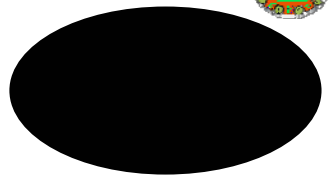
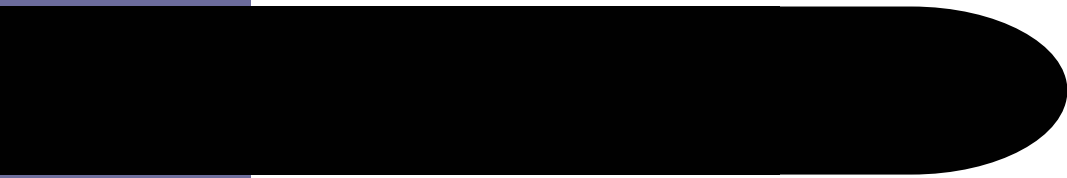
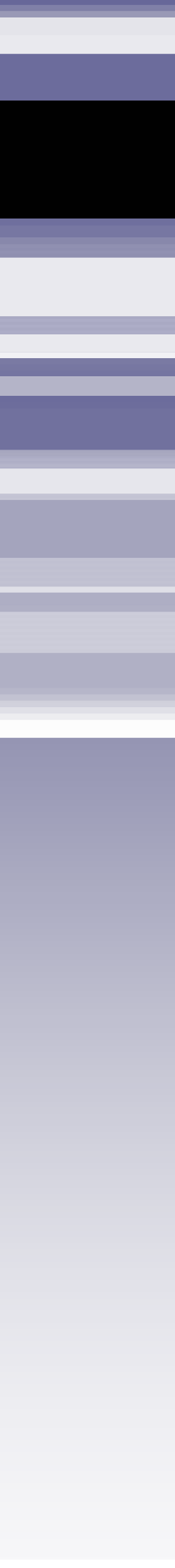


Contents

1	Summary	6
2	Summary of Recommendations	8
3	Background	11
	3.1	





Problem Debt

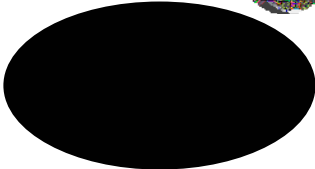
For example, it became apparent in the course of the evidence gathering, that there were opportunities for better joined up working between departments in various areas. The Committee heard evidence that it would be useful if the Debt Advice Team could make payment arrangements with debtors in respect of Council Tax arrears as is already the case with rent arrears. As a result, a pilot scheme has been established allowing staff from the Debt Advice Team to make payment arrangements in relation to the collection of Council Tax arrears. Similarly, in the course of the evidence presented on behalf of Severn Trent Water, it became clear that increased collaborative working with Severn Trent Water could potentially be mutually beneficial, and a liaison meeting has already been arranged to explore the best way to move this forward. The need for better communication and more joined up working between Council departments was a recurring theme and as a result of discussions in relation to the use of bailiffs, new channels of communication have been opened up, to allow Neighbourhood Office Managers to contact the bailiffs directly to resolve any issues arising. In this way much progress has already been made on improving the situation for people suffering from problem debt without unnecessary delay.

One of the most important recommendations is the establishment of a Debt and Money Advice Partnership Forum comprising representatives from all three sectors. Rather than produce a long list of specific recommendations the Committee felt that the creation of the Forum would be a catalyst for increased partnership working between the many departments of the City Council and outside agencies. Members of the Committee felt that this is likely to prove to be the most important achievement of their Scrutiny.

Finally, thanks to all those involved in the Scrutiny process – it was a joy to work with so many committed and skilled professionals within Birmingham. I am confident that this particular piece of Scrutiny work will lead to real and lasting improvements for the many thousands of Birmingham citizens reeling under the burden of Problem Debt.



Problem Debt





2 Summary of Recommendations

	Recommendation	Responsibility	Completion Date
R1	<p>That an ongoing Debt and Money Advice Partnership Forum be established by the City Council including (but not limited to) representatives from:</p> <ul style="list-style-type: none"> • the City Council – Legal Services, Resources (Revenues and Payments), Housing, Regulatory Services, Learning and Culture and The Community Services Division of Local Services; • the Citizens Advice Bureau; • Birmingham Settlement; • the Birmingham Community Banking Partnership; • the Legal Services Commission; • Registered Social Landlords and; • Private Sector Creditors <p>in order to provide a forum to promote a more co-ordinated approach to the provision of money advice and debt counselling across the city.</p>	Cabinet Member for Local Services and Community Safety	June 2006
R2	That progress with the Debt and Money Advice Partnership Forum should be reported to the Chair of the Local Services and Community Safety Overview and Scrutiny Committee every six months for the first year, with the frequency of reporting to be reviewed thereafter.	Cabinet Member for Local Services and Community Safety	December 2006
R3	That the establishment of a dedicated telephone helpline staffed by specialist advisors to deal with queries for specified debt advice agencies be considered and the feasibility be reported to the Chair of the Co-ordinating Overview and Scrutiny Committee.	The Deputy Leader	December 2006
R4	That, following a review of the pilot allowing Debt Advice staff to make payment arrangements in respect of the collection of Council Tax arrears, consideration should be given to extending the pilot to Neighbourhood Offices, with the outcome of the review to be reported to the Chair of the Local Services and Community Safety Overview and Scrutiny Committee.	Cabinet Member for Local Services and Community Safety	October 2006



Problem Debt

R5	That because of the importance of identifying all debtor households who are in receipt of means tested benefits, then in addition to exploring the possibility of utilizing the new Revenue and Benefits Integrated System, consideration be given to amending the current standard pre-bailiff letter to stress the importance of debtors informing the Council where they are in receipt of means tested benefit.	The Leader	October 2006
R6	That, deduction from benefits, and not bailiffs, should normally be used in dealing with households where it can be identified that household income is derived solely from means tested benefits.	The Leader	October 2006
R7	That the review of debt collection to be undertaken by Revenues in 2006/7 should include the Debt Advice Team and should also include appropriate consultation with other advice agencies.	The Leader	January 2007
R8	That the Government be lobbied to review housing benefit entitlement for younger people aged under 25 and in particular to abolish the single room rent for private sector tenants and to increase personal allowances to the levels which apply to other adults.	The Deputy Leader	October 2006
R9	That in view of increasing fuel costs, the Government be lobbied to ensure that uprating of benefit allowances this year reflect these additional costs in order to safeguard against a further rise in fuel poverty.	The Deputy Leader	October 2006
R10	That the Government be lobbied to change the law, to allow the Council Tax service to request additional data from taxpayers and to allow the secondary use of Council Tax and other data, to facilitate the sharing of information amongst departments in order to promote benefit take up throughout the city.	The Leader	



Problem Debt

R14 Progress towards achievement of these



3 Background

3.1 Reasons for the Review

- 3.1.1 Problem debt or over-indebtedness is a huge and complex area. It is informed by a plethora of research and investigation, public information, media focus and the campaigning of specific service providers. There is a whole raft of government initiatives aimed at its control, alleviation and prevention. The Review Group's ultimate purpose is to focus on what problem debt means for Birmingham as a city and for those who experience it either personally or through its impact on service efficiency.
- 3.1.2 This will allow the Review Group to identify what interventions are within its power to provide or influence, and to achieve an effective impact on alleviating the misery and financial detriment that it causes. The goals are to enable people to either prevent it or manage it better in future.
- 3.1.3 **Indebtedness** - Most households/individuals of legal age in the UK are in debt. For the majority of the population personal debt is manageable – mortgage payments and other forms of secured debt or loans are met in accordance with agreed arrangements and regular payments on unsecured debts or loans are budgeted for and met without difficulty.
- 3.1.4 **Problem Debt or Over-indebtedness** - There is no generally accepted definition of problem debt or over-indebtedness and research on the subject employs a wide range of subjective and objective measures. The simplest idea is that a problem debt is one that has become a burden for the borrower.
- 3.1.5 Problem debt occurs when, for whatever reason, repayment arrangements break down and household income starts to lag behind debt. For roughly three million people in the UK, personal debt has become a heavy burden and although these three million are spread throughout society as a whole, the burden is borne disproportionately by low income families, lone parents and people in their twenties and thirties.



