

towards a new counselling

annual review 2006

Foundation for Credit Counselling
Britain's leading charity for people with debt problems

chairman's introduction

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The efficient use of information plays an important part in our work to help people in debt. This year it has become fundamental to our ability to provide help to all those who need it. With demands for our service still at runaway levels at the start of the year, the trustees resolved that the only way the charity could satisfy need was by offering everybody the method of advice which suited them best.

We accelerated the development and launched in September a world leading expert system based on the decision logic of our counsellors and data collected during fifteen years of work.

We always knew there was demand for the less intrusive approach of the internet but the success of CCCS Debt Remedy has taken us all by surprise: over 68,000 users by the end of the year in addition to the record numbers reaching us by telephone.

By the end of 2007 we shall be helping as many people again through CCCS Debt Remedy as we help through our normal channels, doubling our reach for a marginal increase in cost.

Over the last 12 months, CCCS has expanded in more traditional ways. Staff numbers have doubled in two years and we have taken on extra space in Leeds, Halifax, Newcastle and Eastbourne. With staff now topping 600, we do not plan to continue our physical expansion at anything like the same rate and are confident that our commitment to technology and efficient systems will ensure that we meet demands.

Lenders remain highly supportive of our service. In particular we were pleased by their positive response to the trustees' decision to set up a new company to provide Individual Voluntary Arrangements. The IVA marketplace is a controversial one but, in the right hands, IVAs provide the best way of dealing with a proportion of debt problems. Creditors share this view and are aiming to impose our standards on the for-profit sector, which has seen its share prices tumble as a result.

Externally, interest in our work remains high and we have welcomed a record number of visitors to Leeds and other centres from both the UK and overseas. It is our aim to accommodate such requests and on top of everything else, it makes for a busy life.

We were particularly pleased to welcome a strong team from the US Office of the Comptroller of the Currency led by Sam Golden. OCC, a US equivalent of our FSA, has been a good friend in helping us understand American lenders who support us.

There were high level visitors too from South

Africa, Malaysia and Singapore. Our technology is increasingly suitable for export and with equivalent ethos and governance it can make a difference worldwide.

The main domestic focus was on our meeting for lenders in November. We operate a kind of open book management with them, sharing numbers and plans. This year they also heard the detailed plans for our move into IVAs. Our approach, policies and pricing were welcomed and formed the basis of the plans put forward by the British Bankers Association and the Insolvency Service.

There were visits and return visits with the Community Legal Service as we strove to create a new and efficient way of working together so we could jointly give a seamless and free service to people with debt problems who had contacted CLS Direct. We reached an exemplary solution.

The expansion of our service, the increase in staff numbers and the drive for efficiency required a high degree of commitment and flexibility. Gordon Bell

