CREDIT STRATEGY

*Risk | Policy | Conduct*

June 2017

# CIVIC DUTY

Why more councils need to change their cultural approach to collections

**QUANTITATIVE PLEASING**
Why statistical targets are killing the free advice sector

**RENAISSANCE MAN**
A council director's mission to match FCA standards

**PRICE CAP BACKLASH**
Energy market's warning over Tory pledge

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# Enmity of the state

**Marcel Le Gouais**
*Editor*

Elections are a pain in the backside for journalists; a maddening impediment to information gathering for one reason: Purdah.

This is the word used to describe a period in which restrictions are placed on civil servants working in central government during an election. These constraints apply to departmental press officers too, limiting their ability to provide journalists with new information.

Emphasis on the word 'limit' is important here, as the phrase 'blood from a stone' provides some indication of the exasperating, futile endeavour of interrogating government press officers during purdah, about the state's strategies for debt collection.

Even at the best of times, the disposition of ministers to go on record about outsourcing debt to the private sector is laden with an enfeebled fear of a certain headline. During an election it's worse and in any case, they're out on doorsteps being ignored by hard-working families.

So the fact that an opportunistic snap election was called – in the precise month that *Credit Strategy* had planned a thematic, exploratory issue on the public sector's (stop smirking) cultural approach to debt management – was just the kind of news we weren't looking for.

Media cynics claim civil servants use purdah as an excuse to down tools, but the reality is many would like to crack on with projects announced long before the Prime Minister's surprise move – particularly those leading the planned sale of a portion of the student loans book.

Whatever happens at Westminster, it will be later this year, following what may or may not be a cabinet reshuffle, that *Credit Strategy* unearths the full plans for both the

*"Even at the best of times, the disposition of ministers to go on record about outsourcing debt to the private sector is laden with an enfeebled fear of a certain headline"*

student loan book (which go far beyond a portfolio sale) and the Debt Market Integrator (DMI) – the government's debt management programme run out of the Cabinet Office.

So instead we turned to local government, where there's no shortage of issues. But amid concerns about councils' so-called two-step approach to enforcement, and a level of accountability that falls far short of regulated financial firms, we found a handful of local authorities willing to change.

One that stands as an example to others is Hammersmith and Fulham Council. In this month's issue (see p26), the council's commercial director Michael Hainge explains the authority's new joint venture with 1st Credit, which will provide services such as debt collection, enforcement, debt prevention and training to H&F, as well as local authorities around the country.

This news is more significant than a typical public sector tender, for a simple reason. In terms of how the joint venture undertakes collections services, Hainge will introduce conduct standards equivalent to those required by the Financial Conduct Authority (FCA).

In our cover feature (see p20) other local authorities and suppliers highlight councils' efforts to identify vulnerable residents, or at least establish all debts owed to the authority by an individual.

But unless the Department for Communities and Local Government suddenly makes the debt management practices of councils a priority after the election, it's hard to see a catalyst for sweeping changes in patterns of local government behaviour.

Until then, the government will continue to instruct the regulated sector to 'do as I say, not as I do'. CS

**Credit Awards**

Because *Credit Strategy's* June issue went to press before the Credit Awards, the July issue will feature the Credit Awards winners. A digital winners supplement is coming soon.

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*Head of economics, HSBC UK Commercial Banking (p17)*

*"Any system that survives for two decades is bound to have its flaws and its critics, and the UK's monetary policy framework is no exception"*

**Charles Butterworth**
*Managing director, Experian UK and Ireland (p18)*

*"I see a future where there is far quicker, cleaner, easier and more appropriate access to finance for everyone"*



**£1.9bn**

The total amount of redress paid to consumers by financial services firms during the second half of 2016

**See p6**

Source: FCA

CS COVER STORY

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**Is it high time that the public sector drags itself out of the dark ages when it comes to the treatment of debtors? Amber-Ainsley Pritchard asks what the catalyst will be for local councils to change and adopt the same cultural approach as the private sector**

**57,000**

**The number of bailiff issues referred to Citizens Advice in 2016, which related to council tax enforcement**

Source: Citizens Advice

THE CS INTERVIEW

## 26 Hammersmith & Fulham Council is spearheading a joint venture with the private sector to offer debt management services to local authorities. H&F commercial director Michael Hainge is driving cultural change by bringing in FCA standards of conduct


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# Dispatches

FRONTLINE NEWS | ECONOMIC STATISTICS | M&A | REGULATION | A WORD TO THE WISE | THE VENT | KEYNOTE UPDATES

# Shop Direct tops FCA table with 23,000 complaints

More than 23,400 consumer credit complaints were opened against Shop Direct Finance in the last six months of 2016 – the most of all UK consumer credit firms.

The complaint figures are revealed in the Financial Conduct Authority's (FCA) latest complaints data, which shows how many grievances against financial services firms were opened, closed and upheld in the second half of last year.

As part of the statistical release in April, the FCA originally published a table showing MBNA at the top for the most consumer credit complaints. However, the regulator changed this once it realised a mix-up had occurred in publishing the figures.

The FCA's initial data stated that MBNA had received more than 100,000 consumer credit complaints during the second half of last year, but the FCA later removed MBNA from that specific table entirely, after the credit card provider flagged an error with the regulator. MBNA later confirmed to *Credit Strategy* that it does not record consumer credit complaints, only those for banking and credit cards, insurance and pure protection.

The general complaints data in April included new elements, because the FCA now requires firms including lenders, debt purchasers and collections firms to submit all complaints data, including those that had been resolved by the end of the business day after they were received. The FCA's official data therefore now gives specific figures on complaints against individual firms, as well as which products and services are most complained about.

The lender with the most consumer credit complaints in the second half of 2016, after Shop Direct, was Clydesdale Financial Services with around 12,000 – just under half of the amount recorded by Shop Direct. For the same period, Secure Trust Bank was third, recording just over 10,000.

Of these three firms, Shop Direct upheld the most grievances – at 66 percent. The FCA defined upheld complaints as those which the firm agreed with and had taken action to resolve through measures including redress.

National Westminster Bank upheld 71 percent of all its complaints – the most out of the top 10 firms with the highest number of consumer credit complaints opened against it.

## Fraudsters get smarter as identity theft reaches industrial scale

Cases where fraudsters posed as customers to get control of accounts soared by nearly 50 percent last year, according to a Cifas report.

This type of crime – which the UK's fraud-prevention service describes as "facility takeover" – and identity theft remain the most widespread of all fraud, comprising 60 percent of all 325,000 cases recorded in 2016.

Facility takeovers increased by 45 percent last year in a sign that as firms beef up the security of their systems, criminals are instead targeting individuals, tricking them into revealing personal details.

Cifas added that fraudsters are collating personal data in various ways, such as through data breaches, social media footprints and other open-source information.

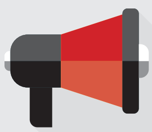
Cifas chief executive Simon Dukes said: "We know that as one method gets harder, fraudsters change tactic rather than stop. Using highly effective con artistry, they are tricking individuals into giving away their personal details and deceiving call centre staff into making transactions on their victims' accounts."

Next month, *Credit Strategy's* cover feature will focus on cyber security.

### Vital Statistics

**559**

Number of members across different trade bodies that will be united under new super trade body – UK Finance – which launches this summer. Stephen Jones has been appointed CEO.



THE VENT

Choice cuts from social media

**Credit concerns**

Following the recent news that Russell Hamblin-Boone, the chief executive of the Consumer Finance Association (CFA), is to move on from the role after nearly five years, the industry took to LinkedIn to applaud him for his work. Find the discussion here: http://bit.ly/2q2rTu8

# Broken loan market is costing Brits £400m

The UK's personal loan market is "broken" and using underhand tactics that cost consumers as much as £400m each year, according to TSB.

The bank recently carried out research calculating the cost of market behaviours on consumers based on the impact of both multiple credit searches and/or a failure to shop around for cheaper interest rates.

TSB found consumers are being punished for shopping around. It said nearly two thirds of loan providers perform unnecessary hard credit checks before giving customers a personalised quote.

As a result of shopping around and making multiple credit searches, customers could face the APR of the loans they are offered increased by around 1.75 percent.

After finding that 40 percent of consumers have no idea there is a mark on their credit history, TSB urged personal loan providers to be more open about fees and charges. TSB also found that customers feel trapped with their loan provider because there is no easy way of switching.

Paul Pester, chief executive of TSB, said: "For any market to operate well, consumers have to be able to shop around, understand what they're buying and switch providers easily. What other industry penalises you just for shopping around for a better deal?

"We estimate consumers are losing out by as much as £400m each year – £400m that is going straight into the pockets of aggressive loan providers. It's time the industry comes clean on these costly underhand tactics."

## A WORD TO THE WISE

*"Can money buy happiness? The internet trolls think so"*

**Polly Mackenzie**
The director of the Money and Mental Health Policy Institute discusses the public response to recent media coverage of high-profile people's mental health

*"Statutory insolvency numbers do not give the full picture of personal insolvency in England and Wales. A register of debt management plans would be a good step forward"*

**Adrian Hyde**
President of the insolvency and restructuring trade body R3, on the 6.7 percent rise in personal insolvencies in Q1 2017 from Q4 2016

*"We are determined that the victims are fairly, swiftly and appropriately compensated, and we have set aside a provision of £100m in our first quarter results"*

**António Horta-Osório**
Lloyds Banking Group chief executive on the SME fraud scandal in the former HBOS Reading branch

*"It is important that I acknowledge to you, our shareholders, that I made a mistake in becoming involved in an issue which I should have left to the business to deal with"*

**Jes Staley**
During Barclays' annual general meeting, its group chief executive apologises for his attempts to identify a whistleblower

*"You will be greatly missed Russell, in particular your sanity in the debate and passionate defence of the sector."*

**Tom Newbould**
Chief marketing officer, MYJAR

*"While I have no love at all for the payday lending sector, you (Russell) always represented your members with skill and passion, and you should be congratulated for that. Good luck with whatever comes next."*

**Mark Kieran**
Government consultant, London Borough of Camden

*"All the very best Russell for whatever is install (sic) for you next. You've done a great job and I know you'll do the same wherever you go."*

**Phillip Holdsworth**
Director, AurumGold

# Countdown is on for pre-action protocol

**The treatment of sole traders in collections is just one area that will change under the new pre-action protocol for debt claims. Businesses are being increasingly warned to review this aspect, as well as several other debt recovery processes, writes AMBER-AINSLEY PRITCHARD**

Creditors have been warned that sole traders will be afforded more protections when the pre-action protocol (PAP) for debt claims comes into force on October 1 this year.

