, giving a crude average annual funding per case of around **£793**.

The 4OC estimate does not include revenues made by fee charging commercial debt advice providers. However we assume that the other £198.6 million funding listed by 4OC supports the

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[9] Insolvency Service (2024). *Individual Voluntary Arrangements Outcomes and Providers 2023*. https://www.gov.uk/government/statistics/individual-voluntary-arrangements-outcomes-and-providers-2023

[10] Accountant in Bankruptcy (2023). *Scottish Statutory Debt Solutions Statistics: Annual edition (2022-23)*. https://aib.gov.uk/publications/scottish-statutory-debt-solutions-statistics-annual-edition/supporting-documents

[11] 32,056 live Protected Trust Deeds; 15,292 live DAS Debt Payment Plans, 2,357 bankruptcies (of which 2,026 were ‘debtor’s petitions); 3268 Moratoria applications.

remaining part of MaPS estimated debt advice demand – about 1.5 million people. This gives a crude average annual funding per case of around **£126**.

This does not reflect the higher costs of administering longer term debt solutions like IVAs, Protected Trust Deeds, DAS Debt Payment Programmes and Debt Management Plans (DMPs). So a comparison of funding for IVAs and DMPs might be useful, as both have similar costs. A conservative estimate of DMPs funded by FairShare Contributions suggests a crude average annual funding per case less than half that of IVAs.

Funding contributors

MaPS appears clear that more debt advice funding will be needed to address complex cases. However, a first step here would be for existing funders and policy makers to consider whether the current way that the broader debt advice funding landscape works is delivering the right social value outcomes.

This is particularly pressing as the 4OC report estimates around £30 million of debt advice funding is provided by local government. With a recent report finding two thirds of councils looking to cut spending on services this year and up to half of councils at risk of bankruptcy over the next five years[12], the future of this support from debt advice is uncertain.

The report highlights over £50 million of Fair Share Contributions (FSC); funding provided almost wholly from financial services firms. However the increase in complex cases and deficit budgets described in this consultation is putting FSC funding under pressure. **In real terms FSC per client has fallen by 24% since 2017 - and is still falling.**

Here we note the large transfer of responsibility for debt advice funding from government to financial service providers over the last 15 years or so. For instance, £27 million of debt advice funding provided by government in 2011-12[13] (following on from the government 'financial inclusion fund' that closed in 2011) was converted into a financial services levy for 2012-13[14]. Civil legal aid also provided debt advice funding that stood at £33 million in 2009/10[15]. A recent review by the Ministry of Justice shows civil legal funding for the debt category at £0.1 million[16].

MaPS should not increase the pressure on debt advice funding from financial services providers through new calls on levy funding for wider advice services like specialist welfare advice, housing

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[12] Local government Information Unit (LGIU) (2024). *The State of Local Government Finance in England 2024.* https://lgiu.org/wp-content/uploads/2024/02/State-of-Local-Government-Finance-in-England-2024.pdf

[13] HM Treasury press release 12 February 2011. *Funding of £27 million secures Face-to-Face Debt Advice Programme.* [This funding followed on form the previous government financial inclusion funding for debt advice that closed in 2011]. *https://www.gov.uk/government/news/funding-of-27-million-secures-face-to-face-debt-advice-programme--2*

[14] For instance see paragraph 18.3 of Financial Services Authority (2012). *PS12/11: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13. ttps://www.fca.org.uk/publication/policy/fsa-ps12-11.pdf*

[15] House of Commons Justice Committee (2011): *Government's proposed reform of legal aid. Third Report of Session 2010–11. https://publications.parliament.uk/pa/cm201011/cmselect/cmjust/681/681i.pdf*

[16] Ministry of Justice (updated 2024). *Review of Civil Legal Aid - Call for evidence. https://www.gov.uk/government/calls-for-evidence/review-of-civil-legal-aid-call-for-evidence/review-of-civil-legal-aid-call-for-evidence*

advice, and service navigators. We believe there is a strong case for such services to be funded by government.

Question 5: Do you agree that MaPS should continue to provide these services? (Please provide supporting evidence where appropriate)

MHCBS

We agree that MaPS should continue to debt advice supporting the Mental Health Crisis Breathing Space Scheme. This is a very specialised area of debt advice work and mental health practitioners need a straightforward referral route and point of contact. This suggests continuing to support a single specialist debt advice provider to support the scheme.

Business Debt

We agree that MaPS should continue to fund specific business debt advice where gaps in provision exist. Supporting sole traders and small businesses effectively will require specialised skills and knowledge and requires ring fenced support. Going forward MaPS should consider how it works with other funders to ensure there is sufficient debt advice capacity to support this client group. StepChange has received funding from NatWest bank to pilot for self-employed and small business clients. Given it can be more complex than personal debt advice (e.g. tax implications), and it can have a higher unit cost to deliver, it's important that we have sufficient capacity – avoiding a single point of failure in the sector.

DRO

We agree that DRO hubs can provide an efficient way for smaller debt advice providers to access a specialised authorised intermediary resource for their clients. With the recent changes announced to eligibility criteria, we anticipate additional demands on the sector for this solution.

However, we do not fully agree with the DRO hub model. While a hub approach can create economies of scale for small community-based debt advice providers, large national debt advice providers already have significant economy of scale and capability to manage a high volume of debt solution applications and ongoing management.

Stepchange is a specialist debt advice and solutions provider. We have capability to manage a high volume of debt solution applications and ongoing management.

Insolvency Service statistics show that StepChange has supported 63% of all Breathing Space applications between the scheme opening in 2021 and end December 2023. That is over 125,000 applications supported[17]. Insolvency Service statistics[18] also show that StepChange supported the

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[17] Insolvency Service (2024). *Individual Insolvency Statistics: October to December 2023.* See table 7 of the accompanying data tables. https://www.gov.uk/government/statistics/individual-insolvency-statistics-october-to-december-2023
[18] Insolvency Service (2024) *Monthly Insolvency Statistics, January 2024.* See accompanying data table 3.2. https://www.gov.uk/government/statistics/monthly-insolvency-statistics-january-2024

largest number of DRO applications of any debt advice provider in 2022. Our authorised intermediaries supported 7,973 DRO applications, 33% of the total.

It is not clear that there are significant scale efficiency gains to be made from large debt advice providers referring a high volume of DRO applications to a hub provider. Clients may get better outcomes from continuing their advice journey with the provider they have already engaged with. As a result we would urge MaPS to consider directly funding providers with the capacity to intermediate DRO applications at scale.

