



at the service of Britons in debt

annual review 2007

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

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At the time of writing, when underlending - at the height of the credit crunch - makes its appearance as a consumer woe, it is hard to recall 2007 as a year when consumer credit appeared to be relatively under control.

In the perspective of time it may appear as a period of calm between creditmania and the crunch whose effects may be with us for some time.

The warning signs in 2007 came not from lending or borrowing but from telltale signs that the economy was beginning to creak - in particular rapid increases in the costs of utilities and housing.

Direct demand for our counselling service was down, even as the storm clouds were gathering, but that gave us the opportunity to recast our service so we could offer more people specialised help.

First we met the need to help the growing number of people who prefer the speed and anonymity of online help to counselling by telephone or face-to-face. Our world-leading Debt Remedy (tailored also for Scotland and Northern Ireland) became the channel of choice for a third of our clients.

Secondly we galvanised the banks to confront the high-profit Individual Voluntary Arrangement (IVA) model introduced by a number of "factories" whose margins enabled them to seduce consumers. With our calming and transparent presence in the market, the IVA is returning to its correct place in the quiver of solutions.

Presciently we foresaw demand for advice about mortgages and repossessions and set up a centre in Leeds. Nottingham now houses a centre for welfare benefits counselling and Birmingham a centre for bankruptcy counselling. Self-employed clients have a specialist centre in Newcastle.

All these initiatives are targeted at the clients who come to us but we are developing skills and knowledge with which we will be able to reach more people and influence public policy.

To date we have let our statistics speak for themselves. Now we will be able to complement the work of Citizens Advice in giving a voice to Britons in debt.

Successive governments have overemphasised the significance of home ownership. It has given cover to reckless lenders, shown a *fata morgana* to consumers and fuelled the credit crunch in the UK.

The multidisciplinary research of credit card companies (illustrated by Elizabeth Warrant of the Harvard Law School) must be placed in the public

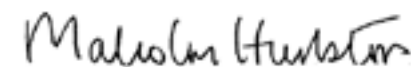
domain and not used to target vulnerable consumers.

We are a consumer service, recognised as such when we were invited by Consumers International to address their members in Sydney last year. Now we are taking CCCS Debt Remedy worldwide.

But as our clients struggle to repay their debts, we must ensure that pressures on creditors do not restrict our ability to help. The ready availability of cheap credit may be over for the moment, but lenders are committed to a new regime of treating customers fairly. There is much nonsense talked about the impact of the credit crunch but it is foolish to pretend that we are going to transform overnight into a nation of savers, growing our own vegetables and sewing our own clothes. Credit is essential to the smooth running of society but it is only one element in the finances of individual households. Let us hope that the implementation of the recommendations of Otto Thoresen by the FSA and others will help consumers to manage their money better in the longer term.

As for the immediate future, with the impact of the

credit crunch added to the spiralling costs of utilities and other everyday costs, we can expect more bad debt, more repossession and more insolvencies. We make it our task to help people through such bitter processes. That it can be done is shown in the pages of this review in two different client accounts of being in debt. I thank the Taylors and the Swainstons for being willing to share their painful experience with us.



the right path

People who need help with their debts are best helped if it can be offered to them in the right way for them.

Otto Thoresen's review of generic financial advice, commissioned by the Treasury in 2007, concluded that by 2020, 65 percent of people would want help online rather than face to face or over the telephone.

Here our clients are fortunate in that our online Debt Remedy is easily available, free and anonymous, so much so that a third of our clients are choosing it. They like most people lead complicated lives and receive messages from a multiplicity of sources. This is the double bind created by the explosion in new communications technology: it has never been cheaper or easier to communicate with thousands, even tens of thousands, of people but the very scale of the information available to them, makes it harder than ever to ensure that information about the

availability of our service reaches those who need it. Many for-profit organisations are setting out their wares, often with the prime intent of making money rather than helping people. This reality is obscured by clever marketing.

