

With our

PEOPLE

we are decimating the problem of debt

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

Foundation for Credit Counselling
Review of the year 2005
Britain's leading charity for people with debt problems

Rebuilding lives



“Individuals must take the main responsibility for managing their own financial affairs and avoiding over-indebtedness. But others, including lenders, also have a part to play.

And when problems arise, as unfortunately they sometimes will, the services provided by the Foundation for Credit Counselling and similar organisations offer a valuable approach to resolving them, with the Foundation now helping people to manage nearly ten percent of problem debt.”

Mervyn King, Governor of the Bank of England.

The Consumer Credit Counselling Service is a registered charity whose purpose is to help people who are over-indebted by providing free, independent, impartial and realistic support.

- Help over the phone or online
- Independent counselling
- Debt management plans
- Financial guidance
- After care

There is no charge for any of our services

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Chairman's statement



Dealing with the financial aspects of debt problems is not difficult: the solutions are in most instances well prescribed. The same cannot be said of the human aspects. Over-indebtedness destroys lives, breaks up families and causes a great deal of unhappiness.

The human element informs every aspect of our organisation. From this basis we work with and on behalf of lenders and suppliers, staff and partner organisations and, most of all, with those who need our help.

Our main imperative these last three years has been to make our service available in a timely and efficient manner to all those who need it. By the end of 2005 we were helping 25 percent more people than at the end of the previous year and their debts under our management breached £1.5 billion, accounting for 0.78 percent of total UK unsecured debt. Simultaneously, we have reduced the time lag between initial contact and problem resolution; clients will normally receive a full counselling session within two weeks despite the upsurge in demand.

This phenomenal achievement owes much to the

work of our chief executive, Gordon Bell, and his management team. They have increased capacity without any loss of service, with survey after survey reflecting vertiginous levels of client satisfaction. Credit must go equally to all our staff who have not only lived through our growth, embracing the change and disruption, but also without losing their human touch. Helpline staff, counsellors and the media team are our public face. Their commitment to a difficult job is visible, but this sense of dedication is palpable throughout CCCS: everyone who works for us is committed to helping others.

People who join us come from a rich and varied background, some have worked in financial services, others in advice and, most gratifying of all, some have had personal experience of debt. We have a waiting list of people wanting to come and work for us.

In the wider world concerns about debt have continued to grow. Notwithstanding the increase in demand for our service, there is still little evidence that debt is out of control. It remains my belief that debt will continue to hit hard a small proportion of those taking out credit but the increase in calls to our helplines lead me to conclude that more people are finding the help they need.

Concerns that this was not happening prompted Government to explore with advice agencies the possibility of establishing a national “gateway” to ensure that all those with debt problems are directed to the help they need. The need for such a gateway required proof and was certainly worth testing. We agreed to help by committing up to £500,000 to a proof of concept followed by a six month pilot in the first part of 2006, working with government and other organisations in the sector. Should this prove a success, the Debt Advice Helpline, as it is known, will be rolled out nationally by the end of 2006. If not, lessons in collaboration will have been learned by all. Managing this project as well as funding it has entailed

considerable time and effort on the part of CCCS management but it is important to explore alternative ways of reaching people in need of free advice.

Our core philosophy is not to judge the people who seek our help nor those who lend to them. We prefer to seek greater understanding of why people become over-indebted. Investment in our data capture systems has enabled us to build a substantial data warehouse where every day 50 million new rows of data are updated. The information we winnow from this exceptional resource about patterns of over-indebtedness will be made freely available to creditors, policy makers, the media and opinion formers in order to improve our knowledge of why credit can lead to over-indebtedness.

Banks and other lenders are much vilified for their role in generating debt problems but we find them increasingly supportive of our work. Wherever there is credit there must be debt problems. If we value a dynamic economy we must work together to alleviate this downside of the widespread availability of credit, which serves the interests of the vast majority.

Malcolm Hurlston

Malcolm Hurlston Chairman
Foundation for Credit Counselling



Philip Collins, Chairman of the Office of Fair Trading, hears a client's problems being solved.