The final draft of PAP, described by legal experts as the most significant change to the debt recovery landscape for many years, was approved by the Ministry of Justice in March. A consensus from the industry is that it will exert a significant impact across verticals on all debt collection and credit professionals.

An earlier draft of PAP was viewed as unworkable for the collections industry because it included a requirement to send the original credit agreement with the letter of claim.

After the CSA and CCUA lobbied against the requirement, arguing that it was disproportionate, the requirement was removed. PAP therefore became more of an additional (hefty) burden rather than something entirely impractical.

**Karen Chapman**
*Debt recovery specialist, Clarke Wilmott*

*"It is more important than ever for a business to know the legal status of the entity it is dealing with"*

Prior to consultation and ahead of PAP's implementation, there was no specific protocol for debt claims and parties had to follow general principles set out in the Practice Direction Pre-Action Conduct and Protocols.

As of October the new protocol will apply to any business, including public bodies, acting as a creditor when claiming payment of a debt from an individual or sole trader.

PAP will not apply to business-to-business debts unless the debtor is a sole trader. Herein lies a significant change; sole traders will be considered as an individual rather than a business and, therefore, will be afforded and considered the same protections as individuals.

Solicitors Clarke Willmott warned that the efforts to protect sole traders may backfire. Karen Chapman, debt recovery specialist at Clarke Willmott, said the new classification in PAP draws a distinct line between sole traders and companies, even though they are both acting within the course of business.

"This means that it is more important than ever for a business to know the legal status of the entity it is dealing with. It is easy to check limited companies on Companies House, but if you don't know whether a customer is a sole trader or a partnership you will need to assume they're a sole trader and comply with the debt PAP."

She added: "Some businesses may decide not to give credit to sole traders altogether as changes to the process and timeline of a claim could make it too onerous for them to comply with the protocol and could leave their credit terms open to abuse."

### Extenuating circumstances

Due to an amendment since a draft for PAP was agreed in December, there will now be circumstances in which PAP does not apply, such as claims issued by HMRC for the recovery of taxes and duties. There are also already protocols in place for certain debt types, such as mortgage arrears and construction and engineering where PAP will not apply.

The intention is that PAP will complement any regulatory regime to which the creditor is subject. If compliance with PAP is inconsistent with a specific regulatory obligation, such as guidance in the Financial Conduct Authority handbook, that regulatory obligation will take precedence.

Despite this, legal firms have pointed to the importance of PAP.

Jeffersen Gledhill, legal recoveries and operations manager at law firm DWF, said: "The impact of the incoming pre-action protocol for debt claims will be felt in every sector.

"Creditors ranging from sole traders and SMEs to blue chip corporations - even public bodies - need to take heed of what is the most significant change in the debt recovery landscape for many years and consider the ramifications for them when dealing with individuals (even in a business context)."

He added: "Now is the time to raise corporate awareness, refresh terms and conditions and credit policies, curtail credit control and collections cycles, in order to properly account for the additional costs, delay and (it is hoped) engagement that is to be expected as part of the new and formal pre-action process."

**Timeline**

The protocol will extend the time it takes to issue court proceedings by four to five weeks.

Currently if someone defaults, a letter of claim will usually give seven to 14 days for a debtor to respond and if they don't, court proceedings can be issued straightaway.

It is now stated that 30 days will be given to respond and creditors will be required to give 14 days' notice of the intention to issue court proceedings.

Chapman said creditors should consider shortening credit control processes to account for this.

She added: "This is a reasonably long extension and some unscrupulous customers could seek to take advantage and see it as an easy way to 'extend' their credit terms."

The protocol also requires more extensive information to be provided in the initial letter of claim in a bid to possibly save time and costs at a later stage if a dispute is raised. This includes a Standard Financial Statement (SFS) form for the debtor to provide details of their income and other liabilities.

Using the SFS within the protocol means the creditor and debtor should try to reach agreement for the debt to be paid by instalments based on the debtor's income and expenditure.

This is opposed to using an assessment of the debtor's assets, of which very little information is collected on the standard financial statement. The letter of claim should contain elements such as:

a) Whether interest or other charges are continuing;
b) Where the debt arises from an oral agreement, who made the agreement, what was agreed and when and where it was agreed;
c) Where the debt arises from a written agreement the date of the agreement and the parties to it;
d) Where the debt has been assigned the details of the original debt and creditor; when it was assigned and to whom;

Chapman said: "It can be seen that the referral process under the new protocol is likely to be more onerous on creditors, particularly in relation to oral contracts and instalment offers, than we would currently expect for a 'simple' debt claim." CS

# Your compliance agenda for the next two years

**The FCA has announced it will be examining retail bank business models, mortgage arrears, motor finance and debt management between now and 2019. MARCEL GOUAIS studies the regulator's business plan for what else is in store**

It's the sort of document that may prompt heads of compliance to sigh, roll their eyes and think to themselves 'how much is this gonna cost?'

Cost, in this context, referring to time and resource spent on reviews, governance and the finer details of checks and balances, as ideas for more innovative programmes are parked for the foreseeable future.

This document is The Financial Conduct Authority's (FCA's) Business Plan for 2017/18, which provides specific details on the areas of work the regulator will prioritise this year and next. It maps out the direction of travel and perceived risks, both macro and micro, that it will put under more acute examination – most often with thematic reviews. In some areas, particularly the mortgage market, remedies will be published.

It's effectively an agenda for those in senior compliance roles; making them aware of which operational and customer service-related areas they'll likely be interrogated on when the relevant reviews begin.

It covers a lot of ground. Mortgages including arrears and forbearance, motor finance, debt management and point-of-sale processes are all included, among others. Here are the six areas those in consumer credit need to be aware (wary) of:

| Mortgages and mutuals | Project type | Timing (complete by) |
|---|---|---|
| Maturing interest-only mortgages | FCA Thematic Review | Q4 2017/18 |
| Forbearance for long-term mortgages arrears | Thematic Review | Q4 2018/19 |
| Mortgages market study | Market study | Q4 2017/18 |

**1 Mortgages – too much forbearance?**
The FCA says in its business plan that the fair treatment of homeowners with interest-only mortgages will be an "area of concentration" during the next 12 months, as it focuses on how firms treat borrowers whose interest-only mortgages are approaching maturity. This will include interest-only mortgages due to be repaid by 2020 – where borrowers have the least amount of time to find a solution. This thematic review will be completed by the end of March 2018.

*"The FCA will assess how firms are using forbearance and how well they are delivering fair customer outcomes"*

The regulator also puts its concerns around mortgage arrears and forbearance into context. It states that, in 2008, 22 percent of properties in arrears were repossessed. In June 2016, this figure was just 2.7 percent. However, over the same period, the number of mortgages with long-term arrears of over five months rose from 49,000 in 2008 to more than 61,500 in June 2016.

The business plan adds that while firms are offering more forbearance to customers in financial difficulties, in some cases providing forbearance over a long term "may not always be in the customer's best interests". The regulator gives the example of where forbearance does not ultimately enable customers to pay their arrears, but only increases their debts.

The FCA will therefore assess how firms are using forbearance and how well they are delivering fair customer outcomes, and "take further action if needed". This summer the regulator will publish an interim report of analysis and preliminary conclusions, including any potential remedies, of the mortgage market.

**2 The debt management saga**
As the industry looks for signs indicating when the debt management authorisation saga will close, the FCA says it will continue to monitor this sector to ensure it is fit for purpose and that firms are treating their customers fairly. However, there's no promise of immediacy, or any specific details on what business areas the regulator will be examining. A thematic review of this sector will be completed by the end of March 2019.

**3 Price cap review**
As has been reported in these pages, the regulator is now reviewing the impact of its price cap in the payday lending sector, as well as unarranged

overdraft charges in a broad piece of work on high-cost short-term credit.

Supervisory teams are putting "all high-cost products" under the microscope to establish how they're used and whether any further intervention will be needed. Perhaps before the report emerges in summer, payday lenders will be drawing breath to see if any further change to the price cap is required, but many concerted communication efforts may convince the regulator to do otherwise, rather than risk the annihilation of a whole sub-sector of consumer credit.

Perhaps the more drastic move will be made on overdrafts. The FCA has been warned against lifting and dropping in a price cap, due to different nuances of the product, but according to Andrew Bailey in his interview with Credit Strategy in the April issue, extending the cap might not necessarily be the answer.

The FCA says it will publish findings of its price cap review this summer.

| Consumer credit | Project type | Timing (complete by) |
|---|---|---|
| High-cost credit Call for Input | FCA Call for Inputs | Q4 2017/18 |
| Debt management sector review | Thematic Review | Q4 2018/19 |
| Motor finance | Review | 2018/19 |
| Point-of-sale | FCA Thematic Review | Q4 2018/19 |

### 4 Point-of-sale fees and charges

In one of the entirely new, less anticipated moves by the regulator, it is also turning its focus on processes and tactics used at point-of-sale in consumer credit.

The FCA is concerned firms may impose "inappropriate fees or costs on consumers" or "inappropriately sell credit" at the point that consumers begin a transaction. It will explore whether the fees, charges or other costs paid by consumers are influenced by commission, or other remuneration. An obvious implication here is for the models that operate between lenders and brokers, and the FCA says it may also consider whether firms exploit a point-of-sale advantage to "charge higher than normal fees, or to sell credit to consumers for purposes that may not be suitable."

A thematic review of these charges and practices is due to take place between January and March 2019.

### 5 Car finance study

Quite a few people who've made noises about PCP in the car finance market would have seen this coming, but this industry is facing more than a product-specific review.

The FCA says it is concerned that there may be a "lack of transparency, potential conflicts of interest and irresponsible lending" in the motor finance industry. It will therefore conduct what it calls an exploratory piece of work to identify who uses these products and assess the sales processes, whether the products cause harm and the due diligence that firms undertake before providing motor finance.

The regulator will assess whether and how to intervene in the market, but it has not specified when exactly the review will take place. For now, it has indicated only that it will happen in 2018/2019.

### 6. Cyber resilience

We've read the high-profile attacks; now the FCA has seen enough to act. It's a high enough priority in the business plan for chairman John Griffith-Jones to say: "Cyber attacks are increasing in number, scale and sophistication ... and varying levels of investment in legacy systems are increasing market vulnerability to disruptions and cyber attacks."

The FCA will undertake technology and cyber-capability assessments on all firms it considers to be 'high impact.' The regulator does not appear to have the greatest confidence in current levels of protection, stating that "shortcomings" in the way firms' systems are designed and overseen could limit the "effectiveness and resilience of technologies."

