

Identifying vulnerability and its impact on revenue collections

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With thanks to the Money Advice Trust
and Royal College of Psychiatrists



Vulnerability In Focus

February 2015: Consumer Vulnerability – Financial Conduct Authority



Report Findings:

- ❖ Systems are streamlined and not designed to meet non-standard needs; staff need empowerment to use discretion and apply a flexible, tailored response rather than be inhibited by rigid policies, the “computer says no” philosophy
- ❖ Some automated contact centre style operations create barriers and limit access for those less able
- ❖ Frontline staff initial responses are crucial to the customer experience, vital for good outcomes, so training to deal with vulnerability is vital
- ❖ Frontline staff don’t need to be experts but good facilitators to signpost debtors to areas of appropriate expertise
- ❖ Vulnerable debtors are still valuable customers, engage to avoid their withdrawal and spiralling problems
- ❖ Creditors are not rescuers, build relationships with advice sector and debt charities

Vulnerability In Focus

March 2015: Children's Society Report "The Wolf at the Door"

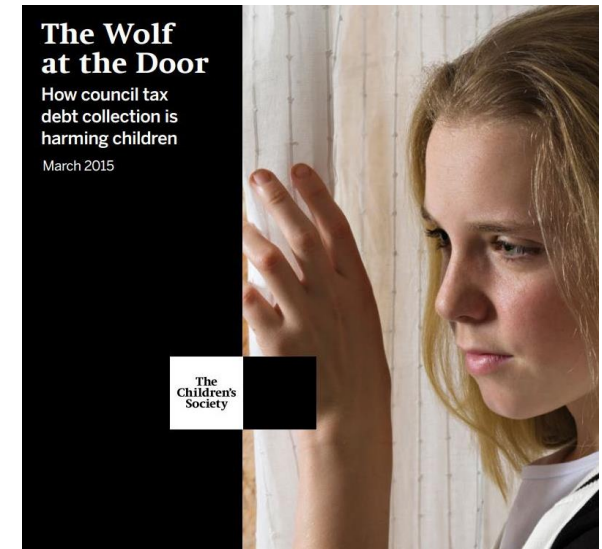
4,500 families canvassed, 450 (10%) responded in full

"In debt" defined as being any of:

- ❖ 2 or more months behind
- ❖ Lost the ability to pay by instalments
- ❖ Still owed money on last year's council tax (arrears)

Four in 10 families found their council 'not helpful at all' or 'extremely unhelpful' when discussing their debts

Of those in debt more than half responded by borrowing money to pay their bill. Common sources were from: family or friends; a payday lender loan; a credit card



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Report Recommendations:

- ❖ Don't engage EAs for collecting CTAX for families with children
- ❖ Give families with children at least one opportunity to bring their account UTD and reinstate their monthly instalments (not necessarily by DD)
- ❖ Place accounts on hold for 21 days when households with children fall into arrears for the first time so that they can speak to independent advice agencies about dealing with their debts
- ❖ Give vulnerable families the opportunity to negotiate a repayment rate that is affordable and realistic, even when the case is with an enforcement agency
- ❖ Review CTAX collection policy and ensure it references vulnerable groups that include households on CTAX support or HB with children

The Taking Control of Goods Regulations 2013

- **Circumstances in which the enforcement agent may not take control of goods**
- **10.**—(1) The enforcement agent may not take control of goods of the debtor where the debtor is a child or vulnerable person (whether more than one or a combination of both) is the only person present in the relevant or specified premises in which the goods are located; or
- (c) the goods are also premises in which a child or vulnerable person (whether more than one or a combination of both) is the only person present.
- **14**
- The enforcement agent may not enter into a controlled goods agreement with the debtor or another person who it appears (or ought to appear) to the enforcement agent does not understand the effect of, and would therefore not be capable of entering into, such an agreement.

The Taking Control of Goods (Fees) Regulations 2014

- **Recovery of fees from vulnerable debtors**
- **12.** Where the debtor is a vulnerable person, the fee or fees due for the enforcement stage and any disbursements related to that stage (or stages) are not recoverable unless the enforcement agent has,
 - before proceeding to remove goods which have been taken into control, given the debtor an adequate opportunity to get assistance and advice in relation to the exercise of the enforcement power.
- It must be noted that ‘vulnerable’ has not been defined in the Regulations and it will be incumbent, therefore, upon Enforcement Agent companies to deliver the necessary training for Enforcement Agents to have the awareness of different vulnerability categories and to be able to conduct the necessary checks before proceeding to take control of goods.