If MaPS decides to continue with the current approach to funding DRO hubs then this should include resources to develop smooth and costless data transfer and client referral from debt advice providers to the hub provider.

Question 6: Do you have any additional evidence or insight that would help MaPS to decide on the level of capacity that is needed for these services? (Please provide supporting evidence where appropriate)

The government announced in the 2024 Spring budget that DRO application fees will be removed, along with increases in the DRO debt limit and changes to asset related eligibility criteria. As a result the number of clients eligible for a DRO and able to enter a DRO is likely to increase. We are currently modelling our client data to understand the possible magnitude of this increase.

We understand that the government continues to review both the Standard and Mental Health Crisis Breathing Space schemes following questions asked in the earlier consultation on draft regulations proposed for the Statutory Debt Repayment Scheme and as a result of the Kaye v Lees case. It is unclear whether this will affect a change on either demand for or capacity to deliver these schemes.

We also note that StepChange was asked and specifically funded by NatWest to pilot an advice service for self-employed people and SME owners in need of debt advice. This suggests that the need for 'business debt advice' currently exceeds the capability supported by MaPS funding. MaPS should be careful to take this into consideration when considering its delivery strategic for this specialist debt advice need.

Question 7: Do you have any additional views you want to share on these services? (Please include any supporting evidence to illustrate your reply)

We have no response to this question at this time.

Question 8: Do you have views on whether MaPS should explore the need for these services? / Question 9: Do you have any views on how this work should be prioritised or additional views you want to share?

With debt advice demand rising and areas of debt advice funding and supply under pressure we believe that MaPS priority is to continue to distribute levy funding to core debt advice services in line with its statutory remit. To divert budget and focus elsewhere is risky to the delivery of mainstream debt advice and to value for money. We will comment on each of the outline proposals in Section 1.3

of the consultation. We would support an approach that gives priority to funding community-based debt advice to support people whose complex needs require a casework approach or specific place-based representation.

In summary we do not believe the consultation makes a compelling case for prioritising any of the approaches as described in this section. There is little or no discussion on cost, feasibility, outcomes sustainability or funding. It is not clear that MaPS is in a good position to consider the impact of some or all of these proposals against other funding priorities. That is not to say that there are not good ideas within these proposals. However we believe MaPS will need to seek specific new funding in order to pilot some of these ideas and that funding request should not be rivalrous to existing debt advice provision.

Our comments on specific proposals are as follows:

Services for deficit budget clients

While we agree that more support is needed for deficit budget clients, we are not convinced that the proposals set out here are the right way forward. Deficit budget clients represent a significant proportion of the clients core debt advice services are already supporting.

32% of clients completing debt advice with StepChange in 2023 had a deficit budget after advice. That is nearly 60,000 people. Other advice agencies report a higher proportion of clients with deficit budget (50% or more). Assuming an average of 40% of 500,000 people seeking MaPS funded debt advice have a deficit budget, that would mean setting up a specialist service to support 200,000 people a year. If this specialist provision was to take referrals from non-MaPS funded debt advice providers like StepChange, the figure would be very much higher.

It therefore does not seem practical to set up new specialist provision. It is also unclear as to what the proposed specialist service would be able to do that core debt advice resourced to do income maximisation and other relevant support would not be able to do. Given the volume of deficit budget clients, a more efficient approach would be for MaPS to work with providers across the sector to improve the capacity of existing 'mainstream' debt advice to provide more support in areas like income maximisation.

In doing so MaPS would build an understanding of the support that can be provided by different providers and channels. We believe there is evidence that online and national debt advice services can play a significant part role in improving support to deficit budget clients through income maximisation and other approaches. However we recognise that some people will need support from either community-based debt advice, specialist welfare rights services or both.

StepChange has a small welfare benefits advice team in Glasgow, funded by the Scottish Government to support Scottish clients. We are also piloting, with Policy in Practice, sending data from consenting clients, to assess eligibility of benefits, and the results so far (both in clients choosing to consent, and in the data on eligibility we are receiving) are very positive. There is certainly room to improve client referral journeys to and from debt advice, the process of referral between debt advice and specialist welfare rights advice is broadly successful.

Instead the need is primarily funding – specialist income maximisation support has a similar unit cost to debt advice. Here we believe that funding for specialist welfare rights advice should primarily be the responsibility of government, rather than financial services providers.

Our data set on this pilot is currently small, however we can see clients having difficulty navigating the benefits application process. Given that applying and receiving welfare benefits (and other support like social tariffs, crisis support etc.) can take time there is also an issue with managing debt and creditors until a post-income maximisation budget can be confirmed. Again, we do not think these challenges require service structure changes per se.

Results from this pilot so far suggest that enhanced income maximisation by mainstream debt advice providers can be effective in reducing budget deficits. However these early results clearly suggest that not even detailed income maximisation work will resolve the deficit budgets for all clients. As we pointed out in our response to the MaPS consultation on deficit budgets, public policy change will be needed.

In our answers above we highlighted a group of clients who exit debt advice with a deficit budget and no solution. We believe these clients meet a definition of most in need, but their needs are not always well served by advice services currently. We would support an approach by MaPS to give some priority to services giving ongoing support for these clients where mainstream debt advice providers (when funded properly to deliver effective income maximisation) are not well placed to offer further specialist help.

Income maximisation will not take every debt advice client out of a negative budget. Debt advice may not deliver a solution for the ongoing financial difficulties of these clients. In these cases case debt advice is likely to take a different role, dealing with debt crisis events and crisis support needs as they arise. These clients will be 'most in need' and MaPS should consider how these clients ongoing need for help with debt might be met by debt advice. While this help is essential, it is not clear that debt advice is the best or more cost-effective long-term solution in the absence of border public policy change to both tackle deficit budgets and ensure fairer debt management practices for ongoing liability debts.

Dealing with deficit budgets requires a strategic approach starting with better mainstream debt advice provision and then working through to specialist services. This strategy would need to work for the whole of the debt advice sector, not just MaPS funded providers to avoid a dis-jointed or two-tier approach.

Improving accessibility and availability of debt advice solutions.

DRO costs

We believe there is currently a case for funding DRO intermediation because this is a requirement for people to enter the DRO scheme and the application process has a cost for debt advice providers in excess of debt advice costs. However our answer to *Question 5* suggests changes to the current approach to funding DRO intermediary hubs.

Bankruptcy applications etc.

We can see that there is a case for funding debt advice providers to support people with bankruptcy applications. However this is true for a number of applications for government services (welfare benefit applications, court application and response etc) and we believe MaPS should use its advocacy role within government to make the case for additional specific funding from government to support this. This funding would not need to be administered by MaPS and should not be administered by MaPS for support needs beyond its core debt advice remit. Again we do not believe that MaPS current approach to commissioning is correct for this support that should be embedded in each debt advice providers service.