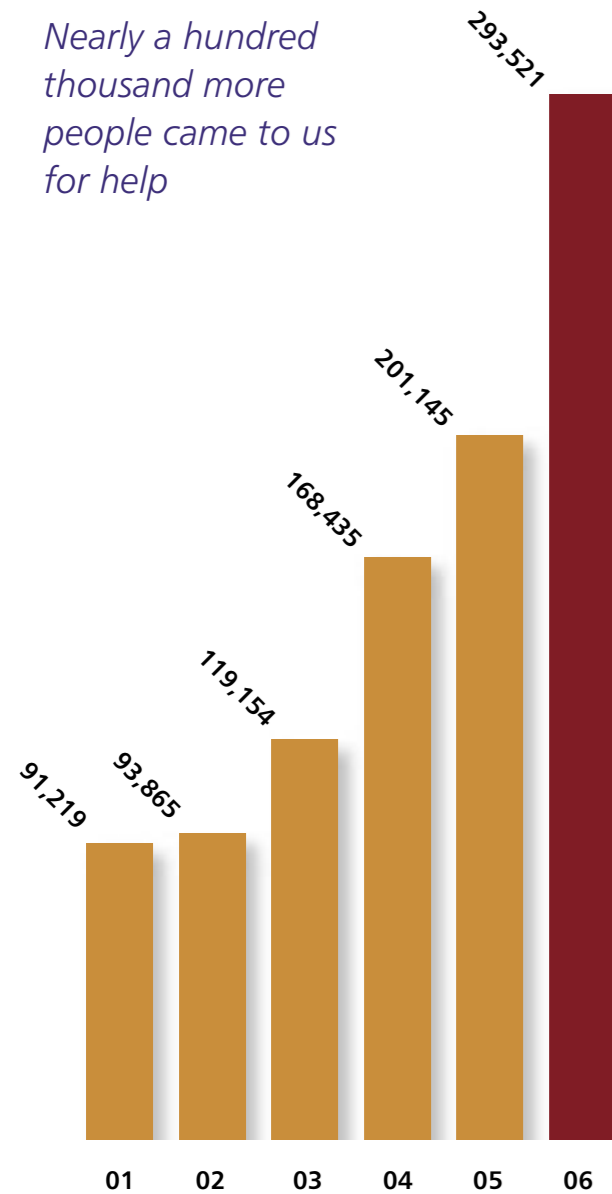
Sam Golden (second from right), national bank ombudsman of the Office of the Comptroller of the Currency, came with colleagues to see our latest developments. OCC is a US equivalent of FSA.



and his management team, together with the staff at CCCS have provided plenty of both while continuing to deliver a much needed service to hundreds of thousands of people – a view endorsed in the many letters, phone-calls and emails received from grateful clients. And that is how it should be.

Malcolm Hurlston, Chairman,
Foundation for Credit Counselling

Nearly a hundred thousand more people came to us for help



innovating

In 2006 the Foundation began to reap the rewards of its focus on technology and systems. 'Process re-engineering' and 'smart targeting' may sound unfamiliar in the world of charities but we are sure that we can only meet the demand for our service through innovation and creative use of technology.

We have focussed our efforts on four aspects: creating greater access to our services through new media channels; improving the flow of information between our clients and their creditors; improving access to information and simplifying procedures for notifying change; and taking fuller advantage of existing electronic facilities, such as the internet and BACS.

By the end of 2006, CCCS was managing repayment plans worth £2.3bn on behalf of 74,000 people. Managing such a volume of payments and the accompanying information is a substantial task, particularly as the flow is by no means consistent. People on debt management plans are vulnerable to

change and are sometimes forced to miss payments; if life improves, they may be in a position to repay more quickly. Flexibility is one of the advantages of debt management plans but this requires skilful management, easier done on this scale electronically than manually.

Most payments to creditors are now electronic using the banks' own automated clearing system, BACS. We can streamline this process further by encouraging our clients to use direct debits. Electronic processes help our team in client support to maintain better contact with clients, to know when payments have been missed and to carry out regular reviews. The repayment process becomes transparent as balances can be checked to ensure there are no nasty shocks at the end of the repayment process, such as from added interest and penalties.

Increasingly the whole repayment process is handled electronically and now more than 40 percent of our repayment proposals are sent over the wires to creditors. The increasing number of creditors who

Growing at 40 percent:

- Calls to helplines up 46 percent
- Counselling sessions up by 46 percent
- Debt Management Plans increased by 43 percent
- Payments to creditors up 41 percent

have chosen to do so can access proposals using their own dedicated, bespoke and confidential section of the CCCS website. As well as accepting or rejecting proposals, creditors can use the website to access a raft of information about plans, track payments and check balances.

Contrary to the common perception, increasing automation allows us to offer clients a more personal service. We are light years away from the days of topping and tailing the computer-generated letter. Despite the numbers of people helped daily, our systems are able to draw on counsellors' experience, refine the solutions available to people in debt and to identify the optimum solution for each person – hence 'process re-engineering' with its Big Brother connotation is actually helping us to deliver more individual solutions. The quicker and more perceptive we are in dealing with clients' problems, the happier they are with our service.