Problem Debt

- 3.1.6 In addition, it is estimated that up to twelve million people struggle to repay their credit commitments from time to time. Both groups are extremely vulnerable to fluctuations in the economy and it is commonly agreed that factors such as an upward change in interest rates and changes in economic status such as unemployment would create serious economic and social problems for these people and extend the net of those perceived to be struggling with debt.
- 3.1.7 **Financial Exclusion** - For some people, problem debt is exacerbated by financial exclusion. Financial exclusion occurs when banking practices and traditions exclude disadvantaged people from financial services such as access to loans. Even though the UK has one of the most diverse financial services sectors in the world, financial exclusion remains a reality for many people.
- 3.1.8 **Characteristics of the Excluded:**
- **Socially rented accommodation:** 60% of unbanked households live in socially rented accommodation
 - **Low income:** 65% have annual household income of less than £14,500
 - **Single headed households:** Half are single people living alone, a further fifth are lone parents
 - **Receiving benefits:** 40% are of working age but not available for work
 - **Geographically concentrated:** 25% are in 3% of postcodes with the highest concentration of exclusion
- 3.1.9 The Government estimates that one in twelve households in the UK lack access to a bank account of any kind. This means that for "unbanked" households simple transactions such as cashing cheques or paying bills are too costly and many every day services such as hiring videos and contract mobile telephones are unavailable.
- 3.1.10 **"Unbanked"** families are locked into a cycle of poverty and exclusion, or turn to high cost credit or even illegal lenders, resulting in greater financial strain and unmanageable debt. They are likely to also suffer from a lack of quality advice on how to improve their finances.



Problem Debt

3.1.11 **Sub-Prime Lending** – Prime lending refers to that side of the market aimed at the more credit-worthy and is usually the domain of the major banks, building societies and finance houses. Sub-prime lending is an emerging market targeting those who have poor credit records but who fall short of being totally beyond credit acceptance and risk. It is in the area of sub-prime lending where many people of poor credit status are considered to be particularly vulnerable to mortgage, loans and credit card deals that demand exorbitant rates of interest.

3.1.12 **Sources of Information** – Information on local debt and over-indebtedness appear difficult to obtain and compare at both national and local level. Other than monthly or quarterly statistical releases from specific government departments or agencies such as the Bank of England, there appears to be a dearth of information about over-indebtedness published and accessible at a central government point. There are however, various separately available statistics that can be described as “credit warning indicators”.

3.1.13 **Credit Warning Indicators**

- **Total Lending Outstanding** – published monthly by the Bank of England, this shows the level of outstanding debt to individuals. In April 2003 this figure surpassed the £1 trillion mark, and at November 2005 stood at £1.15 trillion. The £1 trillion mark is held to be a significant milestone and in itself has sparked a considerable degree of analysis and investigation into the issue generally.
- **Unsecured Debt** - for the average UK adult is estimated by Datamonitor to have exceeded £4,000 at the end of 2004. This appears to be a 45% increase from 2000.
- **Bankruptcies** - in 2004 rose to 35,898 being a 40% increase over the 2000 figures. 10,288 people went bankrupt in the first quarter of 2005 which was the high6(creTj-0.0008 5



Problem Debt

- **Mortgage Repossessions** – According to official figures, nearly 26,000 property repossession orders were granted in the first three months of 2005 - the highest number since 1985. In the second quarter over 28,000 were granted, in the third quarter almost 30,000 and in the fourth quarter over 31,000. These figures report how many orders for possession have been made, but since many of the orders will not have been enforced, these figures do not reflect the number of properties which have been taken into possession. Data from the Council of Mortgage Lenders showed a continued sharp rise in the number of home repossessions which rose to 10,250 in 2005, up by 70% from 2004. Repossessions incur social costs primarily related to mental health, family stability and relationship breakdown as well as re-housing costs (usually to be borne by social landlords).
 - **Savings** – the Savings Ratio is described as the proportion of our disposable income we save. The less we save the less we can cope should bills begin to bite. Between 1990 and 1997 this fluctuated between 8% and 11.6%. Between 1998 and 2004 it fluctuated between 4.9% and 6.5% and is currently at 5.5%. It is worth noting that the bulk of the nation's household savings are contained within the wealthiest 10% of households.
 - **Increased Take Up of Advice Agency Services** – advice agencies are reporting a recent upsurge of requests for assistance. The Consumer Credit Counselling Service, for example, has experienced a 50% increase in demand for debt advice between May 2004 and May 2005. Customer debt problems dealt with by Citizens Advice Bureaux have risen by nearly three-quarters over the last seven years.
 - **Credit Card Debt** – in 1971 credit card debt was £71 million. It is now £56 billion.
- 3.1.14 **Student Debt** – Student Loans are an increasing credit warning indicator. 90% of students are estimated to have some form of unsecured debt. The average student loan is around £6,300 and the average unsecured debt of a student is around £6,500. Five years ago, student debt on leaving college was on average £4,000. Today, according to Barclays Annual Graduate Survey, it is over £13,000. Barclays Bank estimates that by 2010 it will be £33,000.



Problem Debt

3.1.15 **The Birmingham Perspective** - Student debt is a very wide-ranging subject and the Review Group was aware that it could potentially merit a separate review of its own. Significantly, it did not feature highly in the witness evidence to the Group, but there is obvious concern that its impact will grow in future. Given this increasing concern, it was decided to focus on the Birmingham perspective. Letters were sent, on behalf of the Committee, to the Vice-Chancellors and student unions/guilds of the three universities in Birmingham, namely Aston University, Birmingham University and the University of Central England in Birmingham expressing concern about the rising level of student debt and asking what action is being taken in the universities to prepare students for, and support them in dealing with, the consequences of increasing levels of debt.

3.1.16 **UCE Birmingham Students' Union** reply [See Appendix 2] expressed shared concern about the increasing level of student debt. The main observations can be summarised as follows:

- The most common problems relate to credit debt due to students finding the amount of the student loan inadequate and consequently having to seek money from elsewhere.

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Problem Debt

- 3.1.18 **Levels of Debt in Birmingham** - As previously mentioned, there is very little information available about debt and over-indebtedness at a local level. There is however, some statistical data collected by the Debt Advice Team which is recorded using a purpose built database and which has evolved as the service has developed.

The data clearly indicates a major increase in debt within the Birmingham area, with debt enquiries increasing.

• Total debts owed by clients 2004/05	£13,037,203
• Total debts projected for 2005/06	£20,320,880
• Average debt per individual 2004/05	£ 5,605
• Average projected debt per individual 2005/06	£ 8,332

This represents a 56% increase in debts owed by clients with the average debt per client having risen by £2,727 in 2005/06 compared to 2004/05.