During the next year, the FCA will set up cyber coordination groups across five sectors to bring firms together in secure groups to provide a platform to "share experiences and foster innovation".

This area might end up trumping all others in terms of workload and resource for the FCA. **CS**

# Banks respond to SMEs' need for speed

**Whether it's too late or not for some SMEs, the high street banks are making big noises about faster decisions in commercial lending. MARCEL LE GOUAIS reports**

Not before time, high street banks are now hyping up new platforms that will offer lending decisions to businesses in minutes.

NatWest has been the most prominent recently, firing off a press release on a new online platform that allows small businesses to borrow up to £35,000 in a process that takes around three minutes, with the money in their accounts within 24 hours.

The bank has already pre-assessed 500,000 small business customers, who will have access to the platform when it is rolled out this summer, and will make £4bn available to lend. When customers log in to online banking, they will see how much they can borrow.

Marcelino Castrillo, managing director of business and private banking at NatWest, said: "Businesses tell us they want to do their banking when and where it is convenient for them, so we have transformed our lending capabilities to make this possible."

NatWest is putting considerable investment and time into this area. Other recent launches include Esme, an automated lending platform that offers SMEs the ability to digitally obtain loans up to £150,000 on a 24/7 basis.

Lloyds Banking Group has also been promoting similar offerings, noting in its last two results statements that in its retail business banking arm, it can now open new customer accounts in five or six days, down from 21 days. Fintech firms might scoff at this, but Lloyds might call it progress.

**Nothing to fear?**

Swift lending decisions for businesses have been the norm in fintech for some time, but another question, aside from the banks' response to challengers, has been around the impact of Brexit on businesses' appetites to borrow.

As with other sectors, there's no discernible impact (so far) on commercial finance figures since the EU vote – not if the largest banks' figures are anything to go by.

In its most recent trading update, Santander said account openings in its business banking division increased to 890 for the first three months of 2017, compared with 690 during the same period last year.

Commercial borrowing figures also remained stable or better, year-on-year, for both RBS and Lloyds Banking Group. Lloyds recorded an underlying profit of £2.47bn in its commercial banking for 2016, with an overall three percent growth in SME lending during the year. In its trading update for the first quarter of 2017, RBS said commercial lending was up to £468m from £436m in the first three months of 2016.

These trends will form the backdrop to *Credit Strategy's* inaugural Commercial Finance Conference on October 31. The event will bring together stakeholders in corporate lending, asset finance and invoice factoring, and explore current lending conditions for UK SMEs and multinationals.

The past 12 months have seen huge market uncertainty, coupled with big changes in both product and risk strategy. Alternative lending is now a firmly established part of the landscape, but which new products and innovative tech will high street retail lenders adopt to respond?

To provide clarity around this and other issues we'll be assembling the brokers, high street lenders, challenger banks, peer-to-peer and crowdfunding creditors, loan servicers and outsourcing providers that are shaping the discussions. Attendees will be able to shape their forward product strategy, understand how industry peers are overcoming the common challenges, and run the best ideas in the office on Monday morning. CS

*For more details on the event email Mike Jeapes on mike@creditstrategy.co.uk or call 020 7940 4847.*

The Watchman

# Call of duty

**In this month's thematic look at public sector collections, FRED CRAWLEY illustrates the government's hypocrisy on imposing conduct standards local authorities don't follow**

**Fred Crawley**
*Consulting editor, Credit Strategy*

Let's not beat around the bush with a long-winded introduction here: The UK has a serious problem with double standards when it comes to public sector collections.

While we've seen lending businesses move mountains in the past five years to ensure they're giving customers in arrears a fair deal, and utilities firms working double time to reach parity with them, local authorities have sailed off on their own course, taking a harder and harder line when it comes to enforcement.

Back in March, a coalition of charities so numerous it would take the rest of this paragraph just to list launched a report in parliament entitled Taking Control, which stated bluntly that 2014's bailiff reforms have barely touched the sides when it comes to protecting debtors.

The report found a quarter of those who had been visited by bailiffs had attempted to arrange repayment by phone, but had been visited anyway, due to enforcement fee structures incentivising home visits. What's more, a fifth were not even contacted before the visit, in contrast to the requirements of 2014 regulations.

The report has plenty more to say, but the gist is clear: This is, overwhelmingly, a local authority issue. Of 82,000 bailiff issues referred to Citizens Advice last year, 57,000 were due to council tax enforcement alone.

It's a growing issue, too: In 2014/15, the last period for which figures appear to be available, local authorities in England and Wales passed 2.1 million debts to bailiffs - an increase of 16 percent on the previous year. In Kent alone during the 2015-2016 period, bailiffs were used to recover council tax debt 36,527 times, a more than 10 percent rise on the previous year.

*"The government set the FCA's agenda for financial services reform, so why is it looking the other way when it comes to its own actions?"*

**Double standards**

When you're immersed in the enormous cultural effort banks have made to create a fair collections environment, it seems drastically wrong that things are headed the other way in the public sector.

After all, the government set the FCA's agenda for financial services reform, so why is it looking the other way when it comes to its own actions?

Given that councils have multiple channels of interaction with residents, concerning the most basic needs such as accommodation, surely they should be leading best practice in collections conduct?

Shouldn't they be leading the private sector, rather than the other way around?

It's easy to wag a finger at councils, but this can't all be blamed on local government; this is, at heart, a party political issue. If the government continues to cut councils' budgets, demanding they manage their finances better, is it any wonder they enforce too heavily to claw back revenue?

Virtually every single charity involved with debt is making a noise about this - and so are we. At the start of Credit Week in March, Yvonne Fovargue MP tabled an early day motion calling for government departments to integrate the Standard Financial Statement (SFS) in their debt collection processes.

**Wilful ignorance**

But where is the issue of public sector collections in the election manifestos of the major parties? With council tax rates set to rise further, plus billions more in government debt due to be outsourced to the private sector, this should be a hot button issue in parliament. But the silence is deafening.

The reforms that the charities behind the Taking Control report are suggesting are admirable - including an independent regulator for bailiffs, a single complaints mechanism and a restructuring of bailiff fees.

But until government takes a long, hard look at how it treats its own customers, it leaves a sour taste in the mouth to see how much it expects of the financial services sector. CS

# Money laundering and the politically exposed: What you need to know

Brought to you by: EQUIFAX

**New regulations in Money Laundering Directive 4 will require extra diligence on politically exposed people, warns JOHN MARSDEN**

**John Marsden**
*Head of fraud and identity, Equifax*

*"Under MLD4, we cannot ignore UK politically exposed persons, their close associates and relatives"*

The enforcement of the fourth Money Laundering Directive (MLD4) will be significant to all regulated businesses, not least lenders based in the UK, for a number of reasons.

One especially significant challenge will be the extended requirements regarding politically exposed persons (PEPs). Firms in regulated sectors in the UK will need to review their processing and diligence efforts to be in line with the new directive.

So what is this challenge and why is it so important to the prevention of corruption and financial crimes? Some organisations are already doing what's necessary, but I wholly expect that a raft of changes will happen in every company's processes and systems.

**Politically exposed persons**

MLD3 introduced the definition of a PEP but excluded domestic politicians. The Joint Money Laundering Steering Group (JMLSG) guidance notes provide a further definition of a PEP, which breaks down to a political figure, including organisational involvement (outside of politics) at a national or international scale, their close relatives and associates. This has been practised for some years, albeit under a risk-based approach that also excluded UK politicians.

Going forward, under MLD4, we cannot ignore UK PEPs, their close associates and relatives. In the UK, we have a relatively simple identity without a key reference number, such as those available across nearly all other European countries.

We do not have a national ID scheme and government access to core identifiers, such as passport numbers (which changes on new issue of the document) or NI numbers, as these are not documents that verify identity.

A UK legal identity is best classified around name, address and date of birth. Of course, address and even date of birth is not always available on the lists internationally and nationally, so a screening process for sanctions and PEPs needs to be designed around the matching of name, residency, nationality and date of birth, but not too tight that you miss legitimate 'hits'.

**Finding the balance**

This means working in a 'fuzzy' match world, where the definition of what data is used and how the data is matched becomes the single biggest concern from a compliance perspective. Are we hitting the right people all of the time? And then operationally, of foremost concern is, are we hitting the wrong people too often? After all, the cost of a false positive review is estimated by several organisations as between £15 and £35 per case, so some will run into thousands of pounds of resource and spend.

Consider this; most UK political figures and their relatives have names commonly found across the UK and they all have associates, who will largely be names which are commonly found within the UK population. This means that, to search properly and by the regulations, you're going to hit many UK people, create more false positives and spend more time and resource dealing with this aspect of the regulation.

Even if you had the systems and processes locked down to do this already, the risk-based approach should, and probably did, mean that a UK politician was of lower risk. This individual was therefore easier to dispel, or you may have lowered the levels of enhanced due diligence practised, which means that your processes and risk assessments need to adapt to the new regime.

**Achieving compliance**

The key to staying compliant and avoiding sinking your business into undue costs is great technology and access to great data. We have reacted with the Equifax Watchlist Check proposition to support an extensive understanding of individuals and corporate entities, through which we are working with our lenders to manage their ability to work within the new regulations.

Screening for sanctions and PEPs is no longer a 'tick box' exercise. The processes you have in place for checking your customers against sanctions, PEPs, RCAs and SIPs/SIEs, need to be compliant and appropriate. You can find more details on screening customers against PEPs on the Equifax website: Visit bit.ly/2qdGiX9 CS

# The MPC at 20: Time for a rethink?

**It's conceivable that politicians might want to take back a measure of control over monetary policy from the Bank of England, writes MARK BERRISFORD-SMITH**

**Mark Berrisford-Smith**

*Head of economics, HSBC UK Commercial Banking*

It was on May 6 1997 that Gordon Brown – just four days into his tenure as chancellor – made one of the biggest announcements of Britain's post-war economic history.

Up until that point, the Bank of England was responsible for implementing monetary policy, but it was the chancellor who decided when the benchmark short-term interest rate should be changed.

At the heart of the new system was the Monetary Policy Committee (MPC), made up of five representatives from the Bank of England, including the governor, who sat alongside four independent members nominated by the government. But there was a lot more to the new architecture, including quarterly inflation reports, the published minutes of the MPC's deliberations, and a regular flow of speeches by MPC members.

Two decades on and the rhythm of monetary policy decision-making has become ingrained in the fabric of economic and financial life. The MPC has made 237 decisions; raising interest rates 19 times (all by just 25 basis points); cutting them 27 times; and voting to leave them as they are 191 times.