Demand and supply

With demand growing at over 40 percent and rising, the key management task this year has been increasing capacity without diminishing the quality of help and support. Expansion in all departments combined with investment in buildings, people, technology and systems takes its toll on management resources but by the end of the year we had increased our overall capacity by a quarter. It is our intention to increase this by a further 40 percent in 2006 and to continue at this rate for the next three to five years.

Forty percent year on year is challenging but the demand for our service is such that trustees and executive have committed themselves to this target which both believe is realistic.

As a service based industry, our counsellors and administrators are key to our success. In 2005, we recruited 198 more people, mainly for new positions, and by the end of the year our staff totalled 353, an increase of 57 percent. To make best use of them, we developed and expanded personnel and training, streamlined selection and recruitment and introduced a comprehensive programme of reward and recognition.

Most of the new staff are based in our Leeds office, where we now occupy 39,000 square feet. Numbers increased at our counselling centres and new premises were found in Chester and Nottingham. Our sister charity, CCCS (Scotland) in Glasgow, undertook an extensive revamp. Our counsellors remain at the heart of our business and by the end of 2005, we

employed 120 full time counsellors.

Simple initiatives played a significant role in increasing efficiency and effectiveness: telephone and text reminders reduced the number of appointment no shows from more than a quarter of all appointments to eight percent; streamlining reviews for DMP clients helped many of them to pay off their debts more quickly.

At the other end of the spectrum, technology increased our efficiency in leaps and bounds. In particular webservice for our clients, introduced in the latter part of the year, is proving a popular method of viewing and communicating basic information. Systems support for counsellors made it quicker and easier to identify the best solutions for clients.

Increasing use of technology allows us to provide help for those who are comfortable using Internet and less personal types of communication, through which we can reach more people. Telephone-based helplines, counselling and support services remain the lifeblood of our charity. Face-to-face counselling is available in all our centres to those who benefit from it: in 2005, counsellors conducted 1,630 face-to-face interviews.

By the end of 2005, CCCS helplines were answering 20 percent more calls than the previous year, counsellors were advising 40 percent more people while the time between first contact and counselling had been reduced from 23 days at the start of the year to two weeks by the end.

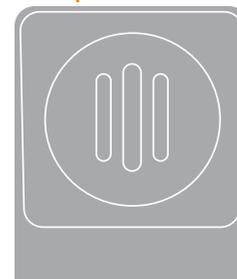
Growing call for our services

- CCCS received over 600,000 phone calls
- 52,000 people came for counselling sessions
- Lenders received £100 million from our clients
- CCCS team up to 350
- 25,000 new debt management plans set up
- CCCS responsible for repaying nearly ten percent of UK problem debt

21%
rise in calls received



28%
more paid to lenders



40%
increase in clients counselled



57%
more people in our team



99%
of clients would recommend CCCS



Meeting the need

Human capital is our most important resource as well as our biggest commitment, accounting for over two thirds of our expenditure. This year we undertook our largest ever recruitment programme and in 2006 we plan to recruit over 250 more people taking us to just under 600 staff.

All our centres took on extra staff in the course of the year. The biggest increases were in counselling and the helplines, where staff now total over 200. We had no shortage of applicants for both jobs: over 1,600 people applied to become counsellors, while over 500 applied for helpline posts.

Employees come from many different backgrounds: all are strongly motivated by the desire to help. Many have experienced debt themselves, others come from advice backgrounds, including Citizens Advice, housing associations and the Samaritans, while a significant proportion have worked in financial services, including lenders.

It has been a remarkable feature of the year how quickly new people have become effective and shared

the vision of an efficient charity.

Recruiting, motivating and retaining staff against a planned exponential growth rate of 40 percent is likely to prove challenging. In acknowledgment, this year we have introduced employee reward and recognition programmes and established our own training team.

Regular training is available to all staff and on average employees spend the equivalent of a week a year being trained. Expansion of premises in Leeds has enabled the creation of dedicated recruitment and training areas, with four fully equipped training rooms, areas for interviews and assessment centres. These facilities combined with the increase in training personnel will provide us with the means to find and equip the staff needed for our planned growth over the next three years, to offer training to lenders and to become self-funding.