3.2 The Committee and its Terms of Reference

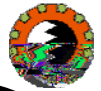
- 3.2.1 The key question that the review was seeking to answer was -
"What are the key factors leading to problem debt and what role should each sector have in minimizing the problem?"
- 3.2.2 The review was undertaken by the Problem Debt Task and Finish Overview & Scrutiny Committee. Membership of the Committee comprised:
- Councillor Carl Rice (Chairman)
 - Councillor Margaret Byrne
 - Councillor Timothy Huxtable
 - Councillor Fergus Robinson
 - Councillor Anita Ward
 - Councillor Mike Ward
 - Councillor Robert Wright



Problem Debt

- 3.2.3 The officer team comprised Nick Partridge and Rose Kiely from Scrutiny as Link Officer and Lead Review Officer respectively, Ian James from Community Services, as expert witness with research and support provided by Ed Whitton from Governance andJgalesEMC /P #MCID 0 BDC4BT/TT3 1 Tf-0.0013Tc 0.303 Tw 0.402 0

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Problem Debt

3.3.4 **Government Agencies** were the focus of the October meeting.

- Evidence was presented by Lesley Davies and Louise Winterburn, Community Legal Service Development Consultants from the Legal Services Commission, in relation to the development of the Community Legal Service.
- Aisling O'Brien from the Treasury Financial Inclusion Branch gave a presentation on financial inclusion, particularly describing the work of the Financial Inclusion Taskforce.
- Simon Writer, Assistant Director (Consumer Credit Bill) from the Department of Trade and



Problem Debt

3.3.6 **Private Sector Creditors and the Financial Services Industry** - The December meeting heard evidence from:

- Mike Bennett, Head of Credit Management at Severn Trent Water,
- Phil King, Managing Director of Bristol Finance and Credit Services Limited, who attended on behalf of the Consumer Credit Association and from
- Helen Zamorski, Revenue Support Manager, Cath Davies, Income Recovery Manager and Laura Weddell, Welfare Benefits Officer from Prime Focus.



4 Findings – The National Context

4.1 Government Action

There has been a huge amount of Government activity over recent years in terms of policy development, legislation and initiatives aimed at tackling over-indebtedness. The main broad strands of activity can be classified as follows:

- 4.2 **Ensuring a joined- up approach across Government**
- 4.3 **Promoting Financial Inclusion**
- 4.4 **Developing Financial Literacy of Consumers**
- 4.5 **Ensuring an Efficient Justice System**
- 4.6 **Dealing with Household Bills**
- 4.7 **Providing Advice**
- 4.8 **Ensuring Responsible Lending**

4.2 Ensuring a Joined-Up Approach

- 4.2.1 **A Ministerial Working Group** exists to facilitate an integrated approach to tackling over-indebtedness. It is jointly chaired by Ministers within the Departments of Trade and Industry (DTI) and Work and Pensions (DWP) and other Ministers represent the Departments of Constitutional Affairs (DCA), Education and Skills (DfES), the Office of the Deputy Prime Minister (ODPM) and HM Treasury. The Working Group is advised by relevant stakeholders and officers and is working across government to tackle the problems of over-indebtedness.
- 4.2.2 In 2004, the group published an **“Action Plan on Tackling Over-Indebtedness”**. This laid out the strategic priorities required to tackle over-indebtedness and is intended to apply across Government and devolved administrations. This report provides the baseline information on Government activity.



- 4.2.3 The DTI is also funding two pilot projects in Birmingham and Glasgow to tackle and understand the problems of illegal lending [See Section 6.2 The Loan Shark Project]

4.3 Promoting Financial Inclusion

- 4.3.1 The Government's proposals in relation to tackling financial exclusion were set out in HM Treasury Document "**Promoting Financial Inclusion**" in December 2004.
- 4.3.2 **The Financial Inclusion Task Force** is the primary instrument set up to achieve outcomes. The Task Force has at its disposal £120 million Social Inclusion Fund to support initiatives that promote financial inclusion up to 2007/8.
- 4.3.3 Action is focused in three key areas:
- **Increasing access to banking** – the Government and banks share the goal of halving the number of adults in "unbanked" households.
 - **Increasing the availability of affordable credit** - HM Treasury is keen to develop the Credit Union movement and investigate other models of credit provision called Community Development Finance Institutions (CDFIs). The Social Inclusion Fund will be used to set up a £36 million "Growth Fund" for CDFIs [See Section 6.6.5] and Credit Unions [See Section 5.2].
 - **Extending the provision of face-to-face money advice** – the DTI is administering £45million of financial inclusion funding to increase the capacity of face-to-face advice provision and the Legal Services Commission is piloting mechanisms of debt advice "outreach" with financial inclusion funding.

4.4 Developing Financial Literacy of Consumers

- 4.4.1 **The Basic Skills Unit** within the DfES is leading the work in developing the financial capability and financial literacy of consumers.
- 4.4.2 **The "National Strategy for Financial Capability"** (May 2004) identified seven workstreams which reflect early priorities – schools, young adults, work, families, retirement, borrowing and advice.



Problem Debt

- 4.4.3 **The Skills for Life Strategy** was developed and promoted by the Basic Skills Unit (DfES) which seeks to improve the literacy, language and numeracy skills of 1.5 million adults by 2007. The strategy also promotes awareness raising amongst the staff of financial institutions and enables community development projects and advice agencies to develop training packages for residents and clients.
- 4.4.4 **Promoting Learning in Money Management** - DfES aims to integrate financial education into the national curriculum and has issued best practice, non-statutory guidance for schools to support teachers. This guidance sets out the opportunities for developing financial capability through Personal, Social and Health Education and Citizenship (PSHE), through work with maths and business studies, and through wider school activities such as work with businesses and the community.
- 4.4.5 **The DfES Guidance** for Key Stage 1 and 2 covers understanding of money and simple decision-making and the role of saving for future needs. At Key Stage 3 it covers understanding the uses of money, influences on behaviour, insurance, risk and social and moral dilemmas. At Key Stage 4 it includes practical money management and financial decision making, using financial tools, risks and returns of longer-term savings and investments, and the wider social, moral and ethical consequences of personal financial decisions. PSHE at Key Stage 4 also covers pensions and how pension schemes work.
- 4.4.6 **Financial Management** is included in the curriculum of all secondary schools (from September 2005) and financial capability is an integral part of enterprise education.
- 4.4.7 **Enterprise Education** is a key element of the non-statutory work-related 14-19 learning framework, aiming to encourage young people to be more enterprising. Enterprise education consists of enterprise capability, supported by financial capability and economic and business understanding. Enterprise capability is the ability to handle uncertainty and respond positively to change, to create and implement new ideas and ways of doing things, to make reasonable risk/reward assessments and act upon them in one's personal working life. It can be described as: innovation, risk-management, a "can-do" attitude and the drive to make ideas happen.



Problem Debt

4.4.8 **New Qualifications in Personal Finance** - Schools are



Problem Debt

4.5 Ensuring an Efficient Justice System

- 4.5.1 The Department of Constitutional Affairs has responsibility for the **Community Legal Service (CLS)** and the administration of the courts.
- 4.5.2 The department oversees the court procedure and administrative support under which debts are adjudged in the court and the mechanisms for their enforcement. This means the formal procedures for debt relief such as bankruptcy, Individual Voluntary Arrangements (IVAs) and Administration Orders (AOs) as well as overseeing the expansion of Alternative Dispute Resolution.
- 4.5.3 The Enterprise Act 2002 introduced changes to bankruptcy in that from 1st April 2004 most bankruptcy charges can be discharged within 12 months rather than 2-3 years.
- 4.5.4 The official insolvency statistics for individuals comprise bankruptcy orders and IVAs under the Insolvency Act 1986. A bankruptcy order is made when the Court is satisfied that there is no prospect of the debt being paid whereas IVAs enable debtors to come to an agreement with their creditors.
- 4.5.5 The CLS was established by the Access to Justice Act 1999. This describes the CLS not as a single body or organisation but in terms of its purpose: principally to promote the availability of legal services – information, advice and representation – in civil law.
- 4.5.6 **The Legal Services Commission (LSC)** is a commissioner of legal advice services, not a provider. It contracts with service providers that fulfil the requirements of its scheme. All contracted suppliers must hold the LSC Specialist Quality Mark before a contract can be awarded.
- 4.5.7 **Providers are Collectively Referred to As the Community Legal Service (CLS)** but this definition also encompasses the wider advice and information sector as potential referrers to the scheme. The LSC has the duty of developing and maintaining the CLS. However, the CLS potentially includes all those who fund, provide or facilitate civil legal and advice services.
- 4.5.8 Key stakeholders in the CLS therefore include Local Authorities and Central Government departments, the solicitor and advice sectors, as well of course as clients – those who actually receive the services. It is a central theme that all of these stakeholders working together can achieve better results than working in isolation.