Any system that survives for two decades is bound to have its flaws and critics, and the UK's monetary policy framework is no exception. At a practical level there is the charge that it is over-engineered. Given that the MPC has only altered the bank rate once in the past eight years, there was probably relief all round when the government finally passed the legislation which allowed the number of policy meetings to be trimmed from 12 to eight a year.

More serious are the charges that the framework encourages group-think; that for all the brainpower and expertise of the MPC members and the Bank of England staff that support them, they have sometimes been slow on the uptake. In particular, they were accused of being 'asleep at the wheel' as the economy lurched into recession early in 2008, while there was an embarrassing episode in 2013 when the committee made a vain attempt to offer forward guidance based on the rate of unemployment.

*"Any system that survives for two decades is bound to have its flaws and critics, and the UK's monetary framework is no exception"*

Yet arguably the biggest problem is the inflation target itself. These days, domestically-generated inflation is notable by its absence. The MPC therefore finds itself looking through the occasional episodes of inflation that blow in from abroad, thanks to surges in commodity prices or bouts of sterling depreciation. If inflation is something that is always being disregarded, then what point is there in using it as a target?

**Take back control**

So, how might the system be altered? Firstly, it's not inconceivable that politicians might one day want to take back a measure of control. After all, it is they who have to face the electorate at general elections and account for the country's economic performance. Independent central banks have become the norm in advanced economies, and many emerging ones as well, so it would be something of a departure to put politicians back in charge. But there is a general realisation that central bankers have run out of ammunition, and perhaps ideas.

**A mandate for change**

Even assuming that the Bank of England is left in charge of the process, it could be given a different mandate. With inflation now firmly in retreat it might be time to downplay its role in monetary policy. Rather than worrying about an inflation threat that no longer exists, perhaps the MPC should be charged with giving greater weight to financial stability, in particular the debt burdens being carried by households and businesses, and structural imbalances in the economy, such as the current-account deficit. The inflation target could even be replaced by a different metric - maybe the nominal growth of GDP or the annual increase in average earnings.

Changing the UK's monetary policy framework won't feature much, if at all, in the general election campaign. In any case, the next government will have its hands full with Brexit for at least two years, and possibly longer.

A major announcement on monetary policy four days into the new government's term would therefore come as an even greater shock than Gordon Brown's bombshell of 20 years ago. CS

# Transparency in the age of consumerism

**The Credit Awareness Week campaign, run in association with Experian during Credit Week, uncovered knowledge gaps among consumers about credit scoring. Charles Butterworth, managing director of Experian UK and Ireland, explains to MARCEL LE GOUAIS why the entire industry has a role to play in filling those gaps**

When was the last time you checked your credit score?

It's a question that *Credit Strategy* should put to individuals across the consumer credit profession. Bearing in mind that 55 percent of British consumers have never checked theirs, according to a representative YouGov survey, one wonders the extent to which the professionals are better informed.

The survey was carried out as part of *Credit Strategy's* Credit Awareness Campaign, run in association with Experian, to establish a barometer of consumer understanding of both credit scoring, and how decisions are made when they apply for a loan, mortgage or credit card.

The results spoke volumes. Some 86 percent of respondents said they should be offered clearer explanations when lenders refuse such applications, wnile more than a quarter mistakenly thought the credit reference agency had made the decision.

*Credit Strategy* has since created a portal – creditawarenessweek.com – to help address this knowledge gap and sat down with Charles Butterworth, managing director of Experian UK and Ireland, to discover the industry's appetite to do more to help.

**Marcel Le Gouais: In our YouGov survey of consumers, did the results change or confirm your perception of the level of consumer understanding?**

**Charles Butterworth:** "Two things stood out. The first is that more than half the population has never checked their credit score. With Experian and others now providing credit scores for free, the marketplace has made tremendous progress. The survey found that 55 percent of consumers have not checked their score, but I'd be very surprised if that doesn't increase considerably in the near future. With more of these free products now available, we're seeing more and more people looking to take some of the guesswork out of planning their finances.

"The second point that stood out was the headline statistic that 86 percent of people believe credit decisions should be made clearer. I think the lack of clarity for the end consumer is something that comes across a lot. From a consumer's perspective, when you get a mortgage, it's not clear what decisions have been made behind the process. 26 percent of UK adults wrongly think the credit reference agency makes the decision to turn down applications for a loan, while 75 percent falsely believe that a credit refusal has had an impact on their credit score. There's clearly work to be done there, in making everything clearer for customers."

**MLG: In terms of the journey Experian is on itself, in providing more clarity for customers on credit scoring, what stage have you reached in that journey?**

**CB:** "We have been providing insight to help make better decisions for credit since our inception, and I hope we're a world leader in that. The marketplace has moved in the digital age; people are taking more control over their lives, and that includes their finances, so we're evolving to meet those demands. Launching our direct-to-consumer services was a big part of that. People can now check their credit score for free, so that's a big step forwards.

"But if you look at the broader industry, we're in the infancy of having full end-to-end transparency. In today's environment, amid questions around affordability and the transparency of the process, and how we can help people make proactive rather than reactive decisions about their financial life, we're all doing the same thing, whether it's Experian or a high-street bank or maybe a fintech start-up."

**MLG: How far has the industry come in trying to give better information to consumers about what a credit score is?**

**CB:** "Because we can believe we can add value to consumers directly or indirectly, it makes sense that we spend a lot of time on education. But if you look back, that has not been the mainstream activity across the whole industry.

"A few of our initiatives stand out when we are talking about consumer education. Experian's Values, Money and Me programme is the UK's first free online teaching resource specifically designed to give young children a head start in life by helping develop their financial knowledge and abilities. In addition, our Centres of Excellence programme, a partnership between Young Enterprise and Experian to transform personal finance education in England and Wales by helping create 28 centres of Excellence, also stands out. I think it's fair to say we spend a lot of time on consumer awareness and education, but clearly there's always more to do."

*Charles Butterworth, managing director, Experian UK and Ireland*

**MLG: Do you receive a lot of calls from frustrated consumers trying to decipher how a decision on an application for credit has been made? Do staff have to give an explanation that should have been given elsewhere in the industry?**

**CB:** "It's definitely the case that people - and the survey told us this - are unclear as to why they might have been declined. Often, when people come across us, it's because they have been refused credit or prevented from getting access to something they want. So we can be perceived as a barrier which is unfair as we don't make the decisions, we just provide the information.

"As an industry, we are all working on building understanding, but there's clearly some way to go. Our education programmes, which I've mentioned, are a key part of our agenda. And one of the reasons we partnered with *Credit Strategy* to launch Credit Awareness Week was to help drive a better understanding about how decisions are made."

**MLG: What kind of appetite do you see, across lenders and other parts of the industry, to do just a little more to enhance consumers' understanding?**

**CB:** "Everyone is focussed right now on improving the customer experience during a credit application journey. However, because of the way it is being built up, there are moments which are still disjointed. There is a link to that which is around affordability and appropriateness of credit. We've seen the FCA's recent piece on persistent debt and these are serious issues, so how do you make sure that when credit is being advanced, it's being advanced in a responsible and reasonable manner?

"Access to affordable credit is an important issue and we really want to help people take more control so they can improve their financial future."

**MLG: When you look at the next three to five years, what will your business-to-consumer proposition look like?**

**CB:** "There's no doubt that consumers are driving big change via the digital arena. The generation coming through now - buying their first houses, cars and so on - have been living their whole lives online. They want choice, they want access, and they want a seamless customer journey. In fact, they expect it. I see that trend continuing, driving the way in which consumer financial services are moving.

"The world is becoming more connected every day. If we are serious about keeping up with consumer-driven change we need a truly holistic approach, one which protects our customers and our products from cyber threats, whilst ensuring the customer journey is as seamless and fluid as it needs to be. This type of joined-up thinking will need to become the norm, as the datafication of our world continues. With the amount of data available we will be able to drive more informed decisions around affordability and deliver better consumer outcomes.

"What is a better consumer outcome? Well, it is when an individual doesn't have to cast around and apply for several different types of credit, and be rejected and not understand why. It is applying for credit that he or she can afford and understanding the criteria required to get approval.

"I see a future where, in the next few years, there is far quicker, cleaner, easier and more appropriate access to finance for everyone. Experian will provide a number of services to enable that progress, both through our direct-to-consumer products and by helping our business clients to help their customers. We are all living through a fast-moving and exciting period of technology-driven change and we need to step-up to take on the challenges and opportunities to come. Everybody is going to have a different role to play." CS

# CIVIC DUTY

**As the public sector continues to face widespread criticism over the treatment of debtors, AMBER-AINSLEY PRITCHARD queries if and what the catalyst will be for local councils to adopt the same culture and conduct in collections as the private sector**

The entire question around councils' approach to debt recovery and their propensity to use enforcement agents was thrust into the spotlight recently by the tragic case of a debtor who took his own life.

Jerome Rogers, a 20-year-old motorcycle courier from Croydon, committed suicide in March last year. He had been issued with two road-related penalty charge notices (PCNs) from Camden Council, one for being in a bus lane at a restricted time and another for a banned right turn.

While reports of the case focussed only on the enforcement visits to recover the fines, Rogers was generally under severe financial pressure with other debts.

The first PCN was passed to Newlyn in September 2015. Two visits were made to Rogers in October and November 2015 and letters left when he wasn't in. A notice of enforcement was subsequently sent to him, to which Newlyn had no response. Another letter was sent which also had no response. When an enforcement agent working for Newlyn visited Rogers in January 2016, Rogers' family helped by paying the £507 owed – an amount that included statutory fees. Rogers' motorcycle was clamped at this visit but released after the payment was made. At that visit, Rogers agreed to pay the second PCN in instalments of £128 a week. However, while Newlyn sent texts to Rogers as a reminder to make the payments, none were made.

When the enforcement agent made a second visit to Rogers in March 2016, his bike was clamped again while allowing time for payment to be made. On the same day, Rogers took his own life.

> "Without better incentives and oversight, people in financial difficulty are left facing a postcode lottery in terms of the support they receive"
>
> Peter Tutton, head of policy, StepChange Debt Charity

At an inquest into Rogers' death, assistant coroner for south London Jacqueline Devonish, after hearing evidence and watching bodycam footage, said the enforcement agent had acted "reasonably" towards Jerome and was "informative", adding: "He did what he was required to do under the law."

Indicating the wider financial difficulty Rogers was in, Devonish stated in a record of the inquest that there were "several stressors" in his life.