However, trust is worth more than marketing spend and people can now reach Debt Remedy through electronic links on the websites of partner organisations.

As Debt Remedy is derived from the experiences of counselling one million people with every conceivable debt problem, we are confident, even in these fast moving times, that it will be some time before anyone can replicate this service. Thus for the moment we have a unique facility which allows other organisations, who enjoy trust, to offer their website users immediate access to free and anonymous debt counselling.



Access to Debt Remedy on MSN Money site is kept free of advertising

One such partnership is with Microsoft whose MSN Money hosts a branded version of Debt Remedy on its site. Since its launch in September, nearly 1,000 clients have completed the online counselling process through this service (which is free of all advertising) and volumes are expected to increase considerably throughout 2008.

A similar approach has been taken with Community Legal Advice where a joint branded version of Debt Remedy is available on its website. Other organisations have positioned links to CCCS Debt Remedy including the Royal Bank of Scotland's MoneySense service.

With the issue of improving financial capability across the population now firmly in the political foreground and given the apparently unlimited capacity of Debt Remedy, many people now reach us online.

The partnership with MSN included a social networking site. With the skills and experience acquired developing this we now engage in social networking on our own behalf. There is an active CCCS presence on several of the most popular sites, including Facebook. Visitors are not that numerous at the moment but it is all part of an important learning

curve for us as a charity.

Such activity requires time and specialist input from staff. We have recently appointed a head of e-services and maintain a dedicated 'social networking' team including four experienced counsellors.

This is a huge job: there is an untold number of websites and blogs out there claiming to offer help in a variety of ways. Some attract a vast number of visitors, others amount to little more than individual hobby horses. Obviously we have to be selective but using fully trained counsellors has allowed us to assume the role of official responders on the blogs of some popular websites such as moneysavings expert.com which has over two million regular users annually. Given the uncontrolled and random nature of blogs, website providers are only too happy to have responses to debt queries from our experts.

This engagement with the new is not being done at the expense of the old. It is largely down to the success of Debt Remedy, which can effectively counsel 30 times as many people as one "offline" counsellor, that we have been able to establish our specialist services, allocating counsellors to cope with more complicated problems such as self-employment and



CCCS page on Facebook

mortgage arrears. In addition people who want to be counselled face to face will have their own version of Debt Remedy, supported by trustworthy intermediaries such as general advice agencies and church groups. It is our aim that everybody in need of help should be able to reach us in the way most convenient to them, because that will ensure we can be most effective in our help.

wider and deeper

benefits, repossessions and self-employed

As demand for counselling moderated, we took the opportunity to widen and deepen our advice and support.

Our counsellors have always been able to advise across the whole gamut of debt solutions and this year we were able to build up specialist teams of counsellors to deal with particular problems, providing an expert source of advice for both new and existing clients as well as counsellors and our own staff supporting people on debt repayment plans.

First out of the box was welfare benefits counselling, located in our Nottingham centre. Clients are referred for a specialist session after an initial session has identified a clear need, or they are already on a DMP and report a change in circumstances which support staff recognise as possible new claims on welfare and benefits provisions.



INFO POINT

- Reviewing benefits and welfare entitlement earned clients referred an extra £75 per family per week on average.

The Centre was opened by Chris Pond, founder of the low pay unit, former minister and now head of financial capability at the Financial Services Authority.

Towards the end of the year, we piloted a service which could be fundamental to the welfare of many thousands of UK homeowners in the coming months: our centre for mortgage arrears and repossessions counselling, based in Leeds.



Chris Pond, FSA's director of financial capability opening the welfare benefits counselling centre in Nottingham

Anyone contacting the helpline in difficulty with monthly mortgage payments is referred immediately to this new service, whose primary aim is to keep people in their homes. So far we have been largely successful. Nevertheless our experience shows that in the current economic climate, the level of mortgage borrowing is too high to sustain for a worryingly high proportion of people we have seen. It is not yet clear that lenders are seeing repossession as the last resort.