Improvements in training underpin our policy of offering career progression and development for staff. Wherever possible, we promote staff to fill vacancies, a significant proportion of which have been created by

virtue of our growth. The most common career progression is probably from helpline advisers to fully-fledged counsellors and in 2005, seven helpline staff applied and became counsellors; an additional eight became team-leaders. Another four staff opted to become trainers.

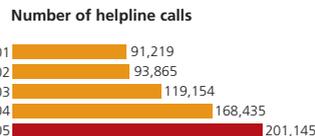
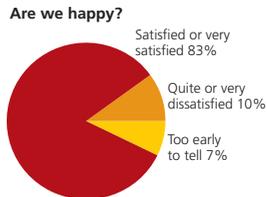
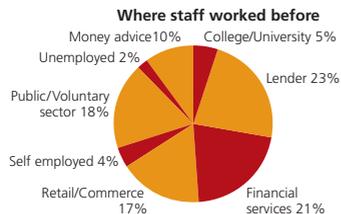
Staff turnover reflects local economic circumstances and in our core skill of counselling, is gratifyingly low. Last year, turnover among counsellors was less than 10 percent against an industry average of 19 percent for the voluntary, community and not-for-profit sector.

We have improved staff communications and increased the size of our popular staff monthly magazine. Counsellors maintain a web-based forum where they exchange information about instances of exceptional client circumstances and dubious debt collection practices.

Despite the planned growth in staff numbers, we are determined to maintain our charitable ethos based on the desire to become acknowledged as the world's leading provider of free debt advice.

Recruitment drive brings in new perspectives

"I had worked for MBNA for two years where I heard about CCCS. I wanted to work for a company which genuinely offered help, assistance and informed advice to those who need it the most, which is not profit orientated, but genuinely cares about the impact it can have on people. To do a job that is both worthwhile and makes a difference, not just solely brings personal financial rewards; to talk and listen to people as people, not just treat them as a number; to achieve some sort of job satisfaction; to feel that in some way I have genuinely made a difference at the end of the day – that is a good feeling!"
Headon Jones, counsellor, Chester



"In 1994 I was in the same position as the majority of the clients I speak to every day. I used CCCS to help me personally to turn around my own financial problems.

"I joined CCCS in December 2005 because I wanted to give something back and help people with the financial problems I had faced. Now I am offering daily the same help, assistance and advice I was given.

"I gain a great deal of job satisfaction knowing that at the end of each working day, I have provided each and every client with the correct help and assistance that they need for their financial situations."
Rob Ellis, Helpline adviser, Leeds

The human element

People who come to CCCS are representative of the borrowing population.

Problems with debt are frequently caused by negative exogenous shocks, such as relationship breakdowns, ill-health or unemployment. In recent years, relatively more people under 25 and over 60 have been seeking help, but the lion's share of our clients are still most likely to be aged between 25 and 39, married with children and with a net income of less than £20,000 a year.

We see slightly more women than men; just under 40 percent are home-owners; there are few regional variations. Older clients generally owe more, but the level of outstanding unsecured debt increased for all age bands throughout the year by some 10 percent from £26,800 in January to £29,500 in December.

This marked rise in the amount of unsecured debt outstanding has been the predominant trend of 2005 and shows no signs of abating. The rise in debt levels among the over 60s was the most pronounced with the average client over 60 now owing over £33,000.

Nearly half our clients come on their bank's recommendation. Almost a fifth follow the advice of family or friends. This bears out the findings of our

customer satisfaction survey, where 98 percent of clients questioned said that they would be happy to recommend CCCS to a friend.

More than 200,000 new people contacted our service last year, a quarter were offered full counselling, of whom one third were recommended for repayment plans.

With over 50,000 clients on DMPs (repayment plans), repaying over £1.5 billion to banks, CCCS is always on the lookout for more efficient ways of handling the flow. More clients used direct debits for repayments in 2005, although opening a basic bank account remained a hurdle for many. This is a pity as many clients on DMPs find that opening such accounts provides their first move towards rehabilitation and regaining control of their financial affairs. It is an issue which we hope to resolve with the banks and their representatives.

In October, we launched our web based services to help DMP clients access their plans directly and securely via our website, and to make simple information changes such as address or bank details, revise budgets and adjust repayments. This service has proved popular: clients can glean information and review their accounts at a time to suit themselves.