Newlyn issued just a one-line statement on the case, stating: "Our deepest sympathy goes to the family in these tragic circumstances."

A spokesperson for Camden Council said: "This is a tragic case, and our thoughts are with Jerome's family and friends."

**First response**

While this was a tragic case with specific circumstances, it comes after a recent history of calls for councils to change the way they approach council tax debt recovery. Local authorities move to enforcement too quickly, is the most common complaint.

Peter Tutton, head of policy at StepChange Debt Charity, said: "For some councils it seems that the move to enforcement is seen as the first, not last, resort."

Charities have been calling for reforms in enforcement generally, which might in turn alleviate the impact of falling behind on council tax arrears for many households. Earlier this year, a number of charities published the *Taking Control* report, calling for an independent enforcement regulator.

Those same charities have also published figures indicating the scale of local government-related problems their clients face. StepChange Debt Charity, for example, helped 67,000 people who had council tax arrears issues in 2016.

Christians Against Poverty (CAP) also recorded the number of council tax queries it had in regards to arrears in 2016, which was more than 1,200. Of these queries, 43 percent had fallen behind with their council tax before seeking help.

Tutton explained that the act of outsourcing to enforcement firms by councils creates a situation in which the most invasive, aggressive and potentially harmful method of debt collection is being employed with "little oversight". He believes the accountability for the conduct of collection practices carried out once debt is outsourced to the private sector is fragmented and weak.

**Accountability**

Oversight in the public sector can hardly be compared with the intrusive levels of governance and scrutiny in the private sector, but the body that holds councils to account for individual complaints is the Local Government Ombudsman (LGO).

The LGO independently investigates complaints about councils, when the issue has not been resolved or responded to by the specific organisation within 12 weeks. At the time of going to press, there had been 49 complaints published on the LGO website in regards to council tax complaints that had either been upheld or not, or closed.

For some, this mechanism is too little, too late. Interviewed on p26 of this month's issue, Michael Hainge, commercial director at Hammersmith & Fulham (H&F) Council, said: "Ultimately, the ombudsman can recommend that a council pay compensation. But if you're someone in financial trouble, for the time that takes, is it a realistic option? It's not a good position to start from."

A recent LGO decision was made when an individual complained about the way the council took recovery action against him for arrears of council tax, which accrued in a void period between tenancies in a property he let jointly with another person.

The individual complained that Newcastle upon Tyne City Council had instructed enforcement agents in an act that resulted in unnecessary costs. The bailiffs did not leave calling cards, leaving the individuals' tenants unaware that they had called. The tenants also did not forward on to him the demands and reminders sent to the address.

> "Following the visit, and a demand for £1,000 of council tax arrears, the couple overdosed on sleeping tablets but awoke in the night and rang an ambulance. At the hospital, it was suggested they speak to CAP, which found out the council owed them just over £1,000, which wiped out the debt"
>
> Christians Against Poverty

For its part, Newcastle upon Tyne City Council did not update the address it had for the individual when it pursued him for council tax arrears on the property. This meant he was charged fees and costs when he did not receive letters from the council and its enforcement agents. Ultimately, he paid £445 to the council instead of the £30 he actually owed.

The council agreed to refund £410, representing the costs of the summons and liability order and the fees charged by the enforcement agent. As well as this, the council agreed to pay £100 in recognition of the "time and trouble" he expended in pursuing his complaint.

A question remains over how many people would have the time and trouble to pursue such a complaint – particularly if they're in problem debt.

Another case study, from CAP, explains how the charity helped a married couple who made a suicide pact after being visited by an enforcement agent.

Following the visit, and a demand for £1,000 of council tax arrears, they both overdosed on sleeping tablets but awoke in the night and rang an ambulance. At the hospital, it was suggested they speak to CAP, which then found out the council actually owed them just over £1,000, which wiped out the debt. The couple told CAP they are no longer afraid to answer the door or open letters.

Aside from councils, the accountability structure for enforcement agents is essentially legislation enforced by the Ministry of Justice, although there is also a well-established code of practice published by the Civil Enforcement Association for Certificated Bailiffs (CIVEA).

**Cultural leaders**

With such a focus on fair treatment in the private sector in the past few years, it has come to a point where questions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revolve around the public sector and if it will ever adopt the same kind of culture and conduct in collections that exists in the private sector.

The Financial Conduct Authority (FCA) has ensured a cultural change among financial firms that has forced businesses to treat customers fairly and put them at the centre of decision-making.

There are, however, signs among some councils that there is a willingness to do things differently, although broadly they're far from calling debtors customers.

The most obvious is H&F Council, where Hainge is leading the creation of a joint venture with the private sector (see p26) to offer services including collections, enforcement, debt management and predictive analytics to the wider public sector – and bring in FCA conduct standards while doing so.

We will apply the same FCA standards as a minimum in all areas of work, even where they are currently unregulated."

When *Credit Strategy* asked Camden Council about its approach to treating debtors fairly, it said: "In our correspondence with debtors, we urge them to contact us if they are struggling to pay.

"Payment plans can be used, and are used, to assist people in paying their debts. If a debtor contacts us stating they are facing financial hardship, we would immediately suspend action on the warrant in order to investigate the case."

Of the councils that responded to *Credit Strategy*, Somerset County Council said the use of enforcement agents is very much a last resort, and prior to their involvement there will have been many opportunities to deal with the penalty, including an option to make payment for as little as £25.

As for any councils using innovative procedures to collect council debts, Gary Watson, deputy chief executive of the Institute of Revenues Rating and Valuation (IRRV), which is a training body that organises events for councils, said billing authorities look at ways to maximise collection, and whether that can be classed as 'innovative' will be open to interpretation.

**Targeted support**

Companies supplying services to councils have also observed changes where authorities are thinking about the way they treat vulnerable customers.

James Hilton, head of public sector at Callcredit Information Group, said: "Local authorities are attempting to better identify those who can't pay, so that recovery action can be appropriately tailored and targeted support plans can be delivered to the most financially vulnerable debtors."

Callcredit has noticed that some local authorities are consciously trying to create a view of all debts owed to the authority by each individual so they are able to identify individuals in genuine financial hardship.

Hilton added: "Local authorities use a number of datasets to identify those customers who are in current financial difficulty. By ensuring a full view of financial circumstances is obtained – including details of bankruptcies, county court judgments and high debt levels – collections teams are able to segment accounts into ability and propensity to pay groupings. This enables customers to be treated in the most appropriate manner, and ensures individuals are not overcommitting to payments they will not be able to meet."

He added that councils are trying to avoid using DCAs for recovery of debts from those experiencing financial hardship, and instead are investing in understanding their needs and providing debt and budgeting support.

This echoes the views of trade bodies that have witnessed a trend of more councils bringing debt recovery in-house. Barrie Minney, chairman of the Local Authority Civil Enforcement Forum (LACEF), told *Credit Strategy* that more councils are now taking back enforcement and building their own internal teams.

Tutton said: "There is some evidence that a handful of councils are doing better, by offering affordable and sustainable repayment plans and taking an alternative approach to intrusive enforcement.

"But the question that needs to be answered is how can the positive approach of some councils be rolled out across the rest of the country? Without better incentives and oversight, people in financial difficulty are left facing a postcode lottery in terms of the support they receive."

As for perception, StepChange found in a survey that local councils are viewed by those in debt as the second worst when it comes to the treatment of customers in financial difficulty, behind only bailiffs, who in many cases will be collecting council tax debt.

CAP said it is aware of several local authorities doing "fantastic things" to help

residents in financial hardship. It said some council staff tax are trained in both benefits and tax, and in some cases are giving a six-week breathing space to customers in difficulty and not sending a case to an enforcement agent if the person is in receipt of council tax support.

The charity also said it has seen enforcement agents working with local authorities to ensure that those in financial hardship receive the support they need rather than heavy-handed enforcement.

**Catalyst for change**

Tutton believes that adopting a new approach will not cost government or councils anything, and that they may in fact see greater performance in debt collection.

He said there is emerging evidence that councils can adopt a more advice-based approach to debt collections and see improvements in collection rates.

Tutton added: "Government is in the best position to drive change by setting standards, oversight and ensuring financially vulnerable consumers get the help and protection they need."

Although there is guidance from the Department for Communities and Local Government (DCLG) on how councils should collect council tax arrears, StepChange said this lacks force and the charity would like to see DCLG add its weight to calls for better bailiff reforms.

Rachel Gregory, external affairs analyst at CAP, said a catalyst for change could be the wider introduction of a "breathing space" scheme across all councils. A number of debt charities have called on the government to give individual debtors a breathing space, in which interest charges and enforcement action are stopped for those seeking regulated debt advice.

Other, smaller elements have been tabled to help tackle the bigger problem. Part of the *Taking Control* report recommended that councils adopt the Standard Financial Statement (SFS) into collection practices, which could be a part of the solution .