Problem Debt

4.6.4 **Can't Pay/Won't Pay** – The distinction is complex and there is no standard definition. Severn Trent Water and the Water Industry spend considerable sums every year on debt management and have a lot of data which shows that approximately 2% of customers fall into the "won't pay" category. The availability of this information allows them to tailor their recovery package accordingly. In general the problem is not with family units, but with single adults, both male and female and 51% of customers in debt are in tenanted accommodation.

4.6.5 **In Dealing With the "Can't Pay" Customers** the Water Industry:

- Make it clear that they will accept a spread of payments which can be as little as customers can afford and can be paid weekly.
 - Make customers aware that water charges can be deducted from some benefits, principally Income Support and Job Seekers Allowance, and that small amounts will be accepted.
 - Assist by making sure customers have clear and accurate bills, that the methods of payment are easily understood and by making payments as easy as possible.
- § Severn Trent have set up a charitable trust, into which they put approximately £3 million per annum, which wor(oc 0.083aCID 4 BDC



Problem Debt

of the Consumer Credit Association already contribute towards



4.8 Ensuring Responsible Lending

- 4.8.1 **The Consumer Credit Act 1974** (the CCA) is the main Act designed to regulate consumer credit in the UK. The Government has long recognised that the CCA is in need of reform. The CCA has been criticised for not providing sufficient protection for consumers, restricting rights of redress, and for failing to provide regulators with sufficient powers to tackle improper or unfair conduct of business in a burgeoning consumer credit industry.
- 4.8.2 The Government is seeking to address these failings through changes to both primary and secondary legislation. These legislative changes spring from a three-year review of the UK's consumer credit laws, which was characterised by extensive consultations and concluded with the publication of a DTI White Paper, "**Fairer, Clear and Competitive – The Consumer Credit Market in the 21st Century**" in December 2003.
- 4.8.3 Otherwise known as the **Consumer Credit White Paper**, this sets out the Government's vision to create an efficient, fair and free consumer credit market where consumers are empowered to make fully informed decisions and lenders are able to compete on a fair basis.
- 4.8.4 This Paper aims to:
- **Establish a transparent market** to enable consumers to make better informed decisions. This includes changing advertising regulations to make credit advertisements clearer, providing customers with clearer information before and after agreements are signed, raising awareness of early settlement charges and changing the law to prevent consumers from being penalised if they wish to repay early.
 - **Create a Fairer Framework** which will also stamp out irresponsible and unfair lending practices. This includes strengthening the credit licensing regime to target rogue practices and provide enforcers with adequate powers, and changing the law to end unfair selling practices (replacing the limited "extortionate" test with a wider "unfairness" test).
 - **Minimise Over-indebtedness** and improve financial inclusion by ensuring low-income consumers have access to affordable credit. This section includes the enforcement scheme to tackle illegal moneylenders – the Loan Shark Project [See Section 6.2]
- 4.8.5 **The Consumer Credit (Amendment) Bill** is currently progressing through Parliament and is expected to become law by the end of 2006.
- 4.8.6 The aims of the Bill, which seeks to reform (not replace) the CCA are:



Problem Debt

- **To enhance consumer rights and redress** by replacing the current “extortionate credit” test with a new broader “unfair relationships” test, based on unfairness to the consumer. The Bill will also introduce an **Alternative Dispute Resolution Service (ADR)** to enable borrowers to launch fast-track complaints against lenders. The ADR will come into force in April 2006 under the remit of the Financial Ombudsman Service. This will protect consumers from extortionate high cost loan and credit card deals and allow people to make a speedy complaint if a loan product has been mis-sold.
- **To strengthen the regulation of consumer credit business** by creating a more targeted credit licensing regime and equipping the Office of Fair Trading (OFT) with new powers to take action against rogue lenders, including financial penalties. The OFT will have powers to make more rigorous checks on people who apply for a consumer credit licence. They will have greater powers to take action against rogue companies and impose financial penalties and will have powers to fine banks and credit card companies up to £50,000.
- **To extend regulation to all types of consumer credit and hire agreements** by abolishing the financial limit (subject to limited exemptions) that currently restricts protection under the CCA to loans of £25,000 or less, to reflect the greater sums that people are borrowing.
- **To provide debtors with new post-contractual information.**

4.8.7 Following on from the White Paper of 2003, *Tackling Over-Indebtedness – Action Plan 2004* was produced which fulfils the commitment in the White Paper to draw up a strategy on over-indebtedness. As part of this strategy, two pilot schemes, sometimes referred to as “**The Loan Shark Projects**” were established in Birmingham and Glasgow. The pilot scheme in Birmingham has the aim of strengthening Birmingham’s Trading Standards powers to bring more prosecutions of illegal money lenders and providing support structures for their victims. A letter was sent to the Minister for Employment Relations and Consumer Affairs, Gerry Sutcliffe MP, about the Consumer Credit Bill and the reply received from the Minister expresses his appreciation for the work done by Birmingham Trading Standards on the Loan Shark Pilot Project. The letter is attached at Appendix 4. The Birmingham Loan Shark Project is described in more detail in Section 6.2.



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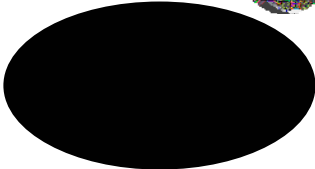


Problem Debt

- 5.2.6 The opportunity for Ladywood Credit Union to become self sustaining and to bring new services to more communities has also lead to the merger of inner city credit unions thereby creating "Circul-8", the Birmingham Inner Circle Community Credit Union as a community banking model for inner Birmingham [see 5.4.2 below].
- 5.2.7 **Birmingham Credit Union Development Agency (BCUDA)** was established in 1987 following an identified need for support by local credit unions. Research undertaken by the Economic Development Department indicated that many people living in