By the end of the year, our webservice was receiving 12,500 visits a month.

Reducing the routine and the mundane frees our staff to deal with more complex matters: debt is primarily a human issue. Our clients' circumstances change all the time and they need advice and support throughout the lifetime of their DMP. Our client support teams handled more calls last year than our first contact helplines: 227,000 compared with 201,000. For our part we doubled the number of client support reviews, enabling them to vary the monies paid to creditors and helping most clients get free of debt faster.

Debt management plans remain the single biggest means of resolving clients' debt problems but they are not the answer for all. It is impractical to counsel clients onto plans without realistic hope of repaying the debt in a reasonable time period. During 2005 one quarter of the people we counselled were advised to consider bankruptcy while for another 15 percent, token payments was the answer.

We aim to develop our service so that all those with debt problems can be helped and to enable those with the wherewithal to pay back what they owe, thus rehabilitating themselves into the credit community.

Help always on hand

150,000 visitors to our websites

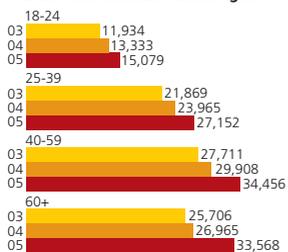


"I wish to express my thanks to the staff of CCCS for the compassion and professionalism shown by yourselves in my particular case and circumstances."

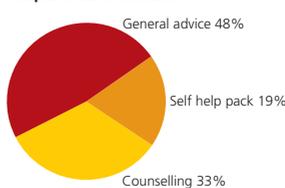
"A huge weight has lifted and we can now look forward to the future. The new website makes things even easier and the customer service is second to none. Thanks CCCS."

"The support I have had from CCCS has been exceptional, you are the first people that have listened and not made me feel even worse but have actually helped to find a manageable way forward. Thank you so much."

Debt level increase across ages



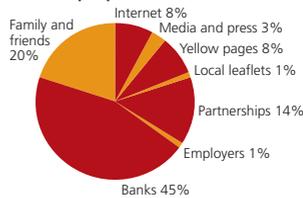
Helpline call outcomes



Counselling outcomes



How people find us



Far left, Communities Minister, Johann Lamont MSP (left) re-opened CCCS Scotland.

Left, we recruited and trained 54 new helpline advisers and 37 new counsellors last year.

Research

CCCS is rich in statistics. By the end of 2005, our data warehouse contained information derived from two million helpline phone calls, 280,000 clients and a million debts totalling over £1.5 billion. The information is processed daily through our data warehouse, adding 50 million new rows of data each day.

This treasure trove of statistical riches provides us with important management information, allowing us to run the charity more efficiently.

More importantly for the outside world, it offers a unique insight into the circumstances of the over-indebted – who they are, their age, sex, family circumstances, income; how much money they owe and to whom; why do they not keep up their payments, what solutions are being chosen? The data warehouse by-passes the hyperbole to establish if debt is in reality getting worse and if so, for whom.

This analysis can now be melded with the more innovative research which has been a feature of our development.

As a charity, CCCS feels strongly that this information should be used in the public interest. Hence we work with creditors to improve understanding of the impact of their practices on borrowers, tracking trends and changes in patterns of debt and making these available to the media and other opinion formers. The available information allows us to look in detail at specific issues which may be causing concern in the outside world, such as whether younger people are getting into more debt or whether banks are lending irresponsibly. Above all we can examine our own information against other social and economic indicators to see if debt is out of control.

Generally, we will provide interested parties such as Government and government organisations, the media, creditors and other charities, with the information at our disposal.

Our specific research reports take two forms:

regular bulletins tracking changes in our client circumstances against outside trends; and more in-depth analysis of particular issues.

In this latter category, for example, one of the reports we produced last year was prompted by a spate of high profile suicides where those concerned left notes citing their high levels of debt as the reason for their actions.

Extreme debt examined three criteria: clients with debts over £100,000; clients with debt to monthly income ratios of more than 66 to 1; and clients with more than 16 credit cards. We found that a small, but growing, proportion of clients fitted into these categories – one client had 48 credit cards. Currently we are working closely with creditors to establish in what circumstances customers were able to borrow sums way out of proportion with their ability to repay.