Enforcement and Vulnerability

National Occupational Standards for Enforcement Agents

An underlying intention of the new Enforcement Regulations is to raise the standard of conduct, knowledge and skills of the Enforcement Agent.

To this end the **Certification of Enforcement Agent Regulations 2014** provide that upon the application for a certificate, the judge must be satisfied that the applicant, amongst other things, possesses sufficient knowledge of the law and procedures relating to powers of enforcement by taking control of goods, to be competent to exercise those powers.

In response to this requirement and that the M.O.J. Are keen for the knowledge test to be evidenced by way of a recognised qualification, the I.R.R.V. have written and published National Occupational Standards for Enforcement Agents, which can be used to build a recognised qualification.

Money Advice Service Statistics

In 2014 the Money Advice Service identified that in the UK out of 64 Million people; there were how many people classed as in debt (3 months or more behind with their bills)?

9.1 Million

What percentage split of those in debt were men and how many were women?

64% Women and 36% men

What percentage of those in debt were homeowners?

48% Home owners

What percentage of those in debt were in full time employment?

41% Full time employed

How many of the 9.1M thought that debt was normal?

5 Million

How many of the 9.1M didn't actually recognise they were in debt?

1.7 Million

Only 17% of those in debt planned to do something about it!!!



A Definition of vulnerability

“A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of their family.”



A person can be vulnerable if they have difficulties understanding or communicating when dealing with the actions of an individual, whether that be due to language barriers, learning difficulties, mental capacity or confusion. The ability to communicate effectively is an important characteristic in the identification of vulnerability.

Vulnerable people and debt

People get into debt for many reasons

Often because of a life change. Life changes that lead to debt often make people vulnerable and a vulnerable persons debt often increases.

People in financial difficulty usually have:

- High levels of income spent on servicing debt
- Arrears on credit commitments and domestic bills
- Dependency on benefits
- They can feel their money is:
 - Out of control
 - Hard to assess
 - Becoming too much to handle

Independent Money Advice is proven to help
People who are struggling to manage their
debts



Independent Money Advice

- It deals with all the debts someone has, both priority and non-priority, and tackles associated problems as part of a holistic advice service.
- The starting point is a detailed assessment of circumstances.
- The money advice process shows people ways of maximising their income, primarily through benefit or tax credit entitlements, as well as exploring all the options open to them for dealing with their debts.
- Although many vulnerable people are in contact with a range of voluntary and statutory organisations, this does not necessarily mean they are also aware that free money advice services are available.
- It also does not guarantee that they are claiming their full benefit entitlement.
- **Leicester CC: Money Advice service hosted within the Customer Service Centre**



Circumstances where people may be classed as vulnerable

- Due to financial inexperience
- Based on their situation
- Because of their individual characteristics
- Due to medical, social or environmental factors
- Following a stressful life event for example, bereavement,
- redundancy or a relationship breakdown

