

---

## Funding for debt advice through the FCA levy

21 January 2014

---

### Summary

---

- In 2012/3 the Citizens Advice service in England and Wales advised around 3 million people on 6.6 million problems, including 1.9 million debt issues.
- Research from the Money Advice Service indicates that 8.8 million people in the UK are over-indebted, and that 1.9 million of them are considering getting advice soon.
- The grant allocated by the Money Advice Service for providing face-to-face debt advice is now the predominant funding source for the Citizens Advice service's debt advice.
- The Money Advice Service is funded through two levies on firms regulated by the Financial Conduct Authority (FCA).
- By the end of 2015 payday loan companies will also pay the FCA levy.
- In the last four years the Citizens Advice service has seen a ten-fold increase in the proportion of clients receiving casework help with multiple debts which included a payday loan debt.
- The additional contributions from payday loan companies should result in an increase in the funding available for debt advice.

#### For further information contact:

Ashley Scarfield    0207 833 7200  
Tamsin James        0207 833 7102

[ashley.scarfield@citizensadvice.org.uk](mailto:ashley.scarfield@citizensadvice.org.uk)  
[tamsin.james@citizensadvice.org.uk](mailto:tamsin.james@citizensadvice.org.uk)

---

## About the Citizens Advice service

---

- Citizens Advice's charitable aim is to make society fairer by providing the advice people need for the problems they face; and improving the policies and practices that affect people's lives.
- 340 Citizens Advice Bureaux provide advice from 3500 locations across England and Wales
- In the last year Citizens Advice Bureaux helped over 2 million clients to solve over 7 million problems face to face and on the phone.
- Last year 14 million people received advice and information from our advice website Adviceguide
- Our policy, campaigning and influencing work is a hugely important part of the work we do for our clients. This year alone we estimate that our campaigning work positively impacted on 8.3 million people.

---

## The need for debt advice

---

In 2012/3 the Citizens Advice service in England and Wales advised around 3 million people on 6.6 million problems, including 1.9 million debt issues.

In the first two quarters of 2013/14 we advised 247,000 people on 809,000 debt problems and the views of the debt related information on [adviceguide.org.uk](http://adviceguide.org.uk) has also more than doubled in the last year.

In recent years the Citizens Advice service has seen a ten-fold increase in the proportion of clients receiving casework help with multiple debts which included a payday loan debt. In the first quarter of 2009/10 only one per cent of CAB debt casework clients had at least one payday loan. In the same quarter of 2012, 10 per cent had at least one payday loan. It is proposed that from April 2014, all payday loan adverts will include a risk warning which signposts to sources of free debt advice, and payday lenders will have to sign post to advice before allowing a customer to roll over a loan. We anticipate that this will lead to further increases in demand for debt advice.

The research report *Indebted lives: the complexities of life in debt (2013)* by the Money Advice Service, indicates that 8.8million people in the UK are over-indebted, representing 18 per cent of the UK adult population. The research found that of the 8.8 million people who are over-indebted, only 17 per cent (1.5million) were already getting advice. 10 per cent said they were planning to seek advice and an additional 12 per cent said they were thinking about getting advice. This means that there are 1.9 million people in the UK who are planning to get advice soon or are thinking about it.

A YouGov survey commissioned by the Money Advice Service in 2012 showed the positive effects of seeking advice for people with unmanageable debt, it found that individuals with unmanageable debt who have sought debt advice are almost twice as likely to have their debt become manageable within 12 months compared to those who have not sought advice, and that these people are more likely to remain out of debt in the future than those who reported their debts were manageable and didn't take advice. Finally it found that even people who consider their debts to be manageable see a greater reduction in their levels of debt if they seek advice.

In February 2012, Citizens Advice took a snapshot of outcomes recorded for debt, benefits, housing and employment enquiries. From this sample we found that £238 million worth of debt had been written off for 18,500 clients – an average of £17,170 each. And that 37,100 clients had one or more

debt repayments successfully rescheduled. Here are some clients who have been helped (names have been changed to protect our clients' identities)

Nishanthi and her seven year old son visited their local CAB for debt and financial help. Her husband had moved out and left her with nothing but debts. With CAB help Nishanthi received a £375 community care grant and benefits to help out. Her CAB adviser initiated a debt management process and identified domestic abuse was also a factor in her debt. Nishanthi disclosed that she had been subjected to abuse and was referred to the bureau's domestic abuse outreach service. The outreach service helped Nishanthi relocate and her debt management and case files were transferred to her new local CAB. She was referred to a local domestic abuse support service. Her son settled into a new school and was no longer showing symptoms of anxiety.