Here we note that emergency advice and support for housing debt related court action is funded by the Ministry of Justice through the Housing loss Prevention Advice Service (HLPAS). This seems to operate effectively on a different tendering process that accommodates multiple suppliers.

DMP administration costs

We do not support MaPS funding of Debt Management Plan (DMP) administration costs for a solution and relationship that extends beyond the duration of the funding period. These costs are already covered by FairShare Contributions that amount to over £50 Million per year. A MaPS intervention here risks destabilising an existing funding mechanism that has worked reasonably well for a number of years. This is an area where MaPS must have regard to existing provision.

The FSC funding model broadly covers the administrative cost of DMPs although not all creditors benefiting from DMP payments pay FSC. While the government has not yet moved forward with the Statutory Debt Repayment Plan under the Debt Respite Scheme, the principle that creditors benefiting from DMP payments should contribute to the costs remains important.

In contrast FSC does not specifically cover the costs of debt advice and solutions for clients not suitable for a DMP. The rate of FSC donations paid by some (but not all) creditors allows StepChange to provide debt advice to a much larger group of clients needing other debt solutions or support. So the benefits of FSC funding extend well beyond the clients who enter DMPs. But our ability to support this much wider group of clients is largely dependent on our FSC revenue. So an intervention by MaPS that destabilises FSC could have a disproportionately large impact on debt advice capacity.

Services that meet the needs of people in vulnerable circumstances and those most in need of debt advice.

Clients in vulnerable circumstances

55% of StepChange clients have vulnerable circumstances in addition to their financial difficulties. 38% of StepChange clients report a mental health issue. So we strongly disagree that mainstream debt advice providers cannot support the needs of clients in vulnerable circumstances per se. We have a reporting dashboard that compares outcomes for clients who have disclosed a vulnerability vs those who haven't. This allows us to identify, monitor and rectify any inconsistencies, of which there are now very few.

However we know that a proportion of these clients will need additional time, support, and advocacy to deal with their debt problems. This additional support creates additional costs for debt advice providers. So we agree that there is a case to prioritise funding to ensure debt advice providers have the capability to give clients additional need.

We do not believe that this funding need can be met by commissioning a separate advice service for with additional vulnerable circumstances. This would complicate advice journeys for these clients, and as every advice provider will have clients with additional support needs, funding should be available to embed capacity to provide additional support in every provider. Here MaPS will need to work with the sector as a whole and take account of existing funding arrangements.

Specific services: MHCBS and economic abuse

That said we agree that there are specific classes of vulnerable situations that do require specialist debt advice support. Mental Health Crisis Breathing Space (MHCBS) is one example. Supporting clients who have experienced economic abuse in another. Our work with Bristol University on referral pathways cited earlier, highlights 11% of StepChange clients referred onto another organisation for support with abuse issues, including economic abuse. We would support MaPS allocating resources to meet these specialist advice needs that are not integral to mainstream debt advice.

Gambling addiction and debt

StepChange worked with Bristol University to research the needs of StepChange clients whose debt problems related to gambling addiction. The research[19] highlights that around 2% of StepChange clients had disclosed a gambling problem to StepChange, though some clients with a gambling problem may not disclose this at advice.

The research found that clients who disclosed a gambling problem were more likely to be higher income clients with higher unsecured debt, lower priority debts and less experience of enforcement action. As such these client debt problems could be dealt with by mainstream debt advice once their gambling addiction had been dealt with.

The key learning here was the need for debt advice providers to be able to identify clients with a gambling problem and to have a good referral partnership with gambling addiction support organisations. There is a further challenge of managing the debt problem and creditors while gambling addiction treatment has progressed far enough to make debt advice possible. Breathing Space can help here, but the Breathing space period may not be long enough to support all clients recovering from gambling addiction.

[19] Sara Davies, Jamie Evans and Sharon Collard, University of Bristol, Personal Finance Research Centre (2022). *Exploring the links between gambling and problem debt*. https://www.bristol.ac.uk/media-library/sites/geography/pfrc/documents/Exploring-the-links-between-gambling-and-problem-debt.pdf

As a result we do not believe there is necessarily a need for a specialist debt advice service for people dealing with a gambling problem. There is a need for the gambling industry to contribute to debt advice funding.

StepChange agrees with MaPS that there is a need to explore further how mainstream debt advice meets the needs of clients from ethnic minority communities and what we should learn from others working in this area to ensure debt advice is effective in supporting people from ethic minority communities.

Placed based services and service navigators

StepChange acknowledges the important role played by placed based advice services both in debt advice and other advice and support disciplines. **We are supportive of a strong role for community-based debt advice providers supporting clients in most need**. However we want MaPS to also work with national debt advice providers to clarify roles for online and telephone channels in meeting needs of vulnerable and deficit budget clients, that can be done well by national debt advice problems with appropriate funding.

However we do not believe that MaPS should prioritise funding *engagement and access* activity or supporting local advice centres as 'community assets'. While we agree these might be important aims, we do not believe they are an appropriate use of levy funding that is designed to support debt advice provision. It would be particularly inappropriate for MaPS, as an arm's length body of government, to use levy funding to replace funding for local advice centres that have been withdrawn because of government funding cuts elsewhere.

If MaPS were to pursue this idea, it should clearly identify a new and non-rivalrous funding source and be able to justify why such new funding should not support debt advice in furtherance of MaPS statutory remit. This is one for a much later commissioning round and not currently a priority.

We would make the same comment about 'service navigators'. We agree that there is a useful idea here but it does not look like a priority compared to supporting rising demand for debt advice. Here we would also point out that the consultation only raises the need for better navigation between services in the context of in person face-to-face support. We would also urge MaPS to support sector infrastructure that allows clients who want and need online or telephone advice to be referred to different services seamlessly and effectively.

In summary, our response to *Question 8* and *Question 9* is as follows:

- We agree that there is a need to support or further explore the need to support specific debt advice services to meet some of the needs outlined in the consultation paper. But this is a specific not a general need and should only be considered once the commissioning of core debt advice is operating effectively.
- MaPS should start by considering how mainstream debt advice can be supported to meet widespread needs common to all debt advice providers.

- MaPS should take a sector wide approach to supporting these needs, having regard to existing services and funding. As a result we do not think a competitive commercial commissioning approach is right for these needs. Where there are genuinely specialist needs that cannot be easily dealt with be mainstream debt advice providers MaPs should support specialist provision.