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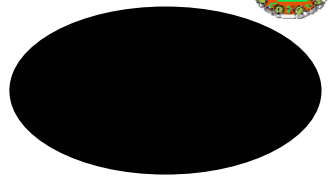
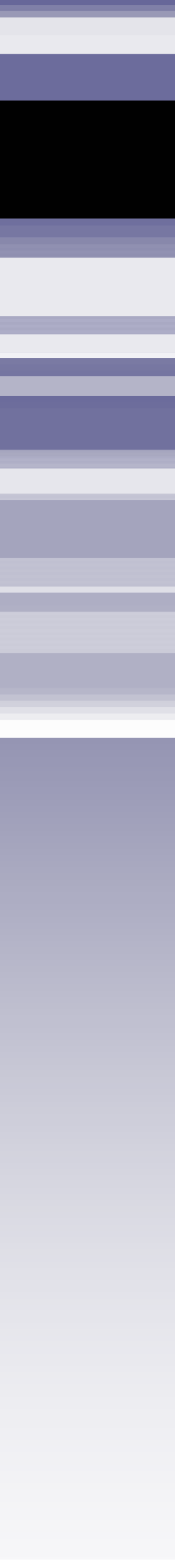
- 5.3.6 **Means Tested Benefits and the Use of Bailiffs** - The Council policy in relation to the use of bailiffs, which was introduced in January 2005, whereby bailiffs are used to recover Council Tax arrears even where the debtor is in receipt of means tested benefit i.e. either Job Seekers Allowance or Income Support, was discussed. The evidence presented by debt advice agencies about the use of bailiffs referred to problems caused by the use of bailiffs for some debtors and conflicted with the evidence presented by Revenues [See Section 6.5.23]. It was suggested that the possibility of using attachment of earnings or direct deductions from benefits or regular payments made through debt advice agencies could be preferable for many debtors. The Committee stressed the importance of early intervention wherever possible when dealing with problem debt and were strongly of the opinion that every effort should be made to identify individuals and households where the sole income is derived from means tested benefits and that deduction from benefit should normally be used in dealing with these households. In many cases, this would obviate the necessity for the use of bailiffs, which should only be used as a last resort.
- 5.3.7 **Birmingham Settlement and Money Advice Services** is a voluntary organisation, providing free specialist and general face-to-face money advice and debt counselling services covering the whole of Birmingham and reaching all sectors of the community. The Community Money Advice Centre offers a weekly drop in surgery on debt advice and a full casework service is available to advise on prioritising debts, representing clients in court and resolving benefit problems. Expert advice is also given over the 'phone via the National Debtline (which is funded by one of the major high street banks). The National Money Advice Training Unit trains staff from both private and public agencies with the aim of increasing the quality and accessibility of money advice services.
- 5.3.8 During the 1980s they developed the key principles for debt counselling and through their National Money Advice Training Unit have passed these on to advisors in public and private sector agencies, with the Settlement model being adopted as the "industry standard". They provide a vital service for people struggling with unmanageable debt for whom self help is not appropriate, for example people with poor numeracy and literacy skills, people who do not speak or write English and people with mental health problems or learning difficulties.
- 5.3.9 There are numerous other voluntary and community organisations throughout Birmingham providing debt advice and education to local people – some to specific black and ethnic minority communities. These include the Asian Resource Centre, the Women's Advice and Information Centre and the Afro-Caribbean Resource Centre.





5.5 Other Key Organisations

- 5.5.1 Other key elements in this sector include **Community Development Finance Institutions** (CDFIs) which also provide lending and investment facilities at competitive rates in disadvantaged communities. The first tranche in the UK are referred to as Community Reinvestment Trusts and the majority of activity is focused on small business loans, including social enterprises, but personal loans are also available.
- 5.5.2 Finally, there is a range of other organisations within this sector that can also contribute to promoting financial capability, advice





Problem Debt

- 6.2.2 **The Birmingham Illegal Money Lending Team** (IMLT - also sometimes referred to as **the Loan Shark Project**), is a two-year pilot supported through the DTI aimed at strengthening the ability of Birmingham's Trading Standards to bring more prosecutions of illegal moneylenders and provide support structures for their victims, has been previously referred to [See Section 4.8.7].
- 6.2.3 **Background** - The IMLT was established in September 2004 and it is one of only two in Great Britain, the other pilot area being Glasgow.
- 6.2.4 The remit of the team is to investigate illegal money lending activity and establish if a problem exists and, if so, bring justice to those persons carrying out this activity.
- 6.2.5 The pilot scheme is based in Birmingham but covers a geographical area of 14 local authorities including the West Midlands, Warwickshire, Shropshire, Herefordshire, Worcestershire, Stoke, Staffordshire and Telford.
- 6.2.6 **Loan Sharks** are people who lend money and charge extortionate rates of interest. They are not licensed as they should be, and sometimes use threats of violence to intimidate those who cannot make repayments on time. They prey on vulnerable people, single parents, people with addictions and people who cannot, or do not think they can get credit elsewhere.
- 6.2.7 The team works with other bodies such as the Police, voluntary agencies and debt advice agencies to provide support to those who need it. The team also investigates and prosecutes Loan Sharks.
- 6.2.8 **Aims** - The project aims to strengthen Birmingham's Trading Standards powers to bring more prosecutions of illegal money lenders and to provide support structures for their victims.
- 6.2.9 **Work to Date**
- 62 targets have been identified since the pilot was launched.
 - 9 defendants have already been reported for illegal money lending and associated criminal offences.
 - 6 investigations are prioritised and are being progressed to ensure efficient use of resources available.
 - 20 warrants have been executed in relation to investigations, both on-going and concluded.
 - To date there has been 1 successful prosecution where the defendant was sentenced to 3 years 9 months, an injunction and a Proceeds of Crime hearing.



Problem Debt

- 6.2.10 **The Loan Shark Team** consists of 8 operational officers and 1 administrative support officer who are employed by Birmingham City Council but who cover the West Midlands Region as a whole. Officers have been carefully selected for their skills and backgrounds – they are trained in covert observation and surveillance and criminal investigative techniques. Each officer is authorised for the purposes of the Consumer Credit Act and other Trading Standards legislation which means that they have the same powers as the Police, with the exception of powers of arrest. Officers have the power to enter premises and seize and detain evidence without Police presence. However, Trading Standards Officers usually prefer to have a uniformed Police Officer present to avoid a breach of the peace. The team have built strong ties with the Police and other enforcement agencies and will also be working with the Housing Department with the aim of relocating victims to other areas. The IMLT will also utilise the full powers of the anti-social behaviour legislation.
- 6.2.11 **Success of the Project** – The IMLT has had a clear impact on



Problem Debt

- 6.3.3 **The Debt Advice Team** is part of the Community Advice and Information Service which is made up of a number of teams whose primary objective is to maximize income for residents through the identification of any unclaimed benefit and in addition to ensure a full advice and casework service is available for those experiencing problems with debt. The Debt Advice Team works in close partnership with Neighbourhood Offices, who are experts in dealing with emergency debt issues, and many referrals come through the Neighbourhood Office System, in addition to referrals from the Housing Department. Referrals are simple in that one call can be made to the dedicated helpline where trained advisors accept the referral and arrange for an appointment.
- 6.3.4 **The Role of the Debt Advice Team** - The Debt Advice Team is primarily financed by Central Government through Supporting People funding. Supporting People services are intended to provide housing related support to vulnerable people to ensure that they are able to maintain their own homes. A major reason for people to struggle with thei



Problem Debt

- 6.3.10 **The Housing Department Tenancy Support Team** provides support to new tenants in partnership with the Neighbourhood Advice and Information Service aimed at supporting new, vulnerable tenants, particularly those that would be at risk of losing their tenancies through problems with basic financial management.
- 6.3.11 **Payment Arrangements in Respect of Council Tax Arrears** - The Debt Advice Team noted that links with housing tenants in



