



Dumfries & Galloway Citizens Advice Service

Money Advice and Debt Trends

2008 to 2011



Scottish National Standards for Information & Advice Type 3 Accredited
Scottish Charity No. SC027107
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1. Background

- 1.1 Dumfries and Galloway Citizens Advice Service (D&G CAS) is the only Scottish National Standards Type III accredited organisation operating in Dumfries & Galloway. To become accredited under the National Standards an organisation must be able to demonstrate that it meets the quality level defined by the Standards and provides an efficient and effective service. The organisation is audited by external auditors. Type III accreditation means that D&G CAS has been deemed to be competent to provide clients with advocacy, representation and mediation at tribunal or court action level.
- 1.2 D&G CAS is the only provider of free, independent, impartial and confidential high quality comprehensive and specialist advice and representation services throughout the region. Our independence from all interested parties, including local authority creditors, ensures that people who use our services trust us to provide impartial advice.
- 1.3 D&G CAS has strong national links to Citizens Advice Scotland and Money Advice Scotland, the Convenor of which is our Money Advice Specialist. These links support the integrity, quality and appropriateness of our information and advice system.
- 1.4 Money advice is a complex process and all of our advisers are trained in, and work to, the joint quality standards set by Money Advice Scotland and Citizens Advice Scotland. Therefore anyone who needs our services can be assured that these will be delivered to a high quality.
- 1.5 The money advice process including information gathering, discussing options with people and negotiation with creditors, where necessary, can take time to complete therefore in addition to people who are new to the service, the money advisers are always assisting people on an on-going basis.

2. Money Advice Project Outputs

- 2.1 D&G CAS has held the existing Dumfries & Galloway Council contract to provide money advice since December 2002. Through this contract we presently employ 2 full time and 2 part time money advisers to provide the service throughout the region.

2.2 The Money Advice Project staff have delivered the following outputs since 2008.

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011
New Clients	427	469	458	459
New Debt	£5,547,023	£7,913,863	£8,570,020	£9,255,865
Total Clients	976	1057	919	1022
Total Debt	£13,929,878	£17,439,108	£17,390,121	£20,898,554

2.3 In addition to the above, our money advice specialist and volunteer money advisers dealt with the following number of cases and levels of debt.

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011
New Clients	163	125	202	105
New Debt	£2,188,663	£2,885,344	£2,454,051	£1,511,113
Total Clients	504	492	511	261
Total Debt	£7,076,577	£9,592,828	£9,058,572	£7,028,612

2.4 The following therefore shows the ***combined total for all D&G CAS money advice.***

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011
New Clients	590	594	660	564
New Debt	£7,735,686	£10,799,207	£11,024,071	£10,766,978
Total Clients	1480	1549	1430	1283
Total Debt	£21,006,455	£27,031,936	£26,448,693	£27,927,166

2.5 Although the number of cases being handled by the money advisers has dropped slightly, the volume of debt has continued to rise. Dumfries & Galloway Council now have money advice staff therefore debtors have an additional source of assistance whereas previously D&G CAS were the only organisation providing free

money advice. This increase in money advice provision has allowed us to reduce our waiting times for new clients. However as the only organisation in the region accredited to Type III, see 1.1 above, the most complex cases continue to be dealt with by our staff and volunteers.

3. Types of Debt

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011
Credit Card	£4,222,297	£5,433,419	£5,739,366	£5,752,996
Bank Loans	£6,554,014	£8,920,539	£8,992,556	£8,908,766
Personal Loans	£2,982,917	£3,622,279	£2,777,113	£2,317,955
Mortgages	£1,050,323	£1,513,788	£1,877,857	£2,960,279
Bank Overdraft	£819,252	£1,838,172	£2,115,895	£2,038,683

- 3.1 The top 5 debt categories has remained the same during the past 4 years, however, the level of mortgage debt has risen from 5% of total debt in the year to 31 March 2008 to 10.6% of total debt in the year to 31 March 2011.
- 3.2 Bank loans continue to be the highest debt category due mainly to the lending policies of banks over the past 10 years and the ease with which debtors could obtain credit. When someone opens a bank account, in the majority of cases, an automatic feature of that account is an overdraft facility. As people have struggled to meet their commitments and cope with the increase in living costs they have become more reliant on bank overdrafts.

Protected Trust Deeds and Sequestrations

- 3.3 For some people whose debts are out of control the best option is to enter into a Protected Trust Deed. D&G CAS refers clients who wish to enter into a Protected Trust Deed to an Insolvency Practitioner chosen by the client from our list of reputable firms. A Protected Trust Deed is a voluntary agreement where someone agrees to make monthly contributions from their income, usually for a period of 3 years. In addition to this the client transfers their assets to a trustee. The trustee manages and sells these assets to try to pay off your debts. A protected trust deed is not as formal as sequestration and also avoids some of the restrictions of being bankrupt, but it is binding in law on both the client and their trustee.