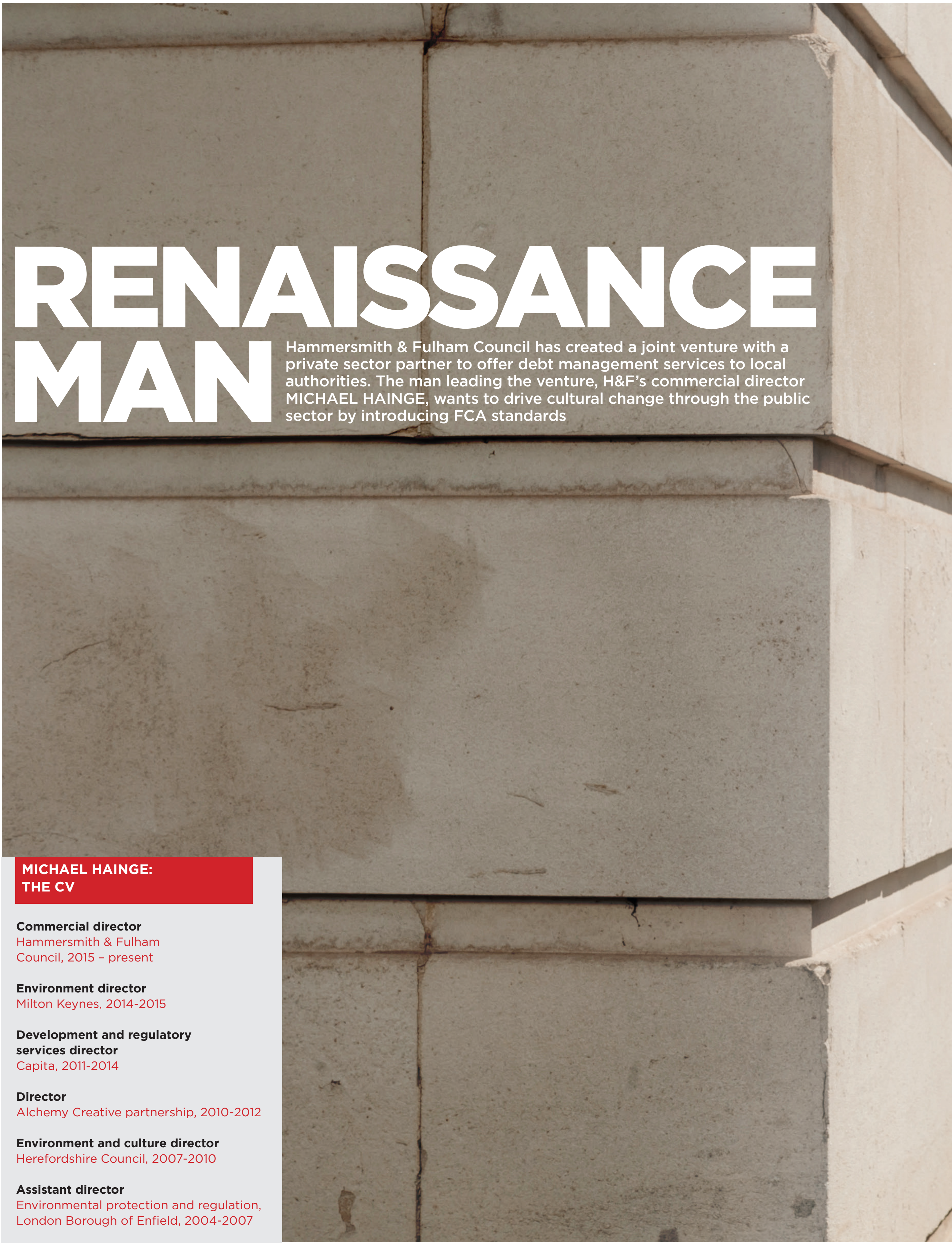
Privately, those in the advice sector say it is unlikely there will be any substantive change to the way the public sector collects debts in the near future, nor will it take on board any of the fairer approaches used by the private sector.

The common thread through opinions of those in this sector is that the only catalyst for change would be if the public sector became directly subject to a regulatory regime equivalent to the FCA. The problem is, many can't ever see that happening. CS

**EXTENUATING CIRCUMSTANCES**

CAP received more than 1,200 queries from clients in regards to council tax arrears in 2016. Of these queries, 43 percent had fallen behind with their council tax before seeking help.

- 68 percent were also behind with their rent or mortgage
- 81 percent had visited their GP due to a debt-related illness
- 57 percent had experienced a benefit overpayment, sanction or delay that had contributed to their financial difficulty
- 55 percent had at least one key support issue (including ill mental health, a learning disability or physical disability, terminal or a serious illness, or were permanently/ temporarily unable to work.



# RENAISSANCE MAN

Hammersmith & Fulham Council has created a joint venture with a private sector partner to offer debt management services to local authorities. The man leading the venture, H&F's commercial director MICHAEL HAINGE, wants to drive cultural change through the public sector by introducing FCA standards

### MICHAEL HAINGE: THE CV

**Commercial director**
Hammersmith & Fulham Council, 2015 – present

**Environment director**
Milton Keynes, 2014-2015

**Development and regulatory services director**
Capita, 2011-2014

**Director**
Alchemy Creative partnership, 2010-2012

**Environment and culture director**
Herefordshire Council, 2007-2010

**Assistant director**
Environmental protection and regulation, London Borough of Enfield, 2004-2007

# MICHAEL HAINGE

*Commercial director*
*Hammersmith & Fulham Council*

Revolutionary is a word often used loosely and a tad disingenuously to announce new projects and products, but sometimes a genuine first for the industry comes along.

Broadly, it has been counter-intuitive thus far to apply this tag to local authorities, but a new partnership with the private sector led by Hammersmith and Fulham (H&F) Council comes as close as you'll find.

This joint venture for debt management is offering to H&F, as well as other councils, a suite of modern services including debt collection, enforcement, training, predictive analytics, debt prevention and debt purchase.

It's this mix of services in one place – a master servicer – that appears to be entirely new and (whisper it) maybe even revolutionary.

Hammersmith & Fulham Council's commercial director, Michael Hainge, has led a tender process to procure a partner in the private sector for the joint venture. That process has now completed and debt purchaser 1st Credit has been announced as the successful bidder, with the joint venture set to launch in the coming weeks. The private sector partnership enables the council to commercialise the venture and provide the various services on offer to local authorities around the country.

The other strikingly new element of this is the cultural approach the joint venture will take. Hainge, sitting with *Credit Strategy* in a modest office within H&F's town hall headquarters, emphasises that in terms of collections conduct, the joint venture will apply Financial Conduct Authority (FCA) standards "as a minimum". In fact, he wants to go further than that, with what he calls "FCA-plus". The public sector should be leading the private sector in terms of best practice, he tells Marcel Le Gouais.

**MLG: What stage have you reached with the joint venture?**

**MH:** "So we went out to market with a formal procurement process and we've got a successful bidder. We'll be forming the joint venture and should be in business by the end of May. It has been a very quick process. We were very clear about what we wanted, and the best response was very good indeed."

**MLG: Was there a level of surprise among the companies invited to tender, given standard practices in the public sector?**

**MH:** "Very much so. Not only were some people surprised – some companies didn't feel they could bid. I had comments from more traditional elements of the market saying, 'why would we want to do that? We couldn't make any money from that.'

"If you look at debt owed to local authorities in a narrow way, you could say, 'Let's get as much as we can in as short a period of time as possible,' but that does nothing to support communities. Even if you disregard the human cost (which we never will), there will ultimately be a financial cost for the council. There is no point in aggressively pursuing people because if, for example, the consequences of that pursuit mean they become homeless, we've then got a responsibility to house them – and that costs the council money. If you make someone homeless, and they have children, there's an increased risk of the children entering the care system. Not only is that a blight on their life chances, but we will end up having to pay about £75,000 a year for every child we've got in care."

**MLG: So if that's the thinking that led to a new approach, how will the joint venture operate? What conduct standards will it operate within?**

**MH:** "We wanted the private sector to come in and help us perform better, but the joint venture ties them into us and we take a share in whatever profit they make. We're now in a position where we can use successful bidders, but equally the JV can commission anybody else. Our offer to other councils will be on a contingency basis, so if we get nothing back, they pay nothing. The board constitutes six directors, three from the council, three from the bidder. While as the council we have the majority shareholding, the intention in structuring the board in that way is to make sure it is a partnership. No one outweighs anybody else."

> "It makes no sense to us that you should have a higher set of values in the private sector. The public sector should be held to account in the same way. We're the local community PLC and we should treat people with respect"

**MLG: And what about conduct standards?**

**MH:** "Local government has had so many cutbacks. I know those cutbacks have been in frontline staff, and some of those staff will have been chasing debts, so their effectiveness has been diminished. We're giving them options, including debt purchase if they need the upfront cash, but with ethical standards. We'll also be bringing high ethical standards to sub-contractors; we'll expect behaviour that is at the least consistent with (FCA) regulated practices and preferably more than that. We'd like to see the same FCA standards apply to the public sector. It makes no sense to us that you should have a higher set of values in the private sector. The public sector should be held to account in the same way. We're the local community PLC and we should treat people with respect."

**MLG: The debt purchase service for councils, combined with FCA standards applied to collections, does appear to be genuinely new.**

**MH:** "I think it is. The market shied away from it in the past because of the level of knowledge of working local government debt wasn't there. With the joint venture,

we will bring our local government expertise together with the private sector."

**MLG: The key point here is the lack of history for how portfolios of local government debt can be accurately priced; that history needs to begin from scratch.**
**MH:** "Which is why we're going for a top-class model. The more clients we get the more robust our data will be. We should be able to say, after a while, 'with this kind of debt and this kind of activity, the price should be X.' We should be able to monitor activity and performance for price quite well."

**MLG: What's the accountability structure for how councils generally collect debt? How would that be different for how it's collected through the joint venture?**
**MH:** "Councils have their own complaints procedures, then there's the local government ombudsman. Ultimately, the ombudsman can rule compensation. But if you're someone in financial trouble, for the time that takes, is it a realistic option? It's not a good position to start from.

"In terms of the JV, the JV is standing behind ethical standards that are FCA-plus. We're making that a part of our contractual promise. If we fail in that, we are failing big time. It's also why we've taken such pains to choose the right partner."

**MLG: Tell me about the other services the joint venture will offer.**
**MH:** "We have a training offer – a consultancy. We can go in to councils and give advice. Because cash flow is not an issue as such for local authorities, sometimes the ledger can get ignored. And we all know, the sooner you address non-payment of a bill, the quicker you'll get the bill paid."

**MLG: So it's training for trade credit risk management?**
**MH:** "Yes, but the other thing I must mention is debt prevention. An aspect of the joint venture is that the private sector can bring expertise in predictive analytics.

"We have built models to look at things such as the number of people who are at risk of falling into problem debt, where children might be taken into care. In our housing department, we took a number of data sources and identified a cohort at risk of entering rent arrears for the first time. We contacted these people using a nudge approach, utilising behavioural psychology techniques.

"The result is that we decreased our rent arrears year-on-year by £557,000. It suggested to us that if you make the right interventions to the right people at the right time, they're more likely to prioritise their

> "In our housing department, we took a number of data sources and identified a cohort at risk of entering rent arrears for the first time. We contacted these people using a nudge approach, utilising behavioural psychology techniques. We decreased our rent arrears year-on-year by £557,000"

spending where their best interests lie.

"Particularly in times such as the run-up to Christmas, people are faced with the temptation of spending loads on stuff which might not be regarded as essential but is really nice to have. We're just saying to them, 'before you commit just think about the fact you still need to pay your rent next month.' We need to treat people as adults, not in a patronising way."

**MLG: Are there any signs anywhere from other councils, whether they're county or metropolitan or borough, that they're at least starting a more modern approach to debt management?**
**MH:** "The best you'll find is signposting people to the voluntary sector for helping people manage their debts. We need to do more. Lots of the big enforcement companies are out there but what they're selling is the same old fare. Now with the limits on fees they can charge, they know they're only going to get paid if they collect, so they'll only try to collect the low-hanging fruit. Even then, if you look at penalty charge notices, from the evidence I've seen across the sector of local authorities instructing an enforcement agent, they collect only 70 to 75 percent of the fines."