Our web-based membership services for clients and creditors are making a substantial difference by cutting

costs and reducing routine queries and phone calls, making our operation more efficient and freeing staff to deal with more complex issues as well as clients who are not comfortable using online services. As a measure of success, response rates for answering phone calls were up across the charity. Calls to CCCS more than doubled last year to over 900,000, of which almost half were to the customer services team which supports clients already making repayments.



"Customer Services deals with general enquiries from DMP clients and their creditors. During 2006, we answered over 430,000 calls and dealt with over 250,000 queries and plan amendments via post, email, web and spreadsheets. To handle the volume increases, we almost doubled the size of the team."
Joanne Prosser, Customer Services manager

About Debt Remedy:

"Wow – what a service."

"What a brilliant and quick and easy online tool to use."

"Very easy to follow, easy to complete. Good idea to save what you have done and go back to it later. Counsellors were very helpful when I phoned with the couple of queries I had. If I had known how easy it would be, I would have done it months ago."

"It's great that your service is available online, it makes it so much easier to start the process of climbing out of the hole that people such as myself find ourselves in. Thank you all."

surging ahead

The aim of the charity is to be the leading provider of free debt advice in the UK. The charity and its trustees are committed to both finding new ways of reaching out to people in debt and new ways of helping them. With this in mind, we launched two major new developments in 2006: the first is a world first, the second is a first for a British debt charity.

Online counselling

Against the knowledge that an increasing number of people in the UK are regular users of the internet, CCCS launched (unannounced) the world's first virtual debt counselling service, CCCS Debt Remedy, in September 2006. By clicking on to the Debt Remedy section of the website, people with debt problems can go through the whole counselling process anonymously, receive personal solutions and sometimes go further to arrange a direct debit to be

paid to CCCS for onward disbursement to creditors – and it is only then that users have to surrender their anonymity.

CCCS Debt Remedy was created out of our experience of counselling over many years. By analysing client data, we have been able to create a model for 'best advice' allowing us to build an expert system, accessible through our website. The system was three years in the making and depended on our ability to capture comprehensive information about clients and their lifestyles – household information such as numbers and ages of children, car ownership, and pet ownership as well as detailed financial information, including assets and liabilities. This information is captured as part of the normal counselling process and contained in our 'warehouse' which means that CCCS Debt Remedy is essentially a by-product of our existing infrastructure and processes.

Launched with some trepidation – no one had done

it before – CCCS Debt Remedy has proved robust and extremely popular with clients. Despite the 'quiet' launch, 68,000 people had used it by the end of the year.

Online help is available at all stages of the process, and a dedicated web support team, based in our Leeds centre, can be called from any web page. Somewhat to our surprise, most users have completed the counselling in a single session – it is possible to leave off at any stage, to go and check details of financial income and outgoings for example, and then re-enter at the saved position using a unique web number.

The average session takes about 23 minutes and only one user in six has asked for help over the phone. Most of them, after receiving help 'offline', prefer to return to the web to complete the process.

Clearly CCCS Debt Remedy is preferred by people who are comfortable in 'cyberspace'; for them help is now at hand at a time which suits them, any time night or day. For CCCS, it is a cost effective way of reaching more people: with full support, it costs the same amount of money to counsel 30 people online as it does to provide counselling for one person over the telephone.

In many ways CCCS Debt Remedy is a logical extension of the web-based services launched last year which gave clients online access to their account, but it is worth noting that even in the United States,

where both credit counselling and the internet were invented, virtual counselling has yet to arrive. The foresight of the Foundation's management and the hard work of the team have produced a unique result.

CCCSVA

Individual Voluntary Arrangements (IVAs) have taken off in a big way since 2005. CCCS counsellors have traditionally advised about three percent of our clients that an IVA, originally intended as a less punitive form of bankruptcy, is their best solution. We have maintained a panel of IVA providers, working to strict criteria, and recommended such clients to them. Outside CCCS, however, the numbers of IVAs quadrupled since the start of 2005 and it was difficult not to conclude that some misselling was going on.