Of our regular bulletins, Debt Dashboard is the best established and has been published quarterly since 2003. Debt Dashboard tracks trends in specific client circumstances against key economic indicators as a gauge of whether debt problems are worsening or not. Increases in clients' average debt levels are plotted against growth in unsecured debt in the UK at large. Similarly we measure clients' repayment difficulty, ie when clients have difficulty making monthly repayments to creditors through CCCS, against average earnings growth in the UK and against the tax and prices indices. Establishing whether outside economic factors are impacting on clients' ability to repay their debts over a sustained period of time can be interpreted as an early warning system that the consumer credit burden is increasing and over-indebtedness is likely to rise. To date Debt Dashboard has indicated no such development.

During the last 12 months, the quarterly report showed increases in the average debt of clients starting debt management plans. In January 2005, the

average debt was £26,800, by the end of 2005, this had risen to £29,500, an increase of 10.5 percent. This was set against a macroeconomic background of steady interest rates, low inflation and slightly higher unemployment. Despite this, CCCS clients' ability to repay their debts increased, with record lows for the repayment difficulty index.

Halfway through the year, we introduced a second quarterly bulletin in response to the steady increases in insolvencies. Troubled Totals aims to put the rising number of bankruptcies, including Scottish insolvencies, and IVAs in context by tracking them against increases in DMPs.

There are good reasons – other than an increase in financial troubles – for the rises in the numbers of different solutions. Bankruptcy has been fuelled by the Enterprise Act; IVAs have been the subject of multimillion pound advertising promotions; and DMPs have risen as CCCS has become better known. Troubled Totals is published to coincide with the quarterly insolvency reports produced by DTI.



David Miliband, Minister of Communities and Local Government, talks to a counsellor during a visit to the North East Centre.



The Lord Mayor of Birmingham meets the team including (right) Garry Oram, managing counsellor.

Analysing



50m

illion rows of data daily gives unique insight

Strong partnerships help to extend our safety net

- 1 **Limavady CDI**
CCCS (Northern Ireland)
- 2 **Glasgow**
CCCS (Scotland)
- 3 **Newcastle**
North East Centre
- 4 **Leeds HQ**
and Counselling Centre
- 5 **Lincoln Credit Action HQ**
- 6 **Chester**
North West Centre
- 7 **Nottingham**
East Midlands Centre
- 8 **Birmingham**
West Midlands Centre and National Debtline
- 9 **Cardiff**
Wales Centre
- 10 **London Centre**
and Chairman's office
- 11 **Eastbourne**
CCCS South East and DDL

The sum of our parts

Working together with like-minded organisations is one of the key ways in which we develop our service and ensure that as many people as possible have access. Last year about one in six of our clients were referred by partner organisations, and this proportion continues to grow.

Partnerships allow us to offer credit counselling in new areas and to tailor it to local requirements. For example, CCCS Northern Ireland is accommodated and resourced by the Limavady Community Development Initiative. LCDI staff are fully trained in consumer credit counselling and both they and clients have access to all the back-up and support provided by the Foundation's main office in Leeds. In return, a proportion of the monies raised through DMPs (reflecting a fair share of their contribution to our work) is returned to LCDI. Starting with one full-time adviser in 2001, LCDI now employs five CCCS counsellors. The original counsellor Debbie Mills is now managing counsellor for Northern Ireland and liaises for us with local organisations and Government.

Since 2003, CCCS has supported the work of National Debtline, part of the Money Advice Trust, through administering DMPs on behalf of those clients with the means to repay their debts. A proportion of DMP money returned to CCCS by lenders is shared with National Debtline, which operates a telephone advice service along similar lines to CCCS. The successful expansion of National Debtline, which receives substantial support from both Government and creditors, led to an increase of 13 percent in 2005 in its DMP referrals to us compared with the previous year. We paid NDLE £201,159 in 2005.

In the course of the year, changes were planned in our relationships with two of our oldest partners. Since

2002, we have operated a helpline service on behalf of Credit Action, the national money education charity, as well as providing funds to support its initiatives to improve financial literacy and budgeting skills. This year the relationship became closer with our chairman becoming chairman of Credit Action and our trustees joining its board at the start of 2006.