Christine visited her local CAB after she lost her income as a self-employed carer when both her clients passed away. She had multiple priority and non-priority debts and couldn't afford to pay them. She was in mortgage arrears, council tax arrears and had utility debts as well as a number of loans including payday loans which totalled over £30,000. Christine was facing homelessness and felt that the total of her debts and dealing with them was unsurmountable. The CAB helped her to claim for income based job seekers allowance so that a specialist adviser was then able to negotiate with her creditors.

In 2012/13 Citizens Advice surveyed 100,000 clients regarding their satisfaction our service, the survey found that overall client satisfaction was around 95 per cent.

---

## Money Advice Service funding for delivery of face-to-face debt advice

---

On 1 April 2012 the Money Advice Service assumed responsibility from the Department of Business, Innovation and Skills (BIS) for the management and funding of six debt advice projects in England and Wales. Following this, the service made over £26.7m of grant funding available to six lead organisations; Citizens Advice, Capitalise, Community Finance Solutions, Greater Merseyside Money Advice Partnership, Bristol Debt Advice Centre and East Midlands Money Advice, to work with over 240 participant organisations to deliver free debt advice. The Money Advice Service does not itself directly deliver debt advice.

In 2012/13 The Citizens Advice Service received £23 million in total from the Money Advice Service to deliver face-to-face debt advice. For 2013/14 the Citizens Advice service again received £23 million in funding and this current agreement has been extended by six months to run to September 2014.

The Money Advice Service has now asked all the lead organisations, including Citizens Advice, to submit business plans outlining how they would deliver a new national (England and Wales), integrated debt advice service over a three year period starting 1 October 2014. The deadline for the submission of business plans is 14 February 2014.

The Money Advice Service has told Citizens Advice that the funding available for the period October 2014 to March 2015 will be proportionate to current funding levels but there is a possibility that there may be increased funding available from April 2015, however there is no guarantees that this will be the case.

In our submission to the Money Advice Service Citizens Advice plans to outline how we would use additional funding to reach more people with our face-to-face debt advice.

---

## The Financial Conduct Authority levy and the Money Advice Service

---

The Money Advice Service is funded through two levies on firms regulated by the Financial Conduct Authority (FCA).

The money advice levy funds the work of the Money Advice Service and is currently collected from 20 different types of financial services firms. How the fees are allocated is based on how consumers use the Money Advice Service and the subject areas they use the service to access advice on. In 2012/13 the total raised by the levy was £46.5 million.

The money raised from the debt advice levy is allocated, via the Money Advice Service, to projects which provide debt advice. This levy is currently collected from firms who benefit from the provision of debt advice, on the basis of lending volumes reported by the Bank of England – this is currently firms classed as deposit acceptors and home finance providers. In 2012/13 the total raised by the levy was £34.6 million. We understand that the FCA will be consulting on the rates for the Money Advice Service fees for 2014/15 in March 2014.

---

## Consumer credit firms, including payday lenders, contributing to FCA levy

---

From April 2014 the FCA will also regulate consumer credit firms including payday loan companies. Consumer credit firms will not need to pay the levy until they have gone through the full authorisation process. We do not yet know the dates for when payday loan companies will have been authorised, but it will be before 2016.

Once consumer credit firms have been authorised by the FCA they will have pay the money advice levy but as things stand now, they would not pay the debt advice levy. Only firms that fall in the FCA's fee blocks A1 (deposit acceptors) and A2 (home finance providers and administrators) currently pay the debt advice levy. This arrangement would need to be changed in order to include payday loan companies, we understand that the FCA will also be consulting on this in March.

It has also been suggested that firms already regulated by the FCA will see their levy contributions lowered so the overall 'pot' of money will not change. This is concerning because it could make it difficult to raise the overall amount raised through the debt levy in future as those who had secured a discount would likely be extremely resistant to losing it.

**If you have any questions on this briefing, please contact :**

Ashley Scarfield	020 7833 7200	ashley.scarfield@citizensadvice.org.uk
Tamsin James	020 7833 7102	tamsin.james@citizensadvice.org.uk