Question 10: Do you have any alternative suggestions the types of debt advice services with a specialism that MaPS should commission in the future? (Please provide supporting evidence where appropriate)

We have no response to this question at this time.

Question 11: Do you agree on the commissioning approach and principles that MaPS has set out? What feels most important to you? In your opinion is there anything we have not considered? (Please provide supporting evidence where appropriate)

StepChange broadly agrees with most of the principles set out in section 2.1, while raising questions with the way that those principles have been executed in practice. We believe there is a contradiction between the emphasis on collaboration in section 2.1 and the reality of a highly commercial application of competitive tendering. A core part of the solution to this contradiction is to revert to a grant regime, rather than the current contractual approach. This gives a stronger basis for genuine collaboration between providers (and additionally with MaPS) to ensure the sector operates in the best interests of clients. This also avoids 20% of debt advice funds being lost to VAT.

We would also highlight that Section 2.1 moves between the general and the specific in a way that does not give prominence to the truly strategic issues that this consultation needs to address.

On the principles

StepChange Debt Charity understands the need for competition to drive the right outcomes. Like other debt advice providers we operate in an environment where the majority of our funding is voluntary and competitive.

However with multiple funders and funding agreements of different types and durations, the risks of losing support from any single funder are not usually existential and not necessarily strategically limiting. There are different ways to ensure competition drives effective and efficient advice projects. For instance, through cost, through ability to build strong and trusting partnerships, through specialisation, through client acquisition, through appropriate scale and so on. The important point is to ensure to method of competitive decision-making works for debt advice providers, even if this adds some administrative complexity. In this respect MaPS approach to commissioning in not usual in the historic context of advice sector funding.

The advantage of this historic, more organic and decentralised approach to funding allows providers to work in partnership in some areas and compete in others. Innovation, challenge and sustainability are all possible.

The disadvantage is that a clear strategic purpose may not emerge from this network of relationships in a way that responses to emerging needs quickly. It is possible that the particular needs and requirements of funders can become misaligned with the needs of providers and clients. It is also clear that voluntary funding may not by itself meet client need.

For these reasons, debt advice providers and other charities strongly supported the introduction by the Financial Services Act 2010 of the 'consumer financial education body' (CFEB) and a levy to fund it. The hope was that the new body would co-ordinate providers in developing a strategic approach to provision and provide levy funding that added certainty to then then fragile financial capability sector.

Those principles of co-ordination, collaboration and strategic approach remain important. However the current MaPS approach introduces a highly commercial version of competitive commissioning. While it is administratively easier for MaPS, it is difficult for advice providers.

The approach on tendering on a small number of relatively large lots is onerously resource heavy for debt advice providers. It creates a 'winner takes all' approach that can expose debt advice providers to the 'cliff edge' of potentially existential funding shocks. It works through contracts, rather than grants, that can be inflexible to changing circumstances, needs, crises and costs. It also means, due to VAT implications, less funding in real terms may be available via contracts than grants.

Here we note adjustments to community-based volume targets[20], the delayed completion of regional 'lots' and disquiet from colleagues in the 'community debt advice' sector. It would fair to say that this approach to commissioning has not been unanimously popular with debt advice providers.

Recent research by 4OC commissioned by MaPS notes the need for discussion about future debt advice commissioning strategy. It highlights how a 'highly commercial commissioning model may not align with the current capabilities of providers within the debt advice sector' and that the approach was not 'closely aligned with… priorities in the debt advice sector'.

The 4OC research concludes that MaPS should 'consider which funding and commercial method will deliver the best outcomes…aligned with activity to achieve the longer-term strategy MaPS has for debt advice provision'[21].

This consultation has picked up some of the 4OC recommendations relating to meeting different client needs and working with smaller community-based debt advice providers. However it does not appear to address key questions about the current commissioning process, particularly from the

[20] Money and Pensions Service press release 14 April 2023. *MaPS makes changes to debt advice grants in response to increased complexity of client cases in community-based services*. https://maps.org.uk/en/media-centre/press-releases/2023/maps-makes-changes-to-debt-advice-grants-in-response-to-increased-complexity-of-client-cases-in-community-based-services

[21] 4OC for the money and Pensions Service (2023). *Funding and Operating Models of the Debt Advice Sector*. file:///C:/2024/MAPS%20DA%20delivery%20Jan%2024%20consultation/maps-sept-2023-debt-advice-research-outcome-report%20(2).pdf

perspective of larger debt advice providers where the risks and difficulties of this commercial commissioning approach can be magnified.

The current approach to commissioning may also misallocate resource allocation away from a range of important client needs by incentivising providers to concentrate innovation solely or mainly on meeting commissioning requirements. For instance, we estimate that building the capacity to deliver the Breathing Space scheme at scale cost StepChange in the region of £2 million. Generally speaking, other providers have not invested in or adapted systems as quickly or as deeply as StepChange in response to the policy. As a result Stepchange has supported almost two thirds of all breathing space applications since the scheme began. This development cost was not specifically funded and this may be a root cause of others not investing so deeply or swiftly in a key policy which benefits consumers.

While our research shows this investment has resulted in good outcomes for our clients, it did not help us in the commissioning process. StepChange cannot raise innovation capital in the same way as private firms, so allocating scarce resource to implementing Breathing Space means that resource is not available to improve our competitiveness against commissioning requirements.

The issue here is not about competition per se. As the 4OC research highlights, it is about the specific form of competitive tendering that MaPS has applied to debt advice funding. Therefore we believe there is a compelling reason for MaPS to rethink this approach to commissioning with a view to developing a model more suited to developing a healthy, collaborative debt advice sector. As part of this, MaPS should return to grants rather than contracts for all of its debt advice services. This would allow more flexibility, and avoid MaPS funding being subject to VAT. Therefore more funding would go directly to frontline services providing better value for money to levy funders. On the assumption MaPS commissioning remains at around £80m a year, VAT would total around £15m a year (although the impact would be smaller where advice providers can offset input tax).

On creating a collaborative approach

Here MaPS needs to be clear what it means by 'a collaborative ethos that flows from our commercial requirements. Involving debt advice providers as in input to a commissioning development process is a very different thing to encouraging collaboration on service delivery to support more clients with a wider range of needs.

The UK Strategy for Financial Wellbeing repeatedly mentions the importance of effective systems in delivering good outcomes. Debt advice provision is described as one such system. We agree that current debt advice provision involves a number of organisations serving different needs and solutions through different channels. We know that these organisations need to co-operate with each other to ensure people get the help they need.

