

## Sustainable debt advice: evaluation of a pilot project

**The debt advice sector has faced increasing demand since the onset of the last recession, at the same time as its capacity has been reduced by cuts in public sector funding. A sustainable debt advice project (SDAP) was developed and piloted to test the feasibility of delivering a new model of debt advice that would be financially viable for advice agencies and would also result in sustainable debt repayment arrangements for clients. The pilot was delivered in partnership with nine free-to-client debt advice agencies. This summary presents the results from an independent evaluation of the pilot and assesses the suitability of the model for roll out to other agencies. The evidence presents a mixed picture.**

### Key findings

SDAP generated commitment and interest amongst the debt advice and creditor sectors. However, the actual volume of cases put through the pilot was low, both in absolute terms and as a proportion of the agencies' overall caseloads.

There was evidence that clients who had been through the process had managed debts effectively and had improved their well-being. No evidence was available as to whether clients were sustaining their debt repayment arrangements to a greater extent than they would otherwise have done if they had adopted different debt strategies.

There were problems with the technological implementation of the pilot. In particular, a lack of integration between systems acted as a barrier to making referrals and managing cases. There was evidence that the SDAP pilot had increased the workload on advisers and agencies, partly due to these problems.

Based on the current level of referrals, SDAP is unlikely to provide a significant funding stream to the free debt advice sector or to an individual agency. The model does have the potential to be practically and financial viable for agencies, but due to the current low volume of successful referrals this potential has not yet been realised. Technological and process improvements are needed to reduce the barriers to making referrals and help realise this potential.

### Key recommendation

The evaluation was inconclusive as to whether the pilot should be rolled out beyond the pilot agencies. Although it was broadly supported by the debt advice and credit sectors, and helped clients who used it, it may have a limited market. Important technological improvements are required, and until these are made any roll out should be gradual and subtle.

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## About the study

SDAP was conducted by AdviceUK (the UK's largest support network for free, independent advice centres), in partnership with Payplan (provider of free Debt Management Plans (DMPs), Individual Voluntary Arrangements (IVAs) and debt advice), which supplied the Payplan and Paylink systems used by debt advice agencies for this project. ACM-S supplied the AdvicePro case management system. The pilot ran for 12 months and engaged the assistance of nine free-to-client debt advice agencies, representing a mix of clients and agency size. It was independently evaluated by Public Perspectives Ltd, specialists in research and evaluation for the public and third sectors. The evaluation included input from the pilot agencies and their advisers, clients in receipt of debt advice, and debt advice and creditor stakeholders.

## How the model works

SDAP used the 'Fair Share' model, under which a debt advice agency receives a fee from the creditors to whom clients' debt payments are distributed. The aim was to see if it could be extended, to provide new, sustainable funding sources for the advice sector.

Two new payment options were offered to debt advice clients:

- Clients could make low offers, or token payments, to multiple creditors with a single monthly payment via the Paylink payment disbursement system. This arrangement was set up and administered by the debt advice agencies on behalf of their clients.
- A fast-track process for referring clients to Payplan for consideration for DMPs/ IVAs for those clients who qualified for them.

Whilst it was already possible for any debt advice agency to create their own access to, and make referrals to, Paylink, the distinctiveness of SDAP was that it created a straightforward, supported referral process using AdvicePro. It also investigated the potential for a financial return for the agency by Payplan passing on some of the Fair Share income.

The project also intended to look at the potential for extending the Fair Share net, to include creditors such as utility companies for the first time, but ultimately the low volumes and long timescales involved did not warrant progressing this aspect.

Finally, the pilot offered a streamlined application process for opening a basic bank

account, or a prepayment card as an alternative to a bank account, to make it easier for clients to make a single monthly repayment. These aspects were later discontinued due to lack of take-up, with agencies reporting that clients either already had bank accounts or could easily be supported to set up accounts for themselves and that the cards, and the fees associated with them, did not suit their clients.

## Project outputs and process

In total, some 470 clients benefited from the SDAP model, covering £6 million of debt and nearly £35,000 a month 'surplus income' (a widely used indicator of how much debt could potentially be repaid). This represents 5 per cent of the agencies' total caseload. The reasons for the low uptake varied between agencies, and included lack of familiarity amongst both advisers and clients, the amount of processing time involved, technological issues and some clients preferring alternative debt strategies.

Although the findings suggested that SDAP would only ever be suitable for a limited number of clients, the evaluation concluded that, with greater familiarity amongst agencies and clients, improved systems and processes, the take-up could be much higher: referrals to Paylink could more than double, and referrals to Payplan could be increased fivefold.

## Technological issues

SDAP had intended to establish electronic referral, data transfer and case management links between AdvicePro and both Paylink and Payplan. However, once the pilot process began it was considered too expensive and time consuming to deliver these technological aspects in full at the pilot stage of the project. A data transfer link was established between AdvicePro and Payplan for the referral of DMPs and IVAs, and the pilot agencies felt this worked well. However, several agencies felt that the lack of integration of the system was a barrier to making referrals, especially to Paylink. Some agencies felt that effort was being duplicated by entering information on to Paylink that was already entered on to AdvicePro. In addition, the lack of integration meant that the progress of cases could not be monitored through a single interface such as AdvicePro. Some agencies and advisers also raised concerns about the effectiveness of the Paylink system, reporting that it could be difficult to use.

## Financial sustainability

One of the key aims of SDAP was to test whether this particular Fair Share model could generate a significant income stream. Based on their experience of the pilot, most of the agencies involved doubted that the model would do so. In addition, whilst several reported that operating the SDAP model had improved their reputation with their other funders, no quantifiable financial impact could be shown.

