



# Data and Debt Arrangement Schemes

# Introduction

The Accountant in Bankruptcy (AiB)<sup>1</sup> and the Improvement service (IS)<sup>2</sup> both report on the statistical information that each collect during the year that has relevance for debt and money advice.

AiB is an Executive Agency of the Scottish Government and has responsibility for administering the process of personal bankruptcy and recording corporate insolvencies in Scotland. As well as producing an annual report that summarises the work carried out by, and on behalf, of AiB, quarterly reports are published which give an overview of case numbers, including statistical reporting of trends and changes during that period.

The Money Advice Performance Management Framework (MAPMF; or as it is now called, the Common Advice Performance Management Framework) contains a set of key performance indicators for which local authorities provide information on an annual basis. By having a nationally-agreed set of measures, local authorities are able to understand, influence and shape local service delivery and, at the same time, provide evidence at a national level of the scale and impact of money advice services. Each year, an overview report of the data collected which identifies trends and analyses the findings is published. As well as the national report, individual commentaries are provided for each local authority area.

This short briefing paper looks at the statistical information each organisation collects and matches the data across a specific area to see if this can be used to improve understanding and enhance the evidence base.

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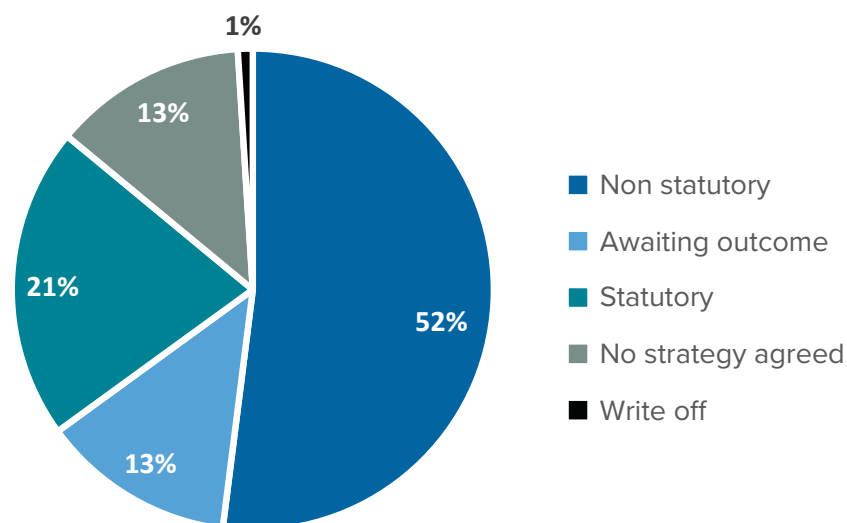
1 <https://www.aib.gov.uk/about/statistics-data>

2 <http://www.improvementservice.org.uk/common-advice-performance-management-framework.html>

# Debt Strategy

In line with the MAPMF reporting requirements, local authorities were asked to provide the total number of clients who agree each type of debt strategy in the financial year under consideration. This is used to identify which strategies are most common, to detect trends, and to recognise geographical variations.

**Fig 1. Debt Strategy Agreed**



52% made arrangements that did not rely on statute (e.g. token payments, pro rata offers and repayment plans)

>1% had their debt written off

13% were awaiting an outcome

13% did not agree a strategy

21% sought a statutory solution (i.e. sequestration, DAS, trust deed)

Data from [Money Advice Performance Management Framework 2016 -17.](#)

# Access to Free Debt Advice and Support for statutory Debt Strategies

Access to free advice and support services is essential and is of particular importance in relation to those statutory debt strategies for which individuals are required to get professional assistance.

*“As more and more people are facing financial difficulties, more companies have sprung up offering to help people out of their situation. However, many charge a fee and provide the same service that you can get for free from ... debt counselling charities and organisation.”*

**Money Advice Service**

The three statutory debt solutions that require the active intervention of a professional advisor are trust deeds, Debt Arrangement Scheme (henceforth referred to as DAS) and bankruptcy where debtor led.

In this analysis, it is intended to focus on trust deeds and the Debt Arrangement Scheme. A further paper will be produced in relation to Bankruptcy.

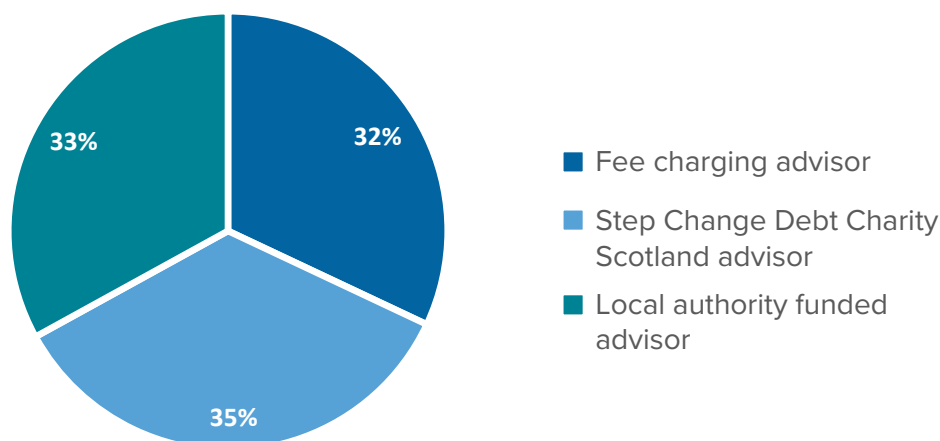
The accessibility of free services in relation to the statutory debt solutions under consideration is of greater significance in relation to DAS. There are two reasons for this. Firstly, entering a trust deed requires the involvement of a qualified insolvency practitioner, who in the main provides paid services. Secondly, of the two solutions in local authority funded debt strategies, there are significantly greater numbers who record a DAS compared to a trust deed. It is important to stress that this briefing paper seeks only to analyse data that has been produced by the Improvement Service and Accountant in Bankruptcy to see what conclusions can be drawn. It does not consider the appropriateness of the debt strategy chosen. That is a matter of individual choice based on the money advice given that reflects each individual's circumstances. This analysis seeks to examine the availability of free services and the impact, if any, of local authority investment in relation to the number of DAS supported.