Around 15% of referrals to StepChange come from other debt advice providers in respect of clients and StepChange refers 21% of clients to debt advice and other services for needs like mental health support, specialist income maximisation and economic abuse support[22].

MaPS debt advice strategy should focus on adding value by increasing co-ordination between debt advice providers. An example would be supporting effective referral routes between debt advice providers where clients have multiple or specific needs. However it is not at all clear that collaboration between debt advice providers is stronger following MaPS commissioned contracts. For instance contractual volume requirements and penalties may incentivise providers to hang on to clients, due to payment being made for time spent on a client's case, where onward referral would be more efficient and better for client outcomes. More generally, we believe the incentives for debt advice providers to invest in collaboration are likely to be reduced by the particular form of competition introduced to the sector by commissioning.

Question 12: Do you agree with MaPS' broader intent around collaboration, and do you have any ideas on how we should best deliver on this? (Please provide supporting evidence and examples that you consider to be best practice of this way of working where appropriate)

Our answer to *Question 11* highlights the contradiction between a collaborative approach to pre-commissioning information gathering and a highly commercial competitive approach to commissioning.

There is a strong theme in this consultation that client need is best served by a healthy collaborative advice-giving ecosystem. We strongly support that concept and would like to see more detail on how MaPS will use the resources at its disposal and its convening power to make that happen.

Chapter 2.1 outlines the need for MaPS to work with a range of other organisations to understand what people in debt need. Our comment here is that we do not see this consultation following that approach. MaPS has taken time to outline a number of ideas to develop the scope of debt advice and provide more support at the boundary of mainstream advice. The consultation says less about dealing with the volume of mainstream debt advice needs over the strategy period up to 2028.

StepChange and other debt advice providers produce and have the capacity to produce a range of insight on trends in people approaching advice, what different clients' needs are, how services work for clients and where we can prioritise development. Here we felt the consultation could say more on how MaPS will work with the debt advice sector to build understanding of client needs and service development issues.

This is a sector wide issue, so MaPS should consider how it might support debt advice providers to develop their own insight both as a service development tool and a resource for sector wide

[22] Evans, J. and Collard, S. (2023). Joined up: supporting debt advice clients through strong referral partnerships. Personal Finance Research Centre, University of Bristol.
https://www.stepchange.org/Portals/0/23/policy/Joined%20up_report_Bristol_University_StepChange.pdf

strategic planning. This is very different from MaPS conducting research 'on behalf' of the sector which is not necessarily a collaborative approach.

We welcome the adviser panel and the Debt Advice Reference Group (DARG) and agree that MaPS should continue with these groups. We encourage these to be an open forum, sharing challenges and best practice across the sector.

Question 13: Do you have any views on the approach MaPS should use to ensure our commissioning practice is shaped by an understanding of inequities and intersectional disadvantage and able to address these accordingly? (Please provide supporting evidence and examples that you consider to be best practice of this way of working where appropriate)

We warmly welcome this focus on inequity and intersectional disadvantage from an arm's length public body sponsored by the Department of Work and Pensions. Our own research repeatedly shows that problem debt and vulnerability to debt are unevenly distributed across the UK population. This patterning echoes the distribution of low financial resilience as reported in the FCA *Financial Lives* surveys.

We undertake significant User Experience research when designing new products, communications and processes, including our Back Office Optimisation project. This is to make sure our service is as accessible and user-friendly as possible.

Our client research shows how multiple facets of people's circumstances can layer to produce patterns of disadvantage that can translate into poorer debt advice outcomes[23]. While a significant proportion of these differences are likely to result from accumulated public policy decisions, there are questions about service design, client engagement strategies and resource allocation to meet different needs.

Our research on debt advice outcomes highlights significant differences in the outcomes experienced by different groups of clients, with deficit budgets and not being in a debt solution after advice key indicators of poorer outcomes. More work is needed to map these outcomes onto different client groups, but the evidence we have so far points to be an intersectional layering to experiencing poorer outcomes following advice.

As in our answer to *Question 12*, we would welcome the opportunity to collaborate with MaPS and other organisations to build a stronger picture of the relationship between inequities and intersectional disadvantage. We believe MaPS should allocate some resource to enabling this as a key input to future strategic planning. Such a focus would help sharpen a working definition of 'most in need'.

Finally we note that tackling inequity and intersectional disadvantage raises broad and complex public policy questions that will go far beyond MaPS' statutory remit. We have previously highlighted

[23] See for instance p24 of StepChange (2023). *Bearing the burden: Unravelling women's debt dilemma*. This shows an intersectional analysis of StepChange client data revealing differences between groups of women clients in areas like the proportion with a deficit budget. https://www.stepchange.org/Portals/0/23/policy/burden/Unravelling-Womens-Debt-Dilemma-Report-Nov-23-StepChange.pdf

the need for MaPS to concentrate its effort on ensuring the debt advice eco-system works in a cost-effective way to meet different client needs. In section 2.1 MaPS highlights the need to collaborate with other funders. We agree that the debt advice funding base needs to broaden to firstly meet current 'in-scope' debt advice needs (where there is still a very large gap between need and supply).

Here we strongly urge MaPS to fulfil its statutory remit to work with existing non-levy funder-provider relationships and use levy funding to fill in the gaps. We know that existing debt advice services can support a wide range of needs. MaPS will need to be clearer about which service types and channels are able to meet different specific needs in a way that maximises demonstrable value from limited debt advice funds. For instance, needs that are best served by community-based advice, and needs that are best served by National debt advice providers. Here we agree that there is a lead role for MaPS and levy funding to support debt advice needs that are underserved by existing funding and services.

Question 14: Do you have any views on the approach MaPS should use to ensure our commissioning practice is shaped by the voice and lived experiences of people in debt? (Please provide supporting evidence and examples that you consider to be best practice of this way of working where appropriate)

StepChange regularly seeks views from our clients on their experiences of StepChange services and their experiences with issues relevant to our policy work. We are happy to share our findings with MaPS and work with MaPS to gather views and experiences of our clients where we can. User Experience research extensively informs our approach to making changes to our omni-channel client journey and solution servicing.

We recently hosted a focus group with a number of clients, alongside two of our Trustees. This was an important session for our Trustees to have their knowledge (and therefore decision-making) strengthened by the experiences our clients have.

When we were still MaPS funded in 2021, two of our case study clients spoke on the telephone with former MaPS CEO Caroline Siarkiewicz to share their stories of being in debt, seeking help and the change in their lives they had experienced as a result. We would encourage MaPS to take the opportunity to do more of this type of activity.

We are committed to actively looking to employ people at all levels in StepChange with lived experience of debt and have recently recruited Trustees with lived experience of debt. We would encourage MaPS to do the same.