In such cases, counsellors help the client manage either the sale or the repossession process in the best way possible for them and their families. It remains to be seen how much the numbers of people faced with losing their property will change in the coming months.

Understandably, these counselling sessions are complex and highly demanding in expertise and emotion. A large proportion of clients require second, third and even fourth interviews before a satisfactory solution can be reached.

At the moment, too many of those we are helping are reaching us at a late stage in the process; some in the same week or even on the same day as their repossessions hearing. This is clearly not satisfactory: it is a truism of any type of debt problem that the sooner help is sought the better. To this end we are looking for closer co-operation from secured lenders to ensure that people are referred for expert advice as soon as there are indications of stress in the

repayments process. Clearly, the mortgage market alongside other forms of secured lending, particularly at the non-standard or sub-prime end, is in for a rough ride in the near future and it is our aim to work with the lenders to minimise the human cost. The government might consider too, advertising the availability of free and expert advice.



INFO POINT

- **CCCS expects to help 2,500 clients in 2008 with mortgage and secured loan problems**

Counselling the self-employed with debt problems brings in its wake a number of particularities. Partly this is the result of the lack of distinction between work-related and personal finances on the client's part; and partly because of the need for in-depth understanding of the complicated fiscal rules and regulations applying to the self-employed on the counsellor's part. Counselling a self-employed client typically takes twice as long as someone in conventional employment, therefore it made sense to create a centre of excellence.

The centre for the self-employed opened towards the end of the year in our centre in Newcastle, which already houses the Debt Remedy support team,



BBC Business Breakfast films at our centre for mortgage arrears and repossession in Leeds

including CLS Direct operated on behalf of the Community Legal Service, and the regional counselling centre for the North East. In future all those contacting our helplines who are self-employed will be referred direct to this centre. In 2007, we dealt with 240 calls from the self-employed; in 2008 we expect to help nearer to 9,000. We plan to increase availability by establishing instantaneous links to the service through groups representing the interests of the self-employed.

they came through



Circumstances outside their control is frequently one of the main reasons why people become overindebted. This was certainly the case for clients Nicola and Paul Taylor (pictured left) who live in Kent with their teenage son.

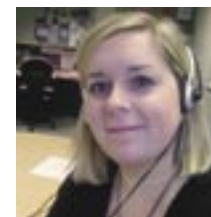
For several years, the Taylors had been running a pub but their business was badly affected by the smoking ban, and they found themselves relying on credit more and more to meet the costs of both the pub and everyday living.

Eventually they decided to give up running their own business. Both are now in full-time employment, Paul as an HGV driver and Nicola as an office administrator. They still, however, have too much debt. When they went to CCCS for help, they owed £38k to sixteen creditors.

Like most clients, the Taylors have shown an absolute determination to pay back the money

they owe. After going through their budget, their counsellor, Helen Marsland in our Chester centre, was able to provide them with a plan for repaying their debts over the next seven years. To help achieve this, Nicola has taken on a part-time job as a bar supervisor.

“This is not a good situation and sometimes we feel cross that creditors made it so easy for us to borrow so much. But at the end of the day it was our decision, and we are going to pay back everything we owe.”



Counsellor
Helen Marsland

“Debt can happen to anyone and often clients make huge sacrifices to pay back what they owe. The Taylors’ attitude of buckling down and doing their utmost to sort things out is typical of most of our clients.”



2007 was a bad year for Sarah and Phil Swainston (above) and their three children, aged three to 16. For some time Phil, who is self-employed, found that his car-valeting business was losing customers, a problem compounded by a very wet summer. With their main source of income falling, Sarah and Phil used credit more and more to meet the costs of everyday living.