**MLG: Do you think councils move to enforcement too quickly?**
**MH:** "Yes. There is a huge gulf between best practice in the private sector and normal practice in the public sector. Most local authorities have an in-house team, do a bit of chasing on the phone, send however many letters they're supposed to send, and when that doesn't work, they just instruct the agency. That hasn't moved on in… how many decades?

"Given the data available, you've got to start doing things in a different way."

**MLG: If you could take us into the mindset of someone responsible for recovery of debt in a council, why don't they want to change the approach to collections?**
**MH:** "They're under tremendous pressure. Councils are under particular scrutiny for their collection rates on council tax and business rates. Rightly so, because if you can't collect the revenues, you shouldn't be complaining about not having enough money to spend on services.

"However, how much time and support are those managers given? I think it would be unfair to judge them harshly given the intense pressure and the circumstances they operate in."

**MLG: What might act as a catalyst for other councils to modernise their collections strategies? Would it take a new council leader willing to take a risk?**
**MH:** "Putting it into context, local authorities have born the vast majority of austerity cuts and they have been extraordinarily good at realising savings and causing minimal disruption to essential services. We shouldn't lose sight of that. They are under so much pressure and working so hard. To find the time and space to be creative is very difficult."

**MLG: What are your hopes for what the joint venture will look like in five years?**
**MH:** "When we went to procurement, we had to give a financial threshold, and that threshold was £500m revenue. So I'd be delighted to reach that in five years.

"If we're able to prove the concept, we'll have an offer to go to the rest of the public sector. We can say to the public sector, 'we know how hard it is, we know how hard you've worked to cut your costs, but let us help you with this bit of your operation, and we can realise X million pounds extra for you.' That won't involve putting up council tax, or by cutting services back, it's recovering amounts from the back of the sofa.

"All these clients have huge amounts of data and customers. But we can help them use that data to find the money, and then collect it with the right techniques, in the right way." CS

# A PCP mis-selling scandal? It's fake news, people

**Despite the term 'fake news' being repeatedly used to hammer anti-establishment journalism in the US, Fred Crawley reckons the UK car finance market may be suffering from the real thing**

Last month in my Watchman column, I bemoaned a recent slew of articles in the national press, which insisted the car finance market was headed for disaster based on flawed reasoning around PCP products. The situation has now escalated, while becoming even more nonsensical.

On April 27, The Times headed its web content with an article promising an impending mis-selling scandal in car finance. The Sun reprinted this article nearly word for word the following week, in a slightly larger font. The problem is, for anyone involved in the sector, the coverage made nearly no sense. Commenting under The Times piece, DSG Financial Services MD (and Car Finance Conference speaker) Richard Hoggart had this to say: "There is some poorly researched information on this article. Whilst it is always positive that the finance industry is scrutinised, there is a journalistic responsibility to get the facts correct."

The piece implied rampant mis-selling in the PCP market, based entirely on a brief statement from a compliance consultant who, let's face it, wouldn't do too badly out of a compliance panic. He warned that "the majority of customers have no idea who their financing contract is with", which seems a baffling thing to claim about an industry where half the finance companies have the same names as the vehicle brands they lend against. The only other expert referenced was an unnamed banking executive, who warned that lenders with large PCP portfolios were exposed to risk in the event of a significant depreciation in used car values. Fair play to him - that's a real concern. Although unfortunately for the article as a whole, it has nothing to do with mis-selling.

The third thing the article used to back up

> *"While I wouldn't be naieve enough to claim every lender and every retailer acts perfectly on every deal, the idea of systemic mis-selling from volume providers seems very unlikely"*



its vision of doom was the recent financial trouble afflicting the Car Finance Company. There was nothing wrong with the facts presented insofar as I'm aware - yes, CFC has had a rocky time this year, and that's pretty widely understood by now. However, it's hard to know what it could possibly have to do with a PCP mis-selling scandal, given it sells hire purchase products only, and has come under zero suspicion for mis-selling.

As far as I know, CFC's difficulties have been brought about by default levels associated with its heavily sub-prime customer bracket, and present no warning to the rest of the market.

Now of course, after saying all this, there is regulatory concern around the car finance sales process, and particularly to do with PCP. In its business plan for 2017/2018, the FCA revealed that it will be conducting an exploratory piece of work in this market (see Analysis, p10) and will look at several aspects including transparency.

If this had been announced before the onslaught of jittery national news articles, it would probably have vindicated at least some of their claims. However, since it was made in their wake, I suspect it's more the case of the regulator picking up on and investigating issues of public concern. In other words, this is the tail wagging the dog.

Will the regulator find something rotten in the state of car finance? I doubt it.

While I wouldn't be naive enough to claim every lender and every retailer acts perfectly on every deal, the idea of systemic mis-selling from volume providers seems very unlikely. This issue, among a raft of others including new point of sale models, emerging fraud trends and manufacturer strategies, will be up for debate at our Car Finance Conference, to be held in Nottingham on June 8.

In the meantime, however, I'll give the last word on this to Alphera director Spencer Halil, who welcomed the FCA's announcement with these words: "The FCA will provide the motor finance industry with the opportunity to demonstrate the considerable steps which have already been taken in recent years, particularly in those areas identified by the regulator.

"Such a clear statement of intent will help to provide an environment in which the momentum of continual improvement is maintained."

In other words, we've nothing to hide. CS

Lowell

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# Why energy firms want to kick price caps out of fashion

**The Tory Party is facing a backlash over plans to introduce a price cap on energy tariffs. MARCEL LE GOUAIS reports on industry views that the change would do more harm than good**

*"The commitment to cap energy prices would bring to an end nearly 30 years of energy policy thinking that greater competition is the best way to keep prices down"*

Price caps would appear to be en vogue, if the noises made by government ministers are anything to go by.

After the measure obliterated margins in the payday lending sector (if not entire lenders themselves), it seems the energy market is weighing up the prospect of a similar hammer blow.

In a move that appeared remarkably similar to a Labour policy in the 2015 election manifesto, the Conservative Party is now planning to cap prices on certain tariffs. Work and pensions secretary Damian Green said in the past month, while appearing on ITV's *Peston on Sunday*, that the policy should save families (hard-working ones, of course), around £100 a year. He confirmed that the government would allow the regulator Ofgem to impose a price cap on standard variable tariffs.

The backlash was immediate – and not just from the trade body representing the interests of energy firms. As share prices of some of the largest suppliers dived after the news, some of the big six suppliers withdrew tariffs that were competitive with increased prices or the cheapest on the market.

Comparison sites have now weighed in, warning that reversing a long-held policy of free competition will have unintended consequences.

In recent weeks, Stephen Murray, energy expert at Moneysupermarket.com, said the cap would be a disaster for customers with the ability to switch, adding that it will lead to "many of the best deals disappearing and a growing market of disengaged customers".

As soon as the cap was made public, Richard Neudegg, head of regulation at comparison site uSwitch.com, said: "A price cap on standard variable tariffs (SVT) would do more harm than good. Boosting competition, strengthening social policies like the Warm Home Discount scheme and helping disengaged customers access the best deals is the most effective way to deliver a fairer energy market for all."

**Dissenting voices**

Negative reactions have in fact been far and wide, with Simon Virley, UK head of power and utilities at KPMG, warning: "The commitment to cap energy prices would bring to an end nearly 30 years of UK energy policy thinking that greater competition is the best way to keep prices down and help consumers."

He added: "Ironically, it comes at a time when there are a record number of suppliers in the market. This change would have major implications for the way the energy market works."

In its own 'manifesto' for the energy market, trade body Energy UK stated that further price regulation would create huge uncertainty around future government intentions, potentially putting at risk "the billions in investment and jobs needed to renew our energy system".

Lawrence Slade, chief executive of Energy UK, said: "Only last year, the government's own competition regulator decided against introducing a wider price cap, instead opting for a cap for prepayment customers, which has come into force."

What normally happens when the government faces a consensus of warnings is a policy dilution, but perhaps the government will use the weight of the Competition and Markets Authority's recommended reforms, published in June 2016, to push through some level of price ceiling.

**Customer engagement**

As well as price caps, it appears possible that energy firms might be forced into new ways of engaging with customers – unless they start doing it proactively.

Another potential change on the cards is a new requirement for suppliers to provide annual reviews for customers in which they are given the option to remain on their current tariff, or look around for cheaper deals, with the information to do so.

Whether it's this or a heftier price cap measure, the PM herself has made the energy market a target. It appears that concerns around firms profiting from customers' inertia about switching from expensive standard tariffs are rife in Westminster.

If the energy market is facing a reversal of efforts to create untethered competition, the water market is heading in the opposite direction. *Credit Strategy* has reported on government plans in the previous two issues to plough ahead with its Open Water scheme. This is the opening up of the water market to competition and switching, which has already happened for business customers, and may extend to residential customers.

*Credit Strategy* and Capita are leading the discussions between water suppliers and stakeholders about how providers will have to prepare.

Capita is continuing to host discussions with operators in the UK water industry on the key themes they face including evolving regulation, customer engagement and competition. These discussions will help water firms consider solutions that could be implemented with the advent of their next price review which is due in 2019.

**Household Credit**

Water companies, energy firms and local authorities will in fact all be brought together later this year at a *Credit Strategy* conference and awards night to discuss issues surrounding collections, credit risk and customer engagement.

Rebranded from the Utilities and Telecoms Conference, the Household Credit event will be held on Thursday October 5 at The Nottingham Belfry. It will be followed on the same day by our annual awards night for outstanding teams, companies and individuals working in the utilities and telecoms sectors. This year the awards night will also feature public sector categories. Both events will bring organisations across all three sectors together, including central government representatives, to debate issues around collections, consumer vulnerability, conduct, debt prevention and digital engagement.

This year we will be running separate conferences for the water, energy, telecoms, government and housing sectors within Household Credit, enabling delegates to focus on issues specific to them.

This could be understanding how a domestic Open Water Market could impact the customer journey, tackling energy poverty or understanding future billing models for telecoms customers.

The Household Credit event will also feature a plenary throughout the day, tackling issues that affect all sectors: Occupier debt, supplier management, fraud and social vulnerability. **CS**

# Influential and driving industry debate: How Credit 500 membership will work for you

On March 30, at the culmination of Credit Week, *Credit Strategy* unveiled the inaugural Credit 500. An index of the 500 most influential people within credit, the Credit 500 represents the decision-makers, budget-holders and innovators that comprise the credit industry.