Question 15: Do you agree with MaPS' understanding of the impact that changes in our funding and strategic approach can have? What feels most important to you? In your opinion is there anything we have not considered? (Please provide supporting evidence where appropriate)

We welcome MaPS recognition that changes to funding can have a profound impact on debt advice providers, including challenges to continue as a going concern. However recognition is not the same as mitigation, so we do not agree that 'going as far as it is possible to avoid negative impacts' is the right standard for mitigation.

We agree that simply maintaining an 'as is' status quo is wrong. However MaPS should be clear in identifying the impacts of changes it proposes. MaPS should be able to describe, explain and quantify the benefits that are expected from a change and any negative outcomes and where the impact will be felt. Given the points raised later in this consultation on staff welfare, MaPS should give particular weight to the negative consequences of losing valuable talent, knowledge and experience from the sector that may flow from funding changes.

We would again urge MaPS to further consider how to address 'cliff edge' funding shocks to debt advice providers as a part of a strategy to mitigate against the negative outcomes of necessary change.

Question 16: Do you agree with the opportunities MaPS has set out in working with other funders of advice? What feels most important to you? In your opinion is there anything we have not considered or downsides we have not thought of? (Please provide supporting evidence where appropriate)

We agree that MaPS should pursue opportunities to work with other funders to improve the support available to people who need help with problem debts. We agree that people may have other needs like housing advice, welfare benefits advice and so on. Here we note previous government approaches to support multiple advice disciplines, such as through civil legal aid, alongside initiatives to encourage services to join up where possible.

That said, we do not believe it is viable for debt advice funding to be diluted further. There may be more than one route to achieving the outcomes MaPS wishes to see. For instance, we would recommend the most effective route to delivering holistic support might be to join providers up through better referral partnerships, closer working relationships and safe and effective data transfers.

This would not necessarily require a 'funding master plan' but might require funders to work together to facilitate infrastructure that could bring the broader advice sector together. For instance building better digital connections between advice providers might provide a type of holistic advice provision that co-operation between funders would not. **There is perhaps an important distinction between 'joining up' being provider led or funder led that needs to be explored.**

In short, section 2.3 raises an important idea about meeting multiple needs, but MaPS does not need to quickly jump to a funder led approach to taking this forward. This issue needs further exploration, particularly on the role and agency of advice providers themselves.

MaPS still has a statutory duty to ensure debt advice is available to those who need it. Focusing on this aim does not necessarily mean a narrowing of focus because that objective is broad, vital and essential in and of itself. **The need for benefits, housing or employment advice does not lessen the need for debt advice.**

Here it is not clear whether the fundamental problem is poorly articulated advice services, or simply not enough funding in areas like welfare benefits advice to meet that need. So funders aiming to bring these services together should be careful not to dilute the capacity of any one element.

In this respect, this consultation has not explained why trading off scale of coverage for depth of coverage is the right decision. A clearer and tighter definition of 'most in need of debt advice' funded by the levy may help here. Although the scale of that debt advice need is likely to challenge moving levy funding to other advice or support needs. However neither MaPS, debt advice nor the wider advice sector has yet made a compelling case that any declining value of advice services for the most financially or otherwise vulnerable people can be improved by more joined up advice, rather than by better public policy.

Question 17: Do you have any views on how MaPS should embed our ways of working with other funders of advice? (Please provide supporting evidence and examples that you consider to be best practice of this way of working where appropriate)

This is largely covered in our answer to *Question 16*. However we would urge MaPS to consider how to avoid creating further 'cliff edge' risks by joining up different funding streams.

Question 18: Do you agree that MaPS should continue with these activities?

Question 19: Do you have any views on how these activities should be prioritised or additional views you want to share on these activities? (Please include any supporting evidence to illustrate your reply)

We welcome MaPS concern for the wellbeing of the debt advice workforce and agree that work to improve colleagues' wellbeing should by a prominent part of a debt advice delivery strategy. So we agree that MaPS should continue with these activities. However MaPS should clarify the scope of these activities and the expected outcomes.

Our starting observation is that the **primary responsibility to ensure the wellbeing for people working in debt advice rests with their employers, the debt advice providers.** MaPS will need to ensure that it works closely with employers on wellbeing initiatives. MaPS engagement with debt advice colleagues through the adviser panels should not create expectations that cannot be delivered. MaPS should be conscious that it only provides 25% of debt advice funding. Whilst MaPS should allow scope for organisations to really look after funded advisors within the funding envelope, any initiatives it takes on pay and conditions may affect the majority of the debt advice sector that MaPS does not fund.

Our second observation is that there is a lot that debt advice organisations can do to support good wellbeing for their own employees. So we do not fully agree with the way this issue is framed in this consultation. Some of the trends in this consultation around advisor wellbeing are alarming, but this bleak picture is not representative of StepChange colleagues. There is, of course, always more to do, but over the last two years, we have seen an increased colleague engagement score (the highest score we have seen from service operations colleagues to date), as well as a reduction in both sick days and attrition. Some of the actions we have taken are as follows.

- StepChange takes views and feedback from colleagues in various different ways and maintaining high colleague engagement is a priority for senior management.

- We know that the intense pressures bringing people to debt advice often require emotional support that can impact adviser wellbeing. Advisers can use a 'me-time' function take time out from talking with clients when they need to regain their composure, or seek support from their team leader, or support from our trained mental health first aiders or our employee assistance programme. Colleagues can also utilise flexible working to manage their wellbeing.
- Because of the way our service is organised, we are able to predict volumes and where the hot spots might be and tactically plan resource accordingly to mitigate any adverse impacts to colleagues. We monitor pressures on adviser time and establish a minimum level of 'down time' as an indicator of advisor wellbeing and workload stress.
- Colleagues are supported by in-house and external training and we have an in-role development programme and an accredited Leadership Programme that all Team Leaders and Managers have undertaken.
- Our advice process is supported by significant investment in technology and the role specialisation that our way of working and organisational scale allows. This minimises the administrative burdens for debt advisers.

These initiatives have had a positive impact on key measures of colleague wellbeing like increased engagement and retention and reduced illness.

The key point here is that colleague wellbeing rests on significant investment in support from employers. As a large debt advice provider, StepChange has a professional People and Culture team, leadership support for advisers, technological support for demand management and mechanisms for effective feedback.

We know that managing demand can be very challenging for community-based advice services, and advisors are bound to feel overwhelmed at times, especially given the complexity of cases. MaPS main mitigation strategy appears to be to reduce volume targets. This may help adviser wellbeing in the short term but does not forward the strategic aim of closing the gap between debt advice demand and capacity.