The Foundation has long been interested in developing its own approach to the IVA and, against a background of creditors' growing unease about the reliability of what was being offered, the decision was made to set up a separate company to provide IVAs for our clients. We took offices within a stone's throw of our Leeds headquarters, ready to house a wholly owned subsidiary company which will covenant all its profits to the charity. Our aim is to provide an efficient and compassionate service to people who are suited to an IVA; to improve transparency and returns

to lenders; and to influence the marketplace for the good.

Given the growing pressures on IVA companies and accusations of misselling and misleading advertising, the entry of CCCSVA with lower fees and higher transparency was always likely to affect the marketplace and draw some flak to CCCS. The news, combined with an assault on IVA providers by the banks, slashed stock market values of the leading advertisers. Nevertheless the trustees and management are convinced that it is the right thing to do for our clients and the response of lenders is supportive and encouraging. The first charitably owned IVA provider opened for business in April 2007.



adding up



“Client Support provides advice and support to clients throughout the life of their DMP. This year we answered 152,000 calls, 83 percent more than last year, and reviewed the circumstances of 36,426 clients, a third more than in 2005.”

Gillian Hill, Client Support manager

Facts and evidence are at the heart of how we work. Our data warehouse records in detail information about all those who seek our help, allowing us to track patterns of debt, monitor ebbs and flows in repayment, identify gaps in our service and develop and test new ways of meeting the need.

The data in the warehouse increases with the demands on our service. The detail is considerable, down to the ages of clients’ children for example: it is also historical, allowing us to track repayments to creditors since 1993. Our investment in technology and systems allows us to ‘cut’ and analyse this information in new ways. For example, by using advanced computer and statistical packages, we have been able to decode counsellors’ decision-making processes. In the first instance this allowed us to begin to re-engineer and refine the counselling process, to give counsellors more time for individual problems; in the second, it enabled us to build a program for CCCS Debt Remedy, thus creating

the world’s first virtual counselling service. Around 800 outputs are produced each month, ranging from monthly creditor packs, allowing creditors to keep track of the flow of repayments, to regular reports for media and stakeholders. Using SAS, SPSS and Pro-Clarity computer/statistical packages, CCCS is able to produce reports which are unrivalled in their depth of knowledge within the debt advice sector.

Developments within the data warehouse in the last 12 months include a better split on counselling outcomes, more visibility on advice offered and more information on client assets and liabilities. We now have better information on those with debt problems. Thanks to the strength and wealth of the data, the Foundation can use rolling forecasting for management decisions. Now all management and business decisions can be based on hard fact and evidence rather than gut feelings and instinct – although we still have a use for these as well.

INFO POINT

Data warehouse contains records of:

- **more than five million phone calls**
- **420,000 clients**
- **1.8 million debts totalling £6 billion**
- **over 50 million records refreshed every day**

External

CCCS produced a range of public reports on debt during the year, including both regular and one-off reports. One of the latter analysed the use of credit cards by the over-indebted; another tracked the experiences of clients recommended to bankruptcy. Both

these reports received extensive media coverage, as well as interest from government stakeholders, including the Insolvency Service which hopes to work with CCCS to look in more depth at the underlying trends in personal bankruptcy.

In 2005, we made the decision to make public a selection of information tracking key trends in debt with a view to contributing to the general

understanding of the problems. Such was the broad welcome given to our statistical yearbook that we have decided to make this yearbook available for the foreseeable future. Our aim is to make this information freely available to all those who want it as soon as possible after the end of the year.

Regular reports include Debt Dashboard, a quarterly update tracking trends in the repayment patterns of CCCS clients against key economic indicators such as interest rates and unemployment figures, and Trouble Totals which compares the figures for insolvency with other debt solutions, particularly Debt Management Plans.