# Debt Arrangement Scheme (DAS)

Debt Arrangement Schemes (DAS) are the only statutory debt management plan in the UK providing individuals with the opportunity to repay their debts in full through a debt payment programme (DPP), with creditors receiving at least 90p in the pound. During this period, debtors are protected from action by their creditors and interest, fees and charges on the debt are frozen. In contrast with trust deeds, provided payments are maintained under the DPP, the debtor is protected from the risk of losing their family home. Application for DAS can only be made on behalf of individuals by approved money advisors.

Analysis of the [Quarterly Scottish Insolvency Statistics](#), produced by the Accountant in Bankruptcy and reporting on personal and company insolvencies in Scotland, suggests that, in 2016-17, almost one third of applications for DAS were made by companies or advisors who charged fees. A little over a third were supported by StepChange Debt Charity Scotland and a further third by other organisations or agencies providing a free service.

**Fig 2. Type of money advisor**



68% of all cases were presented by a money advisor in a free service:

- 35% were presented by StepChange Debt Charity Scotland

- 33% were presented by a local authority funded advice provider (i.e. in-house service, Citizen's Advice Bureau etc.)

32% of all cases were presented by a fee charging paying money advisor

Data from Accountant in Bankruptcy: <https://www.aib.gov.uk/about-aib/statistics-data/debt-solutions-local-authority>

## Data Matching and DAS

Whilst both the [Money Advice Performance Management Framework 2016-17](#) and [Scottish Insolvency Statistics 2016-17](#) contain data on the number of statutory debt solutions chosen, there are variations. This can, in part, be accounted for by the different reporting methods used. AiB statistics reflect only recorded strategies, whilst the MAPMF records the position of clients who have moved from one debt strategy to another, are using multiple strategies simultaneously, or are in the process of agreeing a strategy. In this analysis, AiB data is used as it relates only to strategies that have been agreed.

Data provided by AiB for all Scottish local authorities shows that in 20 out of the 32 Scottish local authorities, the money advisor recording the biggest number of DAS was StepChange Scotland. In 10 authorities, the money advisor recording the biggest number of DAS was funded by the local authority concerned, and in the remaining two authorities the total number of DAS recorded were five or less.

There are many factors that may influence might influence the number of DAS recorded, but a critical factor is likely to be the availability of accessible services that are free. The starting point for this briefing paper was to see if there was a link between investment levels in internal and external services and the number of DAS recorded in each local authority area. To do this, the level of investment in money advice services per head of population in each local authority area was calculated and matched to the number of DAS registered by a money advice service funded by the local authority.

The average investment in money advice services is £1.43 per head of population. It should be noted that this excludes data from two local authorities who provided investment levels that included elements of welfare rights advice. Whilst definitive conclusions cannot be drawn, those authorities who invested more in money advice services were more likely to have higher numbers of DAS recorded. The table below highlights the investment levels and number of DAS recorded by local government-funded organisations.

**Fig 3. A comparison of the % of DAS recorded by local authority funded money advisors (both in house and external services) with investment in money advice services**

Council funding	% local funded cases against all AIB	£ invest per population all
Moray	63.10	1.47
South Lanarkshire	55.73	2.72
East Renfrewshire	55.00	1.97
Fife	54.01	1.53
Dumfries and Galloway	50.00	2.43

Other local authority areas in which an organisation that they fund recorded the greatest number of DAS are Falkirk, Inverclyde and Midlothian. The total number of DAS recorded overall is quite low. It is important to stress the limitations of these findings as other contributory factors beyond investment levels, such as local geography and channel choice, were not considered.

In Moray Council c63% of the total number of DAS based on debtor's postcode are recorded by local authority funded money advice services.



**Peter Adamson, Trading Standards Manager, offers his view on why this is the case:**

“Moray Council recognises the advantages of DAS for appropriate clients. Interest is frozen, diligence is stopped and many clients prefer to pay their debts as opposed to going bankrupt. Clients also value the ability to pay a number of creditors through a single periodic payment. A high proportion of our DAS clients are home owners who need to protect themselves from the diligence which may stop them from paying their mortgages thus putting their homes at risk.

“We have invested in training and systems to enable our money advisers to help clients with all debt solutions, including DAS. As you would expect, we are led by clients' informed wishes. While DAS is not suitable for every client, many of our clients decide to apply for DAS when given advice on available options. Because

of this, our officers have developed relevant DAS skills and knowledge. We work closely with colleagues in the third sector and in other Council services. The service is recognised as a centre of excellence for assisting clients with serious and multiple debts and receives high numbers of referrals leading to a high DAS caseload.“



# Conclusion

In this example, data from AiB and Improvement Service has been matched and used to identify potential trends. It is accepted that this approach has limitations and that more detailed investigation of other contributory factors will be required. The following findings are highlighted:

- There appears to be a link between investment in local authority-funded money advice services and the number of DAS that money advisors in these funded organisations record.
- In 20 local authorities, StepChange Scotland is responsible for recording the highest number of DAS.<sup>3</sup>
- Over 60% of money advice users in services funded by local authorities found a debt strategy that did not involve a statutory solution.

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<sup>3</sup> Local authority areas in which five or less DAS are recorded are not included



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