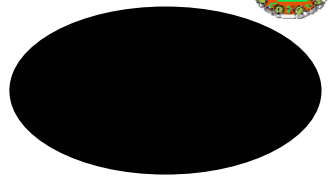
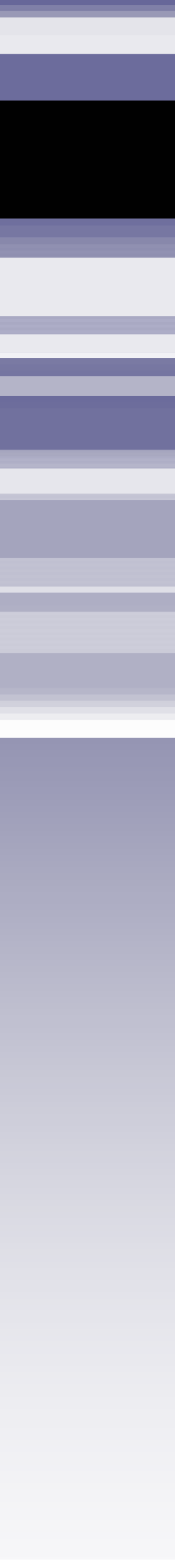
6.5 Effective Corporate Debt Recovery Strategies

- 6.5.1 **Council Tax Collection Policies** – Council tax is considered to be a “**priority debt**” for those with multiple debts, as the legislation provides for committal to prison in cases of wilful refusal or culpable neglect of payment. Evidence was presented to the Committee in relation to council tax collection policies and principles, which can be summarised as follows:
- That all relevant reliefs/exemptions/discounts are applied to the account before the bill is issued.
 - That all those who are likely to be eligible for council tax benefit are strongly encouraged to apply.
 - That the first expectation is that taxpayers will pay within the financial year.
 - That if the taxpayer is unable to do this, they provide details of their income and expenditure so that a reasonable payment arrangement can be agreed.
 - That if payment is not made voluntarily, the cheapest and most effective forms of collection are used. Attachment of earnings and deductions from income Support or Job Seekers Allowance are the cheapest and most effective collection powers.
 - That the bailiffs work to a Code of Conduct which is monitored.
 - Committal, Bankruptcy and Charging Orders are only possible if bailiff action has been taken first. These methods are used if there is no further alternative.
 - Debts are only written off if there is no further collection method available. Reasons for write off are limited to when a taxpayer is deceased, has absconded or there are very exceptional circumstances.
 - Staff are trained to deal with taxpayers as customers and are mindful of the city's anti-poverty strategy.
- 6.5.2 **Early Intervention** - The importance of early intervention and contact was again highlighted. Unfortunately all too often people ignore the reality of their situation, despite numerous notices issued by the city, and the fact was highlighted that many people only face up to the debt once a bailiff knocks at the door, by which time the debt has risen by the court costs and the bailiff's own charges. If debtors contact earlier, the debt is lower and a more affordable arrangement can be agreed.



Problem Debt

6.5.3 **Can't pay/Won't pay** - Differentiating between those who





Problem Debt

6.5.8 **The Local Housing Allowance (LHA)** is part of the Government's housing benefit reform agenda and was due to be implemented across the country from 2007 onwards. Approximately 17 Local Authorities are acting as pathfinders for the new scheme. The LHA currently only affects private sector tenants but plans had been drawn up to extend it to the social sector. Many Local Authorities, including Birmingham, have expressed reservations about proposals in the LHA and in particular, its feasibility beyond the private rented sector. The LHA would differ from the existing scheme in that payments of housing benefit will by and large revert to being paid direct to the claimant rather than, as happens in the majority of circumstances currently, direct to the landlord. In addition, rent levels will no longer be set in relation to the property being rented but will be based on an allowance relevant to the claimant's household size.

Further information on the future of the LHA has recently become available as part of the Government's Green Paper on Welfare Reform. It appears that the initial proposal to extend the scheme to the social sector has now been abandoned and further appraisal of the system is being undertaken before final decisions on roll out of the scheme are taken. This means that it is unlikely that this scheme will be introduced before 2008, if at all.

6.5.9 **Operation of Taper Reduction Rate** – The operation of taper relief determines the rate at which benefit is withdrawn. Like all means tested benefits, entitlement to housing benefit and council tax benefit involves an assessment of someone's "needs", (as expressed in allowances set by Government), against their resources. Where "needs" are greater than resources, maximum benefit is reduced on a sliding scale. For some means tested benefits, recent years has seen a reduction in the taper relief withdrawal rate. Under the Family Credit, for example the withdrawal rate was 70p in the pound; with the change to Working Families Tax Credit it was reduced to 55%; under the present day equivalent of working tax credit the taper has been further reduced to 37%. For housing benefit and council tax benefit the taper rates have remained at 65% and 20% respectively. In effect this means that people moving into work or off maximum benefit lose up to 85p in the pound in additional income.

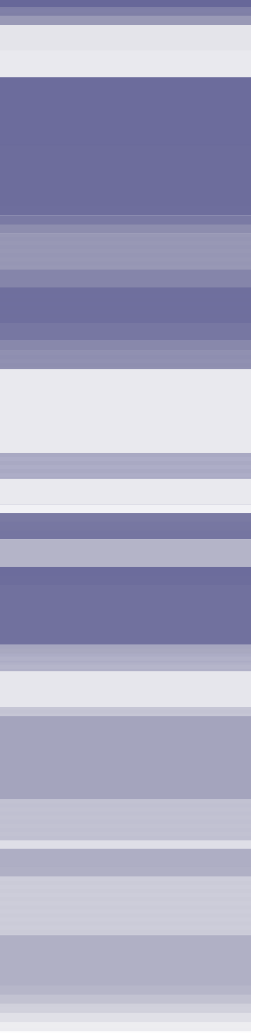
6.5.10 **Housing Prevention and Enforcement Strategy** – Housing gave evidence about the changes which have been implemented in their rent collection service as a result of the introduction of the "Prevention and Enforcement Strategy" which was introduced in 2003 in order to prevent new rent arrears from accruing and to manage existing debt effectively.



Problem Debt

- The majority of rent teams now have two sub-teams of “prevention” and “enforcement” to ensure that as much support and advice as possible is given to tenants experiencing financial difficulty and that should this help be ignored, the enforcement team can take swift recovery action through the county court.
- The Prevention and Enforcement Strategy is based on recognised Best Practice and provides sound debt management and customer care. Best Practice is regularly shared throughout the Rent Income Excellence Network, which is part of the Housing Quality Network, and Housemark.

6.5.11 **Prevention/Early intervention** - The aim is to make early contact with tenants who fall into arrears, to make effective payment arrangements and proa





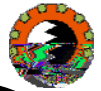
Problem Debt

- **Good practice** - From the figures, numerous examples of excellent practice can be seen on the first page, where the court order has been obtained when the arrears are in the region of £500 or less, and this is to be commended.
- **Lack of Debt Management** - However, the vast majority of the entries in the second half of the data show increasing balances from the date of the court order, which would raise questions about the management of these debts. Most of the balances are already over £1,000 before the court order is obtained, indeed some are over £3,000. These have then been allowed to increase further after the court order has been granted, with one being over £4,500. This would indicate problems for both the Council, in terms of recovery, and for the tenants in dealing with large amounts of rent arrears. Rather than make a recommendation on the need for greater consistency across all housing teams, it is hoped that one of the first tasks of the new Debt and Money Advice Partnership Forum, will be to address this important issue, because it remains the case that early intervention is the best way to tackle problem debt.

6.5.18 Effectiveness of Different Recovery Methods

- **The use of the Debt Advice Team** has contributed to the recovery of rent arrears. During the period from 1st April 2005 to 20th July 2005, 457 clients have signed up to the service with a rent debt and total repayment arrangements to the value of £27,500 per year have been made, in addition to the current rent being paid.
- **The Use of the Tenancy Support Officers** has also contributed to the recovery of rent arrears, but more importantly to the prevention of debt in the first instance. Since April 2003, 2,500 tenants have received tenancy support, with the current number receiving the service being 598. As many of these tenants will have been new tenants, the supporting role will include assisting in making relevant benefit applications and current rent payment arrangements which helps debt prevention.