Agencies felt that SDAP could become cost neutral, or very modestly income-generating, but only if new systems were introduced to make it more streamlined and Paylink more efficient. Projections suggest that, depending on the size of the agency, their client mix and the number of referrals, income to agencies would vary between £0 and £16,500 per annum.

Integration of AdvicePro with Paylink and Payplan systems would make the initiative much more attractive to advice agencies who use AdvicePro, greatly assisting roll out to those agencies.

SDAP has been positively received by some creditors, although there was little evidence of it having had a positive financial impact on them to date.

## Providing a new and sustainable debt management option for clients

Stakeholders, agencies and advisers felt that being able to offer clients the opportunity to make payments to multiple creditors through the Paylink disbursement system was a major feature of SDAP. Several advisers and agencies suggested that being able to offer Paylink to their clients increased the likelihood of clients setting up a repayment arrangement.

Clients making payments through Paylink and Payplan were very positive about their repayment arrangements and were committed to them. The vast majority said that their repayment arrangement was proving affordable and easy to manage – which was why they had chosen the option in the first place. They also said that they were more likely to keep up repayments than with other methods.

SDAP had proved not to be suitable for most clients. Agencies and advisers said that one of the main reasons for the low volume of referrals was that in most cases their clients did not have the level of disposable income necessary for a DMP or IVA. They also said that the majority of their clients preferred to complete a debt relief order or to manage the

creditors themselves. This suggests that SDAP may be a niche product for the type of client that accesses free debt advice provided by agencies like those taking part in the pilot.

## Impact on clients' health and well-being

The majority of active clients through Paylink and via Payplan agreed that their repayment arrangement was having a positive impact on their health and well-being. They felt more in control of their financial situation, less stressed and worried, and better about life. Their personal and family situation had improved, and they were confident that the repayment arrangement would reduce their debt.

## Impact on agencies' workloads

Overall, agencies were committed to the pilot and able to see the benefits. However, several said that referring and managing cases through Paylink was time consuming, added to their casework time and acted as a barrier. In contrast, most advisers said that the process of making referrals through to Payplan for a DMP or IVA was straightforward and not time consuming.

## Ethical issues

Several stakeholders said that it is essential to ensure that clients are offered appropriate options for dealing with their debts and that agencies avoid the potential for pushing clients towards a referral to Paylink or Payplan simply to generate Fair Share income. Clients felt that agencies had provided ethical, fair and unbiased advice, and there is no evidence of agencies providing anything other than this.

## Rolling out the project

There were mixed views amongst agencies, advisers and stakeholders about the future of SDAP. Some fully supported its roll out, others supported it with caveats and some were less supportive. Overall, the general consensus was that some technical and technological improvements should be put in place before any major roll out, especially integrating the AdvicePro, Paylink and Payplan systems and making improvements to the Paylink system. In addition, the evaluation concluded that the initial roll out should be gradual prior to these technological improvements being in place. Some stakeholders also raised the potential for AdviceUK to join forces with Citizens Advice, which is undertaking a similar pilot.

## Conclusion and recommendations

The evaluation results were inconclusive about whether the pilot should be rolled out beyond the pilot agencies. The concept of the model is broadly supported by the debt advice and creditor sectors, it has helped clients that have made repayments through SDAP and there is potential for the model to generate income and increased referrals over time. However the existing level of referrals and potential income to agencies and the sector is low, while the existing Paylink system and processes appear to increase the workload on agencies. The evaluation made the following recommendations for the roll out, should it go ahead:

- Until technological improvements are made and embedded, any initial roll out should be gradual.
- Investment is needed in two areas:
  - developing a new Paylink system that makes it easier to set up and manage cases;
  - integrating the Paylink and Payplan systems with the AdvicePro case management system to reduce duplication, ensure all appropriate information is submitted as part of a referral and allow for the effective monitoring of cases by the agency once it has referred clients to Paylink or Payplan.
- Systems, branding and materials should be developed that create a seamless offer and experience for clients moving between their advice agency and Payplan, to help reduce drop-outs.
- Consideration should be given to initially rolling out the Payplan DMP/IVA referral option separately from the Paylink low offer/token payments option, while the latter system is being developed.
- A partnership with Citizens Advice should be explored, to progress and promote the model more flexibly within the debt advice and creditor sectors.

### AdviceUK's response to the evaluation

AdviceUK is grateful for Friends Provident Foundation's support throughout the project. We accept the key findings of the evaluation and support its conclusions and recommendations. We are encouraged by the continuing interest and commitment to the project from a range of stakeholders. We think that it is important that there is evidence it has led to clients managing their debts effectively and to improvements in their well-being.

We see SDAP as having the potential to provide an income stream for debt advice agencies and to fill the gap in provision of debt remedies for those clients only able to make low offers or token payments. As recommended in the report, we intend to proceed with a gradual roll out of SDAP to more agencies, aiming for a maximum of 25 by the end of 2013. We will continue to collect evidence and work with partners to build the justification for further investment in the technology and a wider roll out.

### Further information

This summary is available in print and as a pdf from Friends Provident Foundation ([enquiries@friendsprovidentfoundation.org.uk](mailto:enquiries@friendsprovidentfoundation.org.uk) and [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org)). The full report, *Sustainable Debt Advice Pilot Project: Final evaluation* by AdviceUK and Public Perspectives Ltd, is available as a pdf from [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org).

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