Credit Action passed on its church-facing work and Christian volunteer network to another faith-based charity, Stewardship. We are now supporting Stewardship, through Credit Action, in maintaining the volunteer network, while we back Credit Action's director, Keith Tondeur, and his team in their educational initiatives.

Since 1993 Direct Debtline, an independent charity, has operated CCCS (East Sussex) on our behalf, employing seven counsellors. In April 2006 their staff who deliver consumer credit counselling, under managing counsellor, Maggie Kirkpatrick, transferred to us and are moving to new premises in Eastbourne as the South East Centre for Credit Counselling. We still support Direct Debtline in its wider role with free premises and grants.

Reciprocal arrangements for cross-referrals provide another way of reaching out to people with debt problems. We have a number of such arrangements with other charities including Shelter, Relate, One Parent Families, the Samaritans and housing associations. Additionally, we cross-refer under strictly controlled conditions and with the interests of our beneficiaries in first place to appropriate commercial organisations such as insolvency practitioners and mortgage brokers.

Partnerships with good people add to the sum of our parts and is something that we encourage.



Managing counsellor, Debbie Mills (second left) together with three of the four counsellors working for CCCS Northern Ireland in front of their office, formerly Limavady's work house and now listed as Ireland's best surviving example of such a building.

Facts about the charity

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, 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.

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.

Ann Robinson is a former chairman of energyWatch to which she was appointed by the minister of consumer affairs. She was formerly a senior civil servant and director-general of the British Retail Consortium. She sits on the General Medical Council, is the director of consumer policy at uSwitch and a partner in Rush Consulting.

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.

After over ten years of loyal support, **Doug Ross** decided to stand down as trustee at the end of 2005. Doug was a member of the regional board of Barclays when CCCS was formed and renewed its credit when it appeared to be running short on funds. He became a trustee in 1996 and worked unstintingly on behalf of CCCS.

His place has been taken by **Chris Leslie**, formerly a minister at the Department of Constitutional Affairs and now head of the think tank New Local Government Network. Chris has strong roots in the Leeds area where the Foundation originated.

About the staff

Gordon Bell, as chief executive, is responsible for the day-to-day running of CCCS. **Bernard Crooks**, chief operations officer, retired at the end of 2005. We wish Bernard all the best for a long and happy retirement.

Executive and management team

Gordon Bell	chief executive
Bernard Crooks	chief operations officer (to end of 2005)
Fiona Megaw	chief operations officer
Steve Nicholson	chief financial officer
Jan Smith	head of external affairs
Heidi Hutchins	head of human resources
Lesley Cheeseman	training manager
Ian Cracknell	supplier and facilities manager
Peter Tidball	systems infrastructure manager
Adrian Pettitt	systems development manager

Managing counsellors

Tim Blessed	East Midlands
Vikki Brownbridge	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 press relations are handled by Frances Walker in the chairman's office.

Financials

The information in this financial summary has been extracted from the audited accounts and management accounts for the year ended December 31 2005. The full accounts and auditor's report for 2005 is available from the Consumer Credit Counselling Service, Wade House, Merrion Centre, Leeds, LS2 8NG.

Operating income

Our operating income of £11,180.31 million was derived almost solely from the fair share contribution paid by creditors. This represents a percentage of funds disbursed on behalf of our clients who have chosen debt management plans. During the year we provided assistance to over 200,000 people who contacted our free helpline. About 10 percent of callers entered into debt management plans; the others received counselling, self-help information, signposting or general advice. Whereas our unique method of self-funding provides a direct tangible benefit to creditors in terms of managed debt repayments, it does mean 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 more than two thirds of total expenditure in 2005 at £6.8million. Providing free advice to hundreds of thousands of callers incurs high telephone and postage costs: over £1 million last year. Over three quarters of costs relate directly to debt counselling and a further 17 percent relate to the provision of a full after care service for those clients repaying and their creditors.

CCCS 2005 Financials

Income	£,000
Income from fair share contribution	10,317
Transfers from restricted funds	5
Other income	398
Investment income	461
Total	11,181

Expenditure	£,000
Counselling	7,867
Debt management	1,705
Information and guidance	498
Administration and compliance	199
Total	10,269
Net surplus	912

How we work