- 6.5.19 **Increased Joined-up and Partnership Working** - It became clear in the course of the evidence presented of behalf of Revenues, the Benefit Service and Housing, that there are opportunities for a more co-ordinated approach to service provision and for a similar co-ordination of Council creditors.



Problem Debt

- 6.5.20 **Establishment of "Debt and Money Advice Partnership Forum"** - In order to facilitate this more co-ordinated approach, the possibility of establishing a local model of partnership working, which would both facilitate an increase in partnership working between different advice providers and also provide an opportunity for a more co-ordinated approach to . Tw T[(9146T195



Problem Debt

6.5.22



Problem Debt

Restrictions on the ability of the Revenues Services to collect and to share Council Tax data was particularly emphasised. These restrictions are confirmed by advice from the Information Commissioner (August 2004), who recognises that such restrictions run counter to encouragement given more generally to public bodies to make more effective use of information. The Commissioner advises Local Authorities "To make their representations for a change in the law to the Government through the usual channels". Recommendation 10 is intended to take this forward.

While recognising the legal restrictions, the Committee has also heard evidence that there is greater potential flexibility than is currently applied. Services are often too willing to assume that there are data protection restrictions rather than explore the real options for sharing data in the interests of customers. The Committee's legal advice has supported the view that data protection requirements should not stand in the way of information sharing which is in the customer's interest.

6.6 Financial Services

6.6.1 In terms of financial services the City Council needs to:

- Provide leadership in supporting local communities in the city's most deprived neighbourhoods, and other vulnerable groups, to avoid using inappropriate financial services, work out what services they do want and make arrangements with financial institutions and others to deliver these.
- Support and raise the number and profile of local credit unions.
- Be satisfied that, with regard to its own banking arrangements, its banking partners actively seek to meet the needs of people who are financially excluded.

6.6.2 **Birmingham Credit Union Development Agency** (BCUDA) was established in 1987 following an identified need for support



Problem Debt

6.6.4 **Community Development Credit Unions** – As a result of ongoing mergers and the development of five large common bond areas, everyone living or working in the city now potentially has access to a Community Development Credit Union (CDCU), providing affordable financial services and information and reducing dependence on predatory lenders. CDCUs represent a means of retaining money within neighbourhoods, which would otherwise be likely to flow out of the area in the form of high interest payments on loans to predatory lenders.

- **South East Birmingham Community Credit Union** is at the forefront of the Birmingham developments and was awarded the first CDCU funding nationally from the Adventure Capital Fund, Barclays Bank and the RBS NatWest. The development work in Birmingham has brought both Factor4 and the CDCU pilot services together as the first Birmingham Community Banking Partnership.

6.6.5 **Community Development Financial Institutions** - BCUDA plans to change its legal structure over the next few months which will enable it to provide additional services and enhance its ability to respond to problem debt. The aim of this restructuring is to establish a Community Development Financial Institution (CDFI) which will be capable of:

- Implementing micro-credit loan services which community



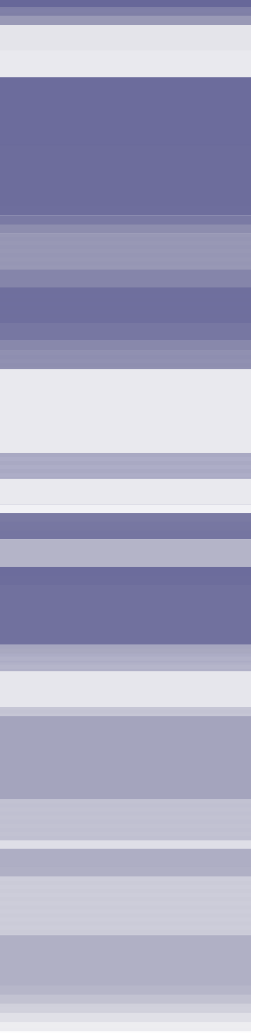
Problem Debt

- The **Debt Advice Team** is starting to provide talks to vulnerable groups and schools on financial literacy and is working on producing draft Financial Literacy Packs to give to clients.
- **Baskerville School** in Birmingham was cited as an example of good practice in working with parents.
- **Kings Heath Boys School** was also cited as demonstrating good practice on aspects of financial education relation to cultural diversity.

6.8 Recognising Good Practice

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Problem Debt

- **Birmingham Citizens Advice Bureau** similarly have numerous community links, links with government departments, in particular with the Department of Trade and Industry, the Department for Constitutional Affairs, Department of Health and Office of the Deputy Prime Minister and Council links with Local Services, Social Care and Health, Housing and Trading Standards.
- Reference was also made to CAB involvement with other Local Authorities, in pilot projects under the auspices of the ODPM, to facilitate access to information held by Local Authorities.
- **Trading Standards** operate in partnership with the Citizens Advice Bureau to identify criminal and civil breaches and forward them to Trading Standards.
- **Trading Standards** are also developing partnerships with City Bailiffs and many other Money Advice providers.

6.8.3 Preventative and Proactive work

- Individual casework liaison between Housing staff and nominated Benefit staff to sort out Housing Benefit queries prior to arrears action progressing.
- Self-help pack produced by the Debt Advice Team.
- Successful schemes within the Benefit Service and Community Initiatives, to improve Council Tax benefit take-up, including adoption of a less bureaucratic three-page benefit application form recommended by the Pension Service.



7 Conclusions and Recommendations

7.1 Addressing Over-indebtedness

- 7.1.1 **Over-indebtedness** - A small but significant minority of the population continues to be severely affected by problem debt. This can take the form of difficulty meeting credit commitments or inability to pay household bills. These problems, which we call over-indebtedness, are strongly associated with social exclusion and unforeseen events such as redundancy, relationship breakdown and ill health. Over-indebtedness has significant costs for individuals, creditors and society as a whole.
- 7.1.2 **Addressing over-indebtedness** – Effectively addressing over-indebtedness means looking at both prevention and cure. It became clear from early in the evidence gathering process that certain themes were emerging from the evidence presented, which can be classified as either preventative measures or measures aimed at alleviating the problem once it has arisen.

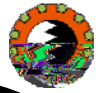
7.2 Prevention - Partnership Working

- 7.2.1 **Improved Partnership Working** - In spite of the fact that the evidence presented showed numerous examples of good partnership working practices, many of which have been highlighted in the course of the report, there remain opportunities for the City Council to take a more co-ordinated approach to service provision. Numerous references were made to the desirability of improving internal communications and sharing and pooling corporate information held by various departments within the Council. The possibility was raised that this might be addressed within the Council's current Business Transformation proposals.
- 7.2.2 Reference was also made by representatives from the voluntary and community sector to how better communications between them and the City Council and how increased access to information and information sharing, would improve their relationship with the City Council, to the ultimate benefit of the debtors involved.



Problem Debt

- 7.2.3 **Debt and Money Advice Partnership Forum** - The establishment of a Debt and Money Advice Partnership Forum which would meet on a regular basis, possibly quarterly, and in which the City Council would take a leading role, received widespread support, both internally and externally, from representatives from all sectors.
- 7.2.4 It is envisaged that the Forum could include, but not be limited to, representatives from Council departments such as Revenues, Housing, Regulatory Services, the Community Services Division of Local Services, Learning and Culture and Legal Services and representatives from external agencies such as the Citizens Advice Bureau, Birmingham Settlement, Prime Focus and Severn Trent Water, all of which have expressed a willingness to work with the Council on such an initiative.
- 7.2.5 The establishment of such a forum would serve a dual purpose in that it would:
- provide an opportunity to bring together the various agencies working in the area of problem debt, in order to facilitate information sharing and an increase in partnership working between different advice providers and
 - it would also provide an opportunity for a more co-ordinated approach to service provision across the Council.
- 7.2.6 **Role of the Forum** - There were specific examples of where the operation of such of a partnership group, along the lines of the one described above, and the consequent improvement in communication and shared vision and understanding which would be promoted, could potentially used to the benefit of the debtors involved.