An effective debt advice delivery strategy should ensure that efficient delivery and colleague wellbeing are not in an unmanageable tension. That means working closely with funders and debt advice providers on solutions to colleague wellbeing. It also means thinking hard about the structure of debt advice delivery and the respective roles of large-scale providers and smaller local providers on capacity and need.

Question 20: Do you have views on whether MaPS should progress these additional activities to improve how the sector supports the debt advice workforce? How should MaPS prioritise these activities against the other areas where we could have an impact i.e. funding debt advice delivery?

Question 21: Do you have any alternative suggestions about activities MaPS could be undertaking to improve how the sector supports the debt advice workforce?

We agree that, as a significant funder with statutory responsibilities towards debt advice, MaPS should progress these activities. It will be important for any discussions on areas like colleague wellbeing, pay and retention to be at a sector wide strategic level, while fully reflecting the specific needs and situations of individual debt advice organisations. MaPS must progress with care.

We note the discussion in this section on training and competency frameworks. This highlights previous calls for a 'single recognised qualification for the sector'. While we would support development of transferrable qualifications we would urge MaPS to ensure that any such qualification is relatable to different debt advice models and does not exclude any particular debt advisers. The cost to individual providers also needs to be considered, particularly those who already invest in having accredited Money Advisers in Scotland.

We would also urge MaPS to consider how a competency framework reads over onto any regulatory requirements by the FCA. It will be important to ensure, so far as possible, that any competency framework applies across the sector as a whole, while taking account of the different way debt advice is performed in different organisations. Cross-cutting universal standards such as found in the FCA Consumer Duty should form the basis of a common approach to competency, and perhaps MaPS could support a 'levelling up' in understanding of Consumer Duty across the sector. Any attempt at a competency framework must be manageable, as the current MaPS Standards already present challenging standards all funded providers must meet, regardless of service model.

Here we note that measures to improve colleague wellbeing and retention and adviser competency will have cost for providers. MaPS will need to consider how these plays into commissioning in terms of any provider requirements and the cost of delivering them.

We would welcome a role for MaPS in sharing best practice in areas like recruitment, job adverts, colleagues benefits and training.

Question 22: Do you agree that MaPS should continue with these activities?

Question 23: Do you have any views on how these activities should be prioritised or additional views you want to share on these activities?

We broadly agree that MaPS should carry on with these activities. However there is a lot more potential detail underneath the four headline activities in 4.1.1. We would welcome more in-depth discussions with MaPS on this. Again, we urge MaPS to progress these activities carefully and on a sector-wide basis.

Our concern here is that section 4.1 appears to present a number of views on digital service delivery that we do not support and which bias the conversation that follows. Our observations on pp-31-33 of the consultation are as follows.

On p31 MaPS appears to downplay the need for technological development by saying costs would be high, resources would be diverted from the front line and 'optimism bias might overstate the benefits of digitally based transformation programmes'. We agree that there are short term tensions between resourcing front line delivery and infrastructure transformation. But there are likely to be much larger long-term costs of not investing in sector transformation that can improve capacity, quality and scope of service delivery. For instance, improving income maximisation outcomes within debt advice will only be achieved at scale through infrastructure development.

On p32 MaPS points out that digital delivery may present challenges for some clients with low digital literacy. We agree, but digital delivery also offers increased access for many clients in a way that best suits their needs and choice of how to access debt advice. This is why StepChange has invested heavily to develop an omni-channel approach and why we support the continued funding of face-to-face debt advice for clients who need that support. So we fundamentally disagree with MaPS argument that 'where we think the use of technology may present more opportunities…is… to support backend processes.' We do not see how the debt advice sector will be able to help more people with more needs without investment in infrastructure, including technology.

That said, we do agree that applying technological solutions to backend process in also extremely important. StepChange would welcome the opportunity to share our experience on issues like improving communications and information we send to clients (such as StepChange equivalent to the confirmation of advice letter).

We note and agree with MaPS' comment on p31 on the difficulty debt advice charities can have with capital expenditure. However we noted earlier that this is possible, citing StepChange's capital investment in building capacity to support Breathing Space applications (as debt advice providers are required to do by the Breathing Space regulations[24]) at volume. This essential investment was not specifically funded, so we believe there is a clear need for MaPS to provide capital investment where this can benefit the debt advice sector as a whole.

We also note MaPS' comment that 'Commissioning for debt advice offers an opportunity for successful bidders to secure funding for technological investment… but this potentially widens the gap between debt advice providers technological capabilities'. We raised a concern earlier in our response that the way MaPS approaches commissioning creates an unlevel playing field for not-for-profit providers who face constraints on securing investment capital. MaPS appears to recognise this issue in this section without fully addressing it. As a result we believe MaPS should focus on addressing concerns raised about the commissioning process before moving this strategy forward.

[24] See SI 2020 No.1311: The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020. Regulation 24 (1) states 'A debt advice provider must consider any application for a breathing space moratorium made to them by a debtor'.

StepChange has prioritised investment in technological advancement and as a principle we are happy to share experience, learning and technology with the broader sector to improve client journeys and outcomes. However in the context of the current commercial approach to commissioning, this risk of giving up comparative advantage in a future commissioning round has a chilling effect on collaboration.

Given the challenges to develop debt advice capacity (extensive margin) and content/ scope (intensive margin) simultaneously, we do not believe that an 'ad-hoc' approach to infrastructure development is strategic. Here we note that HM Treasury provided MaPS with £12 million for technology investment in response to the pandemic, and just a fraction of this was spent. It demonstrates the capacity limits of a public body to deliver technology within the one-year time horizon of its funding cycle. MAPS might consider how it improves its approach to distributing capital funding that is available and how it works more closely with the sector on this.

Question 24: Do you have views on whether MaPS should progress these additional activities to help make debt advice easier to deliver in the future? How should MaPS prioritise these activities against the other areas where we could have an impact i.e. funding debt advice delivery? / Question 25: Do you have any alternative suggestions about activities MaPS could be undertaking to drive continuous improvement and support the sector to adopt new and emerging technologies?

We agree that there is a need for MaPS to support the debt advice sector to embed new and emerging technology that can deliver better support to more people. We are not convinced that MaPS is particularly well placed to develop a technology horizon scanning function. However, MaPS may be well placed to support a co-ordinated approach by the sector to do this, as some debt advice providers have considerable technological expertise. We believe a grant giving environment might reduce the challenges MaPS faces in moving forward technology investment, compared to the current contractual one.