What does it mean to be a Credit 500 member? The most obvious accolade for members is the tangible confirmation of their place in the industry. More doors will be opened, more conversations will be started, and more authority will be afforded to them to see their plans through. As membership of the Credit 500 is broken down into its constituent parts, members can also point to their place as one of the few elite in their particular sector.

You'll have the opportunity to benefit from access to our industry events, online communities and industry think-tanks, helping to shape the debate within the industry and drawing on your position as a thought leader within consumer, commercial and trade credit.

So how can membership work for you? *Credit Strategy* will help members with this. We'll be positioning our Credit 500 front and centre of our events, editorial content and product design. We'll ensure the Credit 500 members have the sufficient tools to promote their own involvement and reaffirm their place in the industry.

This will provide members with a platform to network and build relationships with fellow members. By building networks they will uncover new partnership opportunities, understand the strategies and processes employed elsewhere within the industry, and benchmark the performance of their own processes and panels.

Employed correctly, this should lead to internal cost reductions and increased margins as more cost-effective supplier contracts are presented and working efficiencies are introduced to their workplace.

**Shaping industry discussions**

Market intelligence isn't restricted to our events. We're regularly surveying and canvassing the opinion of our Credit 500 to form the most accurate picture of the industry from the executives making the decisions. We also invite the industry's most prominent figures to judge our awards schemes, providing those judging with fantastic insight into the workings of the industry and current perceptions of organisational best practice.

**CREDIT 500**

Consumer Credit 100
Household Credit 75
European NPL 75
Commercial Finance 50
Car Finance 50
Knowledge & Professional Services 50
Trade Credit 50
Influencer 50

CREDIT 500

# Dates for your diary

Put these critical industry events, organised by Credit Strategy, in your outlook calendar.

### CAR FINANCE CONFERENCE 2017

**8 June 2017**
Nottingham Belfry, Nottingham
**carfinanceconference.co.uk**

### CAR FINANCE AWARDS 2017

**8 June 2017**
Nottingham Belfry, Nottingham
**carfinanceawards.co.uk**

### TRI AWARDS 2017

**18 October 2017**
London Hilton Park Lane, London
**triawards.co.uk**

### F5 CONFERENCE 2017

**1 Nov 2017**
Hilton London Bankside, London
**f5conference.co.uk**

### F5 AWARDS 2017

**1 Nov 2017**
Hilton London Bankside, London
**f5awards.co.uk**

### CDSP CONFERENCE 2017

**22 Nov 2017**
The Midland Hotel, Manchester
**creditstrategy.co.uk/events/cdsp-conference-**

### CCS AWARDS 2017

**22 Nov 2017**
The Midland Hotel, Manchester
**creditstrategy.co.uk/events/css-awards**

# Director leaves regulator for Money Advice Service top job

**Charles Counsell**
*Chief executive*
*Money Advice Service*

The Money Advice Service has announced that Charles Counsell will take over from Caroline Rookes as chief executive.

Rookes, who steps down this summer after the appointment was approved by the Treasury, announced her plans to retire in November last year, saying it was the right time to leave now that the government was re-thinking its plans for money guidance services. She will continue to act as chief executive until June 5, when Counsell joins the MAS board.

Counsell is currently executive director and board member at the Pensions Regulator, where he helped introduce programmes such as automatic enrolment into workplace pensions. As part of the 2017 new year's honours list, he was awarded an OBE for his services to workplace pension reform.

Andy Briscoe, chair of the MAS, said: "I believe Charles is ideally qualified to continue the successful delivery of the Money Advice Service's work across the UK, and to manage the transition to the new single financial guidance body proposed by government."

Briscoe said Counsell is passionate about tackling financial capability and understands the challenges in crisis debt advice.

Counsell said: "Making sure people have easy access to the guidance they need to steer through critical financial issues is very important to the UK."

## R3 confirms new president

**Adrian Hyde**
*President*
*R3*

Vice president of insolvency trade body R3, Adrian Hyde, is to step up as president. Hyde, a partner at insolvency services firm CVR Global, has already begun his one-year term as president. He succeeds Andrew Tate, partner at the restructuring and advisory firm Kreston Reeves.

Hyde has been vice president of R3 for the past 12 months, following a stint as chair of R3's events, courses and conferences executive committee from February 2016 until October 2016. He has more than 20 years of insolvency experience and has primarily focused on tackling crime and fraud-related cases, along with overseas issues at offshore jurisdictions.

In 2008, Hyde joined Chantrey Vellacott DFK (now merged with and trading as Moore Stephens) as an insolvency practitioner, and was one of the founding partners of CVR in 2015.

## Cabot creates digital role

**Phil McGilvray**
*Digital development director*
*Cabot Credit Management*

Debt purchase and collections group Cabot Credit Management (CCM) has appointed Phil McGilvray as operational and digital development director for debt purchase.

McGilvray, who joins after 19 years in various roles at American Express, (more latterly as general manager and vice president, international cards), will oversee the company's digital strategy for its debt purchase business.

This will include responsibility for the multi-channel and web capabilities, as well as the business change function for the whole UK debt purchase business. He will also oversee the book-on and credit bureau reporting functions. McGilvray will be based at CCM's Kings Hill office in Kent, and will report to Derek Usher, managing director of Cabot's UK debt purchase business. Usher said: "We have created this new role to give specific focus to our digital development."

**Alasdair Mackinnon**
*Hill Dickinson*
International commercial law firm Hill Dickinson has appointed Alasdair Mackinnon as a partner in its banking team. Previously with DWF, Mackinnon will lead Hill Dickinson's banking and finance operation in Manchester, where he will also work within the national banking team led by Richard Capper. Mackinnon has been practising in the banking and finance sector for more than 14 years, providing legal advice to clients including both high street banks and alternative lenders, local corporates and private equity houses. He will deliver the full range of non-contentious finance work for lenders and borrowers, including real estate finance, acquisition and leveraged finance, asset-based lending and general corporate banking.

**Jonathan Symonds**
*HSBC*
Jonathan Symonds has been appointed as senior independent non-executive director to succeed Rachel Lomax at HSBC. Symonds will also replace Sam Laidlaw and serve as interim chair of the nomination committee until September 1. On that date, Mark Tucker will join HSBC as group chairman designate and assume chairmanship of the committee. Pauline Van der Meer Mohr has also been appointed as chair of the group remuneration committee, to succeed Laidlaw, and as chair of the conduct and values committee to succeed Lomax. Following HSBC's 2017 AGM, Jackson Tai has also been appointed as chair of the group risk committee to succeed Joachim Faber, who remains a committee member.

**Ruth Duncan**
*The IPA*
Ruth Duncan, director and co-founder of insolvency firm RNF Business Advisory, has been announced as the new president of the Insolvency Practitioners Association (IPA).

Duncan, who launched RNF Business Advisory with Filippa Connor in 2013, was confirmed as IPA president on April 7. Prior to her appointment, she was vice president. She is the third woman to be named as president of the IPA. With more than 30 years' experience in business rescue and insolvency, she specialises in helping SMEs and sole traders in financial difficulty.

# The Fifth Estate

## Why quantitative targets are killing the free advice sector

**In part one of a health check on the money advice sector, our guest columnist explains why many not-for-profit organisations are being enslaved by targets**

The valuable service provided by the not-for-profit debt advice sector to the most vulnerable members of society cannot be understated.

These services have become even more invaluable following the reduction in the number of profit-seeking debt management firms resulting from the Financial Conduct Authority (FCA) authorisation process.

It appears to be widely accepted by advisers in the not-for-profit sector that the biggest threat to the continued provision of a quality debt advice service, by them, is the requirement placed on many to meet quantitative targets to continue to secure funding for their service.

These targets appear to often be unrealistic. It is not always apparent who is proposing or agreeing to them, but in many instances those concerned appear to have limited knowledge of what is required in terms of the provision of appropriate quality debt and money advice.

These targets are often accompanied by the need for advisers to complete associated overly burdensome administrative tasks, the primary purpose of which appears to be to evidence whether targets are being met – further taking away time that advisers could better spend helping clients.

Many high-quality debt advisers are being required to operate in an environment in which it simply isn't possible for them to provide the full level of service that they know their clients need. As a further consequence, many have decided to leave the debt advice sector (or are thinking of doing so).

While the rationale behind setting quantitative targets may be well intended (ie to provide a service to as many clients as possible) it is ultimately short-sighted.

If advisers only have the time and/or the opportunity to address the immediate crisis that has caused the client to seek help rather than provide the client with a full debt or money advice service, the likelihood the client will need to return for more help in future is greatly increased. This puts greater pressure on the actual number of individual clients that advisers will have the capacity to deal with in any particular period.

While one would like to think common sense would prevail, so that organisations could continue to secure funding while being able to place appropriate emphasis on the quality of service, rather than the quantity of clients served. There will always be a trade-off, but experience suggests this is unlikely to be the case.

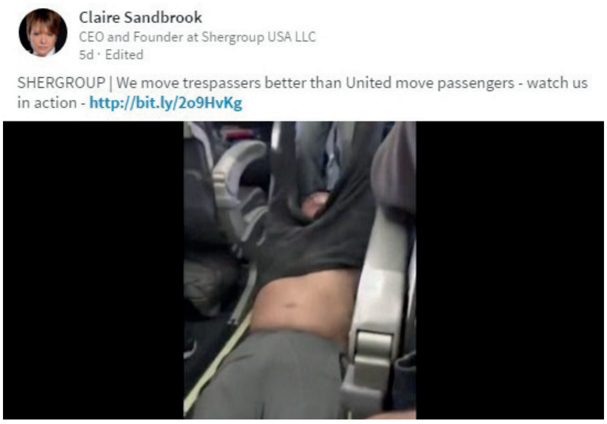
The Money Advice Service may be able to play, at the very least, an influential role – but this in itself may not be sufficient.

## When a marketing ploy doesn't quite take flight

When readers saw the video of United Airlines passenger Dr David Dao being dragged from a flight he had paid for, did it present itself as a great marketing tool for debt recovery services? No?

One business leader thought it did. As the boss of United Airlines begrudgingly succumbed to the unfamiliar notion of issuing a public apology, long after it was overdue, a photo of Dr Dao's ordeal was posted on LinkedIn by Claire Sandbrook, founder of the enforcement firm Shergroup. The photo advertised Shergroup's services for forcibly removing trespassers, depicting the moment Dr Dao was dragged through the aisle.

Credit Strategy could launch into a lecture here about the merits and approriate use of another person's anguish for marketing purposes, but no doubt some would regard the post as one with its tongue placed forcibly in its cheek. It's best if we just leave it here, as the photo and caption speaks for itself.

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