We receive frequent requests for help with statistical information from Government, other charities and think-tanks. Wherever possible we will accede to such requests – bearing in mind our first responsibility is to help people with debt problems. In the course of 2006, we worked alongside the European University Institute (EUI), based in Florence on an academic research project looking at issues

Our Business Information team under Chris Gath (second left, front row) analyses all information daily and produces reports for monitoring and action.



of self-control and debt. The findings are to be presented at a joint workshop of the Finance and Consumption Programme of the EUI and Center for Financial Studies of Frankfurt University on ‘Behavioural approaches to consumption, credit and asset allocation’ in Florence in 2007 and subsequently at the research conference of the Insolvency Service.



Ten thousand square feet of office space has been acquired in the award winning Dean Clough Mills development in Halifax. This became operational from January 2007

expanding horizons

In 2006 the Foundation grew up and stopped being a small business. With staff numbers touching 600, we found ourselves identified by the Sunday Times as one of the UK's top 100 mid sized companies to work for.

Altogether, staff numbers increased by two thirds. As in the past the single biggest increase, both proportionately and in real terms, was in counsellors who totalled more than 200 at year-end. Counsellors remain the heart of our charity and they stay with us a long time. Turnover remains gratifyingly low at 12 percent, considerably under the industry average

of 19 percent for the voluntary and charitable sector. Counsellors seldom transfer to other jobs and counselling accounts for the largest number of internal transfers and promotions.

Alas, growth brings its own problems and we have finally run out of space in our Wade House headquarter building having expanded from half a floor in 1993 to seven floors today. In view of the intense competition for staff in Leeds, we decided to look beyond for additional accommodation and settled on Halifax which offers the right kind of people for recruitment as well as easy access to the

INFO POINT

78 percent of staff work directly with clients

surrounding towns.

New premises were acquired in Eastbourne to accommodate the newly formed South East Centre for Credit

debt problems that the CCCS is handling on behalf of the Community Legal Services (CLS Direct). CCCS has employed and trained 12 dedicated counsellors under Keith Spedding to deliver this service which is free both to clients and to the government.

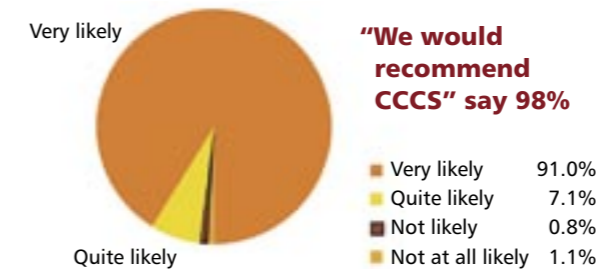
Altogether, CCCS has quadrupled staff numbers and trebled its office space since 2005. This is a punishing schedule for any management team therefore it is particularly gratifying that we are continuing to do well and achieve our charity purpose – to help people with debt problems.

Counselling, created out of the transfer of most of the staff, under their director Maggie Kirkpatrick, from the former Direct Debtline with which CCCS has worked for more than 10 years. We added 6,000 square feet of space in Newcastle which now houses both our North East Centre and a special helpline dealing with

A client survey in the closing months of the year showed that 94 percent of clients rated CCCS service as excellent or very good, with less than two percent finding it poor.



“CCCS is excellent or very good” say 94%



“We would recommend CCCS” say 98%



“Debt Management Services processed 650,000 client deposits and made 5.2 million separate debt payments totalling £140m to creditors in 2006. We set up 35,000 new DMPs, almost a third more than in 2005, sending 44 percent of proposals to creditors electronically, a fifth more than in 2005. The staff dealt with over 35,000 calls about payments and the set up of plans.”

Anna Storey, Debt Management Services manager

"I would like to write to formally thank you and your staff for the support and assistance you have offered to my CLS Direct team over the last three months, principally by performing a front end referral service for incoming calls during our very busy period earlier this year. I was very impressed at the speed in which you were able to train and set up counsellors to take on our calls and the quality and accuracy of referrals which resulted."