When they reached the point where they owed over £45,000 to nine different creditors, they went to a debt management company for advice. It recommended a debt repayment plan for a fee of £40 a month. Fortunately, concerned about having to pay a fee, the Swainstons turned to CCCS where counsellor Robert Caley advised them they did

not have enough money for a Debt Management Plan. Robert referred the Swainstons for specialist bankruptcy counselling after warning them that they were likely to lose all their assets, including their house and their car. Bankruptcy counsellor, Marion Turner, recommended that as there was some equity in their home, they needed to deal with this before going down the bankruptcy route.

This is where the Swainstons had their first stroke of luck. The homelessness officer at their local authority told them about a mortgage rescue scheme run by a housing association. Melin Homes agreed to buy the property and to rent it back, so the family could still go on living there, secure in the knowledge that their new landlords will treat them fairly. Indeed shortly after Melin took over the lease, the company installed new double glazing and a new heating system to conform to European standards.

Teri Ireland, Home Ownership Coordinator for Melin Homes says: "We were really pleased to be able to support the family and help them remain in their home. While this story has a happy ending we often have far more applicants than we can help as there is a finite amount of money available to us."

Since the bankruptcy, Phil has been working in a biscuit factory and Sarah has gone back to full-time nursing. Both have opted for shift working in order to share the burden of looking after their children but they are both using the bankruptcy as an opportunity to restart their lives. Once the bankruptcy is complete,

Phil plans to start a part-time foundation course in order to retrain for other jobs. As Sarah says: "We may have lost everything which was very tough, but we can now make a fresh start. It meant an awful lot to be able to stay in the same house and not have to uproot the children who were already pretty upset by everything that was going on".



Counsellor
Marion Turner

Bankruptcy counsellor Marion Turner says: "Bankruptcy is the most difficult way of dealing with debts and the repercussions can be felt for a long time afterwards. For most people, however, the actual process is not as daunting as they think and for many it is their only option, as the debt has grown out of all proportion to their capacity to pay back.

"By this time next year the Swainstons, having learnt a valuable lesson about the impact of credit, will be able to move on to a positive future."

the tougher choices

insolvency

Counselling in the credit crunch

“Increasingly we are seeing people where all avenues of credit have been exhausted. The cards reached their limit a few years ago and were cleared with a personal loan, allowing the clients to carry on using the cards. A secured consolidation loan, widely advertised, was next, which again cleared the debts without addressing the core issues of income and expenditure. Sadly it is at this stage that we are seeing more and more people.....”

Peter White, CCCS counsellor

Insolvency - IVAs, trust deeds and bankruptcy - has been an area of concern for policy makers and those in the debt advice world for some time. In particular the unprecedented rises in Individual Voluntary Arrangements (IVAs) caused by massive marketing spends by some insolvency firms generated considerable creditor unease and threatened the viability of this less onerous of the two insolvency options.

CCCS, which has always recommended all forms of insolvency based on what is in the clients' best interests, became concerned that the inappropriate use of IVAs should not lead to the disappearance of a valuable way of dealing with debt. Therefore the decision was made to offer IVAs directly in England and Wales. In 2007 we launched our IVA subsidiary, CCCSVA, with the aim of reducing costs to lenders, increasing transparency and providing expert advice to clients .



INFO POINT

- At the end of the year after nine months of operation, CCCSVA had negotiated 110 IVAs.
- Our acceptance rate is very high: only seven plans offered were refused by creditors.
- The average monthly repayment by a client on an IVA was £424.



"I would just like to say thanks for all your help and advice as I was at my wits' end. You made me feel there was light at the end of the tunnel and not once was I made to feel embarrassed for getting myself into this position. Keep up the good work and your organisation is something to be very, very proud of."

CCCSVA client

CCCSVA is a limited company, covenanting all profits to the charity. The decision to launch CCCSVA was warmly received by banks. The service is aimed at those CCCS clients who have been recommended an IVA as the best solution to their debt problems after in-depth counselling. Clients recommended to an IVA now receive the same after care and support as is routinely offered to clients on DMPs.

Bankruptcy is the recommended outcome of counselling for around 20 percent of clients. However, our research revealed that only half of them went through with the process, preferring less suitable options.