- 3.4 If sequestration is the best option for someone then we will assist with the completion of the application for bankruptcy.
- 3.5 Changes in bankruptcy legislation which came into force on 1st April 2008 enabled debtors who met specific Low Income and Low Asset criteria to apply for bankruptcy without the need to wait for a creditor to take court action and serve them with a Charge for Payment. Further legislation commenced on 15th November 2010 which introduced the Certificate for Sequestration. This means that any debtor who cannot meet their contractual debt payments has a route into bankruptcy available to them.
- 3.6 As a result of the changes, there has been an increase in the level of debt being written off by bankruptcy. Prior to this many debtors were left in limbo for a considerable length of time, as they could not access bankruptcy and they had no means of repaying their debts. The table below shows clearly the levels of debt that are being written off.

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011
Total Debt	£1,974,554	£5,657,862	£4,007,857	£3,764,129
Contributions	£203,214	£125,475	£262,074	£191,064
Written Off	£1,771,340	£5,499,267	£3,745,783	£3,573,065

Debt Arrangement Scheme

- 3.7 With high levels of debt increasingly hitting the headlines, the Scottish Government wanted to do something to help Scots with this problem. In 2004 the Debt Arrangement Scheme (DAS), was introduced. It allowed individuals with two or more debts to repay their debts and obtain protection from diligence and sequestration. Following consultation with stakeholders, a number of amendments to DAS were introduced in 2007. The main changes introduced at this time were intimations (a declaration by the debtor that they intend to apply for a DAS) and the freezing of interest, fees, penalties and charges.

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011
Debt Payment Programmes	70	121	194	260

3.8 During the past few years, we have seen an increasing number of clients who are homeowners with equity in their properties, who are struggling to pay their debts and are therefore ultimately they are in danger of losing their homes. This is resulting in an increased demand for DAS to provide protection for the clients.

4. Client Profiles as at 31 March 2011

4.1 We assist people from throughout the whole of Dumfries & Galloway with their debt problems. The largest age groups which we deal with continues to be between 31 and 50; however over the past few years we have seen a gradual increase in the number of older people who have debt problems. This has partly been due to the ease with which people could obtain credit but in some cases it has happened when people have retired with a drop in income but have tried to maintain their lifestyle through the use of credit which has then become unaffordable.

4.2 The cases which the money advisers are dealing with have increased in complexity due to more homeowners who have equity in their properties seeking our assistance. We have also seen an increase in the number of self employed clients who in most cases have debts due to HMRC. These types of cases can be more difficult as there may be fewer options available to people due to them owning assets, in particular equity in their home. If someone has assets or equity in their home insolvency options such as sequestration and trust deeds are not viable for them unless they are willing to surrender the assets to the trustee or allow the trustee to sell their home, which would mean that they would have to find alternative housing.

4.3 Many of the self-employed people who come to us for help, in particular ones who are sole traders, do not keep records of their business income and expenditure and are not submitting self assessment tax returns; therefore the debts due to HMRC are estimates and may be higher than the amounts which are due. Some who complete the self assessment returns and VAT returns, where necessary, do not set money aside to pay the amounts due. This means that when they are due to pay money to HMRC they do not have funds available.

4.4 The following are the statistics relating to those who used our money advice services in 2010 – 11.

Gender	
Male	462
Female	539
Couples	282

Age	
20 & under	59
21 – 30	235
31 – 40	372
41 – 50	333
51 – 60	166
61 – 70	88
Over 70	29

Employment Status	
Full Time Employed	460
Unemployed	196
Part Time Employed	157
Not Working (ill health)	157
Retired	118
Looking after Family	108
Self Employed	69
Further Education	18

Housing Status	
Rent – Social Landlord	499
Owner Occupier	344
Rent – Private	284
Not Householder	127
Homeless	29

Area	
Dumfries/Nithsdale	512
Wigtownshire	371
Annandale & Eskdale	259
Stewartry	141

5. Conclusions

- 5.1 As the figures in this report demonstrate D&G CAS is providing a vital and high quality service to people who often feel they have nowhere else to turn. We have great success in assisting people to manage their debt and those who come to us for help can be assured that everyone at D&G CAS is highly skilled and knowledgeable. However the complexity of cases is increasing along with the sheer volume of debt being managed by the organisation. It seems likely that with the current pressures on the public sector funding for lifeline services such as those provided by D&G CAS may be at risk at a time when there has never been greater need.