John Sirodcar head of Community Legal Services Direct

reaching out

During 2006 the FCC model of credit counselling attracted heightened interest from both the UK and abroad.

A major partnership was established with the Community Legal Service, the arm of the Ministry of Justice which provides legal information and help to members of the public. Up until now a significant percentage of people contacting its telephone advice service, CLS Direct, were not entitled to legal aid and therefore outwith its remit and budget. In order to help people who called the service with debt problems who did not qualify for benefits, CCCS agreed to accept the hot transfer of calls from the CLS Direct triage unit. They are now handled by a specialist debt team, staffed and managed by CCCS counsellors in our Newcastle centre. As a result the CLS budget is more efficiently used and CCCS can extend its reach.

This collaboration is being extended to include the joint branding of CCCS Debt Remedy.

The capacity of CCCS Debt Remedy to deliver advice online combined with a high level of consumer

satisfaction has excited considerable interest across public, online, commercial and third sector organisations alike. In December, Shaun Mundy, FSA's head of financial capability, hosted a demonstration seminar on online counselling to representatives of seven other Government departments and agencies, including DTI, OFT and the Scottish Executive. As a result, the Cabinet Office team tasked with researching more efficient ways of delivering advice to the public across government departments has shown a keen interest.

Clearly there is considerable scope for including CCCS Debt Remedy on websites of other charities whose users potentially require debt advice but the application is by no means limited to charities and public sector organisations. CCCS Debt Remedy is a flexible tool: it can be branded online to suit other organisations.

In six months from April 1, the trial for the Debt Advice Helpline was carried out in Yorkshire and Gloucestershire with a view to establishing if the

provision of a gateway to charitable debt advice was one way of reaching more people. Despite successful local launches and the best efforts of CCCS marketing, the level of calls remained low. Therefore reluctantly and with some regret, the stakeholders, which included Money Advice Trust, Citizens Advice and Advice UK as well as CCCS recommended closure of the service to DTI. It may be that with many more types of media, including the internet, it is becoming easier for people to find the help they need from a variety of sources. CCCS funding of the trial was gratefully acknowledged.

In November, the chairman spoke at the new Conservative debt summit, following an address by the party's leader on financial exclusion. In September, the third international conference on credit and counselling met in Magdalene College, Cambridge. As well as the UK and mainland Europe, there were representatives from South Africa, Singapore, Ireland, Malaysia and the US. The research team from the European University Institute presented initial findings

of their in-depth examination of the psychology of debt, using the CCCS database.

Issues surrounding debt reached a peak of interest in the media, fuelled in part by the growth in insolvencies, particularly IVAs, and by several rises in interest rates. CCCS views were widely sought on a range of issues and representatives of the charity, particularly the chairman, were interviewed by a variety of broadcasters and newspapers, including overseas ones. With the aim of injecting a note of reason into the hype, we relied heavily on the statistical information we have at our disposal in the data warehouse. This strong media presence provided above all the opportunity to put over strong and simple educational messages.

Through the media, the educative effect of debt management and support for our educational sister charity Credit Action, CCCS made a distinctive and powerful contribution.

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"The Helpline is the first point of contact for clients who want to speak directly to CCCS about their financial difficulties. The Helpline certainly lived up to its name during 2006: we helped nearly 300,000 clients which is a staggering 46 percent increase on the previous year. Much improved Helpline processes and additional support to clients contributed toward this unprecedented growth."

Emma Dorman, Helpline manager

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governing well

Malcolm Hurlston is the chairman and founding trustee. He chairs Registry Trust (the non-profit organisation which initially co-funded FCC and now runs the Registry of Judgments, Orders and Fines), CCCS Scotland, Credit Action, Community Card and the consulting firm, Hurlstons. He founded the European Centre for Employee Ownership and sits on the advisory board to the Legal Services Complaints Commissioner.

Gordon Beesley is a member of the governing council of Ruskin College and the board of the Charity Bank. He was formerly managing director of Unity Trust, the trades union bank.