To help clients reach the best solution, we set up a specialist bankruptcy counselling centre in 2007 in our Birmingham centre. The aim is to make the bankruptcy process less daunting, to help with the paperwork, to explain what will happen to any assets and what practical steps are needed, such as opening a basic bank account or dealing with a landlord or applying for an exemption from court fees. Bankruptcy is not an easy option, but where it is really the only one, it is better to help people through the process so that they can start again. The centre employs eight counsellors who carry out 400 bankruptcy advice sessions a week.

Mark Hoban MP, Shadow Financial Secretary, visited us in Newcastle and Leeds

friend or foe

Debt is a distressing experience for people and families: just how distressing depends to a huge extent on the advice they receive and the response of creditors.

Making sure that people are aware of our service and other free and charitable services is an important focus for our external activities. The market place for debt advice has become crowded and it is hard for people with debt problems to distinguish between the wheat and the chaff.

The over-selling of IVAs as an across-the-board answer to debt problems was only the last in a long line of trying to sell a financial product on the basis that it offers a good way of solving a debt problem, others being consolidation loans and equity release.

It is vital however that lenders play their part in being helpful to people with problems who have

shown that, by engaging with us, they are doing their best to get straight. The task of the external relations team is to work with lenders, share valuable information with them and keep them up to scratch.

There was a worrying trend in 2007 for a few creditors to be ungenerous, perhaps unfair, with our clients but there is no scope for our charitable activity if we are to be seen by lenders as a collection plate. Ensuring lenders share the true vision is an enduring task for our team, particularly as people and values change with market pressure and corporate change.

The final implementation of the last stages of the Consumer Credit Act in 2008 has opened up the whole question of what constitutes reasonable behaviour on the part of lenders. At the moment the commitment to treating customers fairly is open-ended, without clear definition of what it



With considerable changes pending in the legal processes and handling of debt cases, members of the external affairs team have been heavily involved in a number of official working parties and strategy groups, including the Debt Relief Orders steering group and the OFT's review of debt collection compliance

actually means at the day-to-day level in collections departments across the country. In future it will be more difficult for this minority of lenders to escape scot free. For us, treating customers fairly means stopping interest, penalty charges and hassle once they have signed up with CCCS.

CCCS works closely with the government and the media to correct such misapprehensions and to limit the opportunities for people being directed away from the advice they need. Staff have played an active role in industry bodies such as the BBA banking code review and IVA forum of the Insolvency Service, which has done much to ensure that IVAs are back where they belong: a good way of dealing with debt for a small percentage of people. In the advice sector, staff continue to play an active role, both nationally and regionally, in the money advice world as well as participating in the advisory group of the Financial Ombudsman Service.

Statistical information about our clients is made freely and widely available to encourage better understanding of the causes of debt among opinion formers including the media. Such information provides an important factual underpinning to our work with lenders to encourage sensible and sensitive handling of those with debt problems. CCCS is engaged in several stakeholder groups with both government and regulators to ensure our clients' experiences and our unique data helps inform policy.



Richard Lloyd head of Consumers International (now at no 10 Downing St) invited the chairman to tell world consumers about Debt Remedy

In 2007 these included OFT Credit Card Information Group, Insolvency Service on IVAs and Debt Relief Orders, Centre for Social Justice and Lord Griffiths' Debt Commission. Informal meetings are held regularly with key government departments including the Ministry of Justice and Department of Business, Enterprise and Regulatory Reform.

There are many requests for speakers to talk about debt at conferences, workshops and seminars of all sorts. In the course of the year, CCCS spoke at conferences including Credit Services Association, Callcredit, Credit Today, BBA, Insolvency Service, Charity Law and Royal Bank of Scotland. We hold a forum for lenders once a year where we share detailed

information with our major supporters on the year's performance and our plans, strategy and vision for the future.