There are remaining questions here on innovation governance. For instance, MaPS should support consistent and ongoing funding to support infrastructure development across the sector (MaPS should make this a strategic priority), while ensuring that this does not confer advantage to any particular provider in the context of competitive commissioning.

Implementing technology is often framed as a set of specific tasks to be developed, delivered and completed. However this can lose sight of real-world challenges without clear and effective governance. We note here the experience we had with the EY Digital Collaboration Project, which did not succeed due to timing and scope, but used considerable resource in the journey to that realisation. A sector approach to technology innovation is important but is likely to require further detailed discussion to move forward. An effective debt advice delivery strategy needs to take a long-term approach to infrastructure projects that includes meeting ongoing maintenance costs and workforce integration.

StepChange would support work to develop a common data framework. As we note previously, this should start with a common framework for reporting debt advice activities in a consistent way to allow better comparison between providers. The resource priority choices underpinning continuous improvement and adapting emerging technologies will require a stronger data foundation and evaluation methodology than appears to exist at present.

Question 26: Do you agree that MaPS should continue to provide these activities?
Question 27: Do you have any views on how these activities should be prioritised (including the prioritisation of which sectors are referral partners into debt advice) or additional views you want to share on these activities? (Please include any supporting evidence to illustrate your reply)
Question 28: Do you have views on whether MaPS should progress these additional activities to increase awareness and engagement with debt advice? How should MaPS prioritise these activities against the other areas where we could have an impact i.e. funding debt advice delivery? (Please provide supporting evidence where appropriate)
Question 29: Do you have any alternative suggestions about activities MaPS should be undertaking to increase awareness and engagement with debt advice?

We welcome the focus in this consultation on addressing barriers to seeking advice. Our own client research repeatedly finds a half of our clients waiting a year or more from worrying about debt to seeking debt advice. We agree that some of these barriers relate to issues like stigma and low awareness about debt advice. Here our research[25] shows that policy change can lower some of these barriers. For instance:

- By changing the language and format of collections communications and statutory notices that produce negative emotional responses for people in financial difficulty.
- Requiring creditors to give better explanations on how debt advice services can help, rather than just telling people it exists.
- Implementing the FCA Credit Information Market Study proposals on consistent credit reporting[26].

We support initiatives to create more routes into debt advice through new partnerships with other service providers. Initiatives like the Money Adviser Network (MAN) can help here, but we strongly urge MaPS to be careful in not disrupting existing referral partnerships that are highly effective in helping people to debt advice.

We are not convinced that large scale generic awareness raising campaigns will be effective, as they have not worked, when carried out by MaPS, in the past. However MaPS are in a position to galvanise support for sector wide initiatives which raise awareness of free debt advice and encourage engagement, such as the annual Debt Awareness Week led by StepChange.

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[25] Amplified Global and StepChange (2022). *Mixed Messages: Why communications to people in financial difficulty need to offer a clearer, better route to help.* https://www.stepchange.org/Portals/0/assets/pdf/2022/policy/mixed-messages-report-2022.pdf

[26] Financial Conduct Authority (2023). *Credit Information Market Study Final Report.* See paragraph 6.16 onwards on the industry lead remedy on common data format (remedy 2b) and borrowers in financial difficulty. https://www.fca.org.uk/publication/market-studies/ms-19-1-3.pdf

We strongly support MaPS continuing to work with government and regulators to address harmful, misleading and fraudulent advertising for debt advice and solutions online and in social media. StepChange is ready and willing for further work with MaPS on this issue.

We are broadly supportive of work to explore a common framework of what debt advice delivers in a more consistent way. However MaPS would probably need to address the 'scope' of mainstream debt advice questions raised earlier in this consultation before progressing this.

Question 30: Do you agree that MaPS should continue to provide these activities?
Question 31: Do you have any views on how these activities should be prioritised or additional views you want to share on these activities? (Please include any supporting evidence to illustrate your reply)

We welcome the focus in section 6 on MaPS' role in influencing across government. We also welcome the recognition of the role that debt advice charities play in producing insight, policy research and campaigning activity that make the case for policy change that drive improvements for people in problem debt. We welcome the opportunity to collaborate with MaPS on policy issues but highlight that debt advice charities do not generally need MaPS to co-ordinate this work. However we think there is a particularly important role for MaPS in government to address problems with public sector debt management practices and operational issues in the relationship between government and debt advice delivery.

We agree that MaPS should continue to facilitate DARG, work across government on the issues outlined above and work with the devolved administrations. We also welcome MaPS involvement in the Government Debt Management Function (GDMF) Fairness Group, working with debt advice charities, government departments and other stakeholders to improve the debt recovery practices of public sector bodies. StepChange welcomed the government's Debt Fairness Charter[27], while highlighting the need to move towards better standards and oversight in respect of all public sector debt management practices relating to debt recovery from individuals. MaPS should continue to advocate within government for further policy change. MaPS might also consider how it can support the policy advocacy work of debt advice charities, as this is important in addressing issues in the policy landscape in a way that can significantly reduce debt vulnerability and debt related harm in the UK.

Question 32: Do you have views on whether MaPS should progress these additional activities to better understand the value of advice and/or to drive more UK wide collaboration? How should MaPS prioritise these activities against the other areas where we could have an impact i.e. funding debt advice delivery? (Please provide supporting evidence where appropriate)
Question 33: Do you have any alternative suggestions about activities MaPS should be undertaking to through our policy and influencing work?

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[27] Government Debt Management Function (2004). *Debt Fairness Charter*. https://assets.publishing.service.gov.uk/media/65eef3e95b6524100bf21aa8/Debt_Fairness_Charter.pdf

We strongly support work by MaPS to develop a common approach to measuring the impact of debt advice services. Here MaPS should work closely with debt advice providers. We believe it is important for debt advice *providers* to be able to measure their own outcomes, as this is an essential tool for continuous improvement. In this work, MaPS should aim to enable and empower debt advice providers to measure outcomes, while also collating data to provide a sector wide view.

We would also welcome the opportunity to work with MaPS on improving referral routes both into and out of debt advice. This was highlighted as a priority in our work with Bristol University on referral pathways cited earlier in this response. Improving referral pathways will require debt advice providers and other support organisations working together.

Finally we believe that MaPS can build on the work it has done on misleading online debt advice promotions to work within government and with regulators to ensure high advice standards across all debt advice providers, and in particular to address regulatory arbitrage issues between the FCA and Insolvency Practitioner oversight regimes in terms of advice standards, redress and other consumer protection issues. MaPS continues to have a role to ensure public sector creditors and sector regulators promote free debt advice.

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