Jeremy Burton is a trustee for many important charities in the Leeds area and is strongly connected with the local community. He is Honorary French Consul in Leeds and a deputy Lieutenant of West Yorkshire. He is a founding trustee and a trustee of Credit Action.

Chris Leslie, formerly a minister at the Department of Constitutional Affairs, is now head of the think tank New Local Government Network. MP for Shipley between 1997 and 2005, Chris has strong roots in the Leeds area where the Foundation originated. He is a trustee of Credit Action.

Ann Robinson was appointed as first chairman of the newly formed energyWatch by the then minister of consumer affairs. She now sits on the General Medical Council, is the director of consumer policy at uSwitch, a trustee of Credit Action and a partner

in Rush Consulting. She was formerly a senior civil servant and director-general of the British Retail Consortium.

The Staff

Gordon Bell	chief executive
Fiona Megaw	chief operating officer
Steve Nicholson	chief financial officer and chief executive, CCCSVA
Jan Smith	head of external affairs
Heidi Hutchins	head of human resources
Lesley Cheeseman	training manager
Ian Cracknell	supplier and facilities manager
Scott Graham	service support manager
Adrian Pettitt	systems development manager

Managing counsellors

Tim Blessed	East Midlands
Vikki Brownridge	Leeds
Geeta Varma	London
Jennifer Brumby	North East

Jayne Bellis	North West
Debbie Mills	Northern Ireland
Elizabeth McVey	Scotland
Maggie Kirkpatrick	South East
Mark Robinson	Wales
Garry Oram	West Midlands

Public affairs and media relations are handled by Frances Walker in the chairman's office.

CCCSVA

A wholly owned subsidiary of the Foundation for Credit Counselling, CCCS Voluntary Arrangements started trading in April 2007. It covenants its profits to FCC and its function is the provision of Individual Voluntary Arrangements (IVAs) to CCCS clients for whom this is the best solution. Jackie Westerman is our insolvency practitioner.

CCCS 2006 Financials

The information in this financial summary has been extracted from the audited accounts and management accounts for the year ended December 31 2006. The full accounts and auditor's report for 2006 is available from the Consumer Credit Counselling Service, Wade House, Merrion Centre, Leeds LS2 8NG.

Operating income

The bulk of our operating income of £15.45 million was derived from the fair share contribution paid by creditors. This represents a percentage of funds disbursed on behalf of our clients with the wherewithal to repay their debts through a debt management plan. During the year we helped 300,000 people who contacted our free helpline. Around 10 percent of callers entered into debt management plans; the others received counselling about solutions more suitable to their needs, self-help information, sign-posting or general advice. Whereas our unique method of self-funding provides a direct

tangible benefit to creditors in terms of managed debt problems, it does mean that our income stream is generated from only 10 percent of callers. The fair share percentage is calculated to enable us to help all borrowers who call, in accordance with our aims.

Operating expenditure

Our most important resource is our staff, who accounted for than two thirds of total expenditure in 2006 at £9.8million. Altogether the combined counselling process absorbs just over three quarters of our annual income.

This year we have invested heavily in IT, both in developing our information services and in capital expenditure on office and computer equipment. Again the single biggest investment has been almost one million in specialist staff with some three quarters of a million set aside for computer depreciation. Altogether IT accounted for 15 percent of total expenditure in 2006.

Income		£'000
Income from fair share contribution		14,754
Transfers from restricted funds		1
Other income		164
Investment income		535
Total		15,454
Expenditure		
Counselling		11,824
Debt management		2,763
Information and guidance		500
Administration and compliance		280
Total		15,367
Net surplus		87



Network centres

East Midlands (Nottingham)

Leeds

London

North East (Newcastle)

North West (Chester)

Northern Ireland (Limavady)

Scotland (Glasgow)

South East (Eastbourne)

Wales (Cardiff)

West Midlands (Birmingham)

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