With the credit crunch pushing debt and over-indebtedness into the political foreground while at the same time creating new pressures on creditors dealing with customers in default, it has never been more important to ensure that the interest of our clients as well as the overindebted generally, are given a fair and factual hearing in the outside world.

in safe hands

The trustees

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, Financial Inclusion Centre 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 (to June 2008) 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 of FCC 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 (to January 2008), was the chairman of energyWatch now part of Consumer Focus. She was formerly a senior civil servant and director-general of the British Retail Consortium.

The staff

GORDON BELL
FIONA MEGAW
STEVE NICHOLSON
VIKki BROWNRIDGE
IAN CRACKNELL
LESLEY CHEESEMAN
SCOTT GRAHAM
HEIDI HUTCHINS
JOANNE PROSSER
SIMON ROBERTSON
PAULA SEARLE
JAN SMITH

CHIEF EXECUTIVE
CHIEF OPERATING OFFICER
CHIEF FINANCIAL OFFICER
HEAD OF COUNSELLING
SUPPLIER AND FACILITIES MANAGER
HEAD OF TRAINING AND DEVELOPMENT
SERVICE SUPPORT MANAGER
HEAD OF HUMAN RESOURCES
HEAD OF CLIENT SERVICES
SYSTEMS DEVELOPMENT MANAGER
HEAD OF E-SERVICES
HEAD OF EXTERNAL AFFAIRS

COUNSELLING CENTRE MANAGERS

SANDRA AMPHLETT-PAULS
TIM BLESSED
JENNIFER BRUMBY
JONATHAN CHESTERMAN
PAULA HOGARTH
MAGGIE KIRKPATRICK
DEBBIE MILLS
ELIZABETH MCVEY
MARK ROBINSON
KEITH SPEDDING

LEEDS
EAST MIDLANDS (NOTTINGHAM)
NORTH EAST (NEWCASTLE)
HALIFAX
WEST MIDLANDS (BIRMINGHAM)
SOUTH EAST (EASTBOURNE)
NORTHERN IRELAND (LIMAVADY)
SCOTLAND (GLASGOW)
WALES (CARDIFF)
WEB SUPPORT (NEWCASTLE)

OUR 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, CCCSVoluntary 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. Chief executive: Steve Nicholson, insolvency practitioner: Jackie Westerman.

Financials

The information in this financial summary has been extracted from the audited accounts and management accounts for the year ended December 31 2007. The full accounts and auditor's report for 2007 is available from the Consumer Credit Counselling Service, Wade House, Merrion Centre, Leeds LS2 8NG.

Operating income

The bulk of our operating income of £21.3 million was derived from the fair share contribution paid by creditors. This represents a percentage of funds we disbursed on behalf of clients able to repay their debts through a debt management plan. During the year we helped 250,000 people who contacted our free helpline. Around 12 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, including specialist advice available through our newly created centres of excellence. 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 12 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 more than two thirds of total expenditure in 2007 at £18.98m. Altogether, over 80 percent of our annual income is spent on counselling and debt management services. We have continued to invest in technology but to a lesser extent than in past years as the benefit of our previous extensive investment has kicked in, but we are committed to spending more on communications in order to ensure that all those who need our help know how to access it and are less likely to fall prey to those offering less suitable solutions.

CCCS 2007 Financials

Income	£' 000
Income from fair share contribution	21,304
Insolvency income	600
Other income	54
Investment income	810
Total	22,768
Expenditure	
Counselling	15,270
Debt management	3,715
Insolvency costs	925
Promotion of services	637
Administration and compliance	264
Total	20,811
Net surplus	
	1,957



Network centres

East Midlands (Nottingham)

Halifax

Leeds

North East (Newcastle)

North West (Chester)

Northern Ireland (Limavady)

Scotland (Glasgow)

South East (Eastbourne)

Wales (Cardiff)

West Midlands (Birmingham)

Chairman's office
020 7636 5214
CCCS helpline
0800 138 1111
www.ccs.co.uk