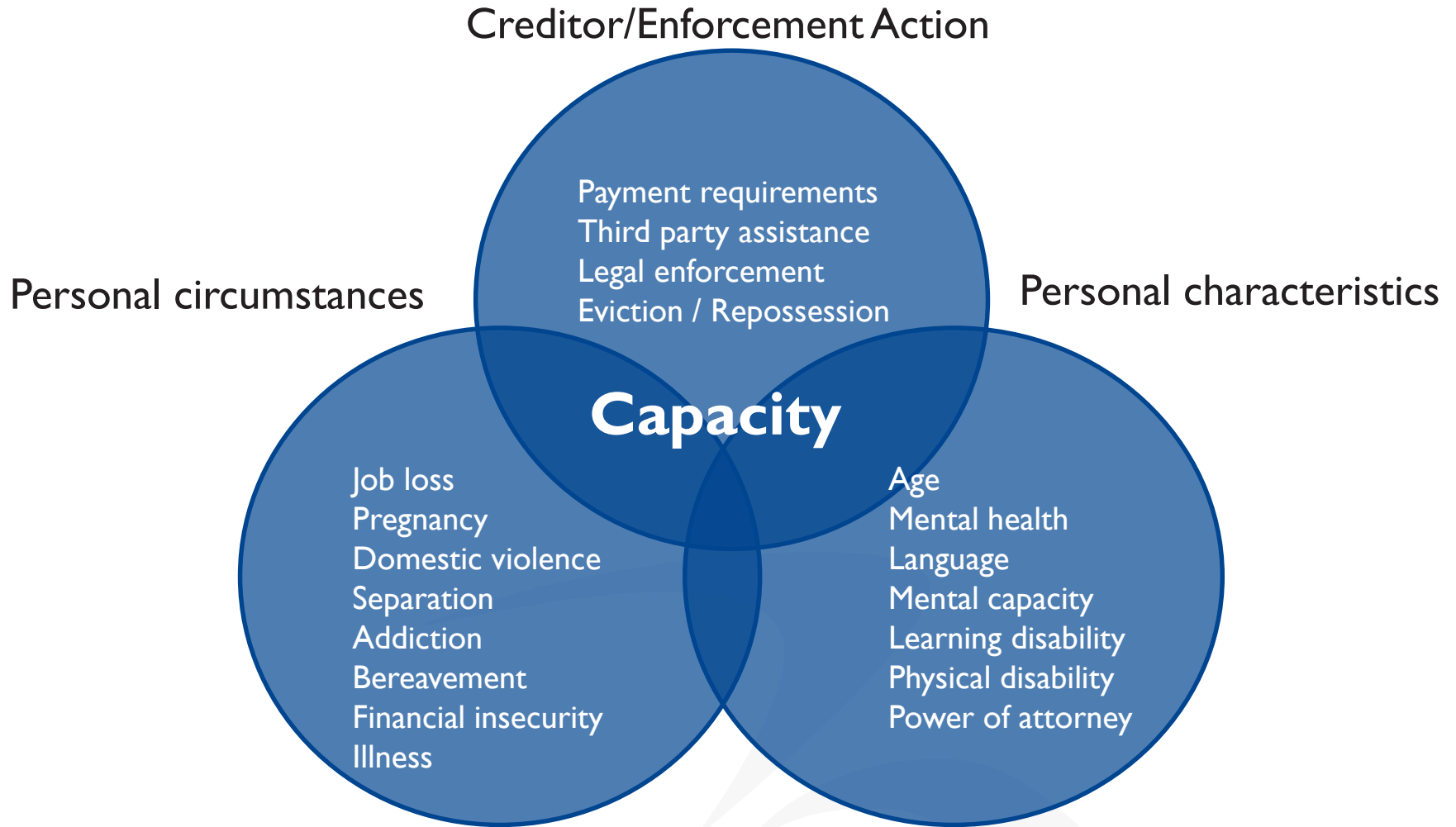


These same people, at other points in their lives or in other situations, might not be classed as vulnerable?

Vulnerability should be assessed with three key factors in mind:

- Personal characteristics
- Personal circumstances
- External factors: enforcement agent activities or creditor actions

Assessing vulnerability



Using IDEA with vulnerable individuals

Duration

How long has it been going on?
Is it temporary or more long term?

Impact

What does the condition
stop the person doing?
What happens?
How Bad is it?



Episodes

Has it happened before?
Could it happen again?

Assistance

Is the person getting any help?

Signposting

You may have the option of an internal transfer to a specialist? Depending on your policy, if your customer has multiple debts or needs help budgeting, you may signpost to a free debt adviser:

- Advice UK: 0207 469 5919
- Citizens Advice Bureaux: www.citizensadvice.org.uk
- StepChange Debt Charity: 0800 138 1111
- National Debtline: 0808 808 4000
- Payplan: 0800 280 2816
- Royal Association for Deaf people 0845 688 2527 (minicor)
- Respond 0808 808 0700 (Domestic violence / abuse)
- Refuge 0808 2000 247 (Domestic violence / abuse)
- Patient Advice & Liaison service (PALS) 0800 085 3182
- **Council Tax Discretionary Relief for those in financial difficulty?**



Any questions

Rossendales