Problem Debt

- **Formal Referral Mechanism** – There are many people who contact the council tax office who clearly require further help with their debts. Staff advise that help can be obtained from the Citizens Advice Bureau or other money advice agencies but a more co-ordinated and formal



Problem Debt



Problem Debt

- 7.3.5 In view of the fact that there was conflicting evidence and strongly conflicting views, the Committee felt that more time was required to assess the impact of the use of bailiffs. The two options considered were the status quo, allowing for bailiffs to be used at the discretion of the Revenues section, or a return to the previous policy where bailiffs were not used where the only source of income for the household was from means tested benefits. Progress towards the achievement of the recommendations will be reported to the reconvened Problem Debt Scrutiny Members Panel in December 2006, and the time can be used to collect more evidence and allow a fuller assessment of where the balance lies between these conflicting views. The Committee did feel that if the evidence was conclusive that the use of bailiffs was indiscriminate and not targeted appropriately, that the policy on the use of bailiffs in cases where the only household income was from means tested benefits, should be reconsidered. It is therefore in the interest of Revenues to ensure that the use of bailiffs is in accordance with the existing guidelines, otherwise the guidelines will need to be made mandatory.

	Recommendation	Responsibility	Completion Date
R5	That because of the importance of identifying all debtor households who are in receipt of means tested benefits, then in addition to exploring the possibility of utilizing the new Revenue and Benefits Integrated System, consideration be given to amending the current standard pre-bailiff letter to stress the importance of debtors informing the Council where they are in receipt of means tested benefit.	The Leader	October 2006
R6	That, deduction from benefits, and not bailiffs, should normally be used in dealing with households where it can be identified that household income is derived solely from means tested benefits.	The Leader	October 2006
R7	That the review of debt collection to be undertaken by Revenues in 2006/7 should include the Debt Advice Team and should also include appropriate consultation with other advice agencies.	The Leader	January 2007

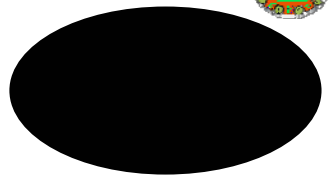
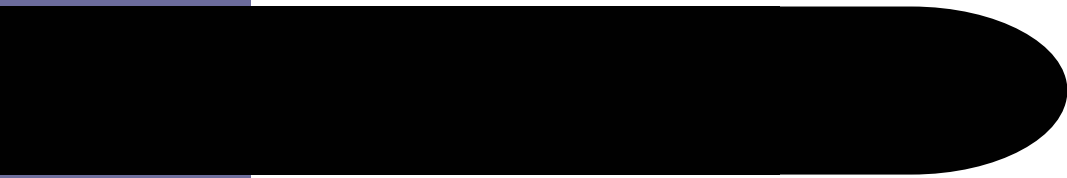
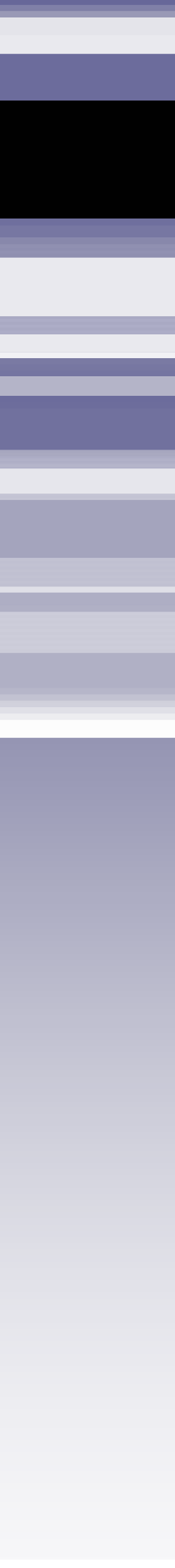


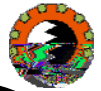
Problem Debt

7.4 Prevention – Benefit Maximisation

- 7.4.1 Certain structural issues in the way the housing benefit system operates, which impact on problem debt, became apparent in the course of the evidence presented by the Benefit Service.
- 7.4.2 **Rent Restriction for Younger People** – In common with some other means tested benefits, people under 25 receive a lower allowance than others and often end up with lower benefit, even where they are renting a similar property to someone aged over 25. For single people who are private tenants there is a further difficulty as their maximum rent is restricted by something called the “single room rent”. Individuals in this position have their housing benefit calculated on a rent, which would apply to someone renting a single room and sharing all other facilities even where their standard of accommodation is better than this criteria. The Committee were of the view that this anomaly in relation to the way housing benefit is calculated for people under 25 needs to be addressed as it has the effect of pushing young people into debt.
- 7.4.3 **Review of Benefits to Reflect the Rising Cost of Utilities** – In the light of the fact that the cost of utilities is rising considerably above the general level of inflation, the Committee considered that a review of the general level of benefits to reflect this would appear to be timely.

	Recommendation	Responsibility	Completion Date
R8	That the Government be lobbied to review housing benefit entitlement for younger people aged under 25 and in particular to abolish the single room rent for private sector tenants and to increase personal allowances to the levels		





Problem Debt

- 7.6.2 **Nationally Recognised Approved Training Scheme** – Although training schemes exist at the moment there is no standardisation and no recognised qualification for advice workers. A Government initiative to create a nationally
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Problem Debt

- 7.7.4 The cases dealt with so far have shown a direct link with anti-social behaviour and crime, with moneylenders resorting to intimidation and violence in order to secure payment. There is also anecdotal evidence which suggests that illegal moneylenders have an impact on the wider community in which they operate, with victims resorting to petty crime to enable them to meet payments. Reducing the activities of illegal moneylenders or removing them altogether may therefore help to reduce levels of other criminal activity within a community.
- 7.7.5 The IMLT also helps victims of illegal moneylenders with practical help and support through and in conjunction with the services of the Debt Advice Team and the National Debtline.
- 7.7.6 Links have been established with Credit Unions and their associations and where practicable these agencies are also called on to provide help and advice. Indeed, in Birmingham there is evidence that some victims of illegal moneylenders are now saving with credit unions as a result of actions taken against the moneylender concerned.
- 7.7.7 The findings to date indicate a significant need to continue and extend this activity. The DTI have submitted a bid to extend the pilot project in the Midlands and it is anticipated that the outcome of the DTI's application for further funding will be known by the end of this financial year.
- 7.7.8 Illegal moneylenders invariably target low-income households and the most vulnerable members of society. This can mean that their activities have disproportionate implications for the more deprived areas of the city. There is clearly a need for the service.

	Recommendation	Responsibility	Completion Date
R13	That the Government be lobbied to ensure that the funding for the Birmingham Illegal Money Lending Team, currently provided by the Department for Trade and Industry, be continued and that consideration should be given to extending their remit to tackling malpractice among licensed moneylenders.	The Leader	October 2006





Problem Debt

2.4 External Organisations Expected to Contribute

Contact / Organisation	Objective	Contribution Expected
Sue Wigley, Regional Director Midlands, Citizens Advice	1,2,3,4	Evidence/Discussion on scale of problem and explore possible solutions.
Community Banking Partnership	1,2,3	Evidence/Discussion on availability/funding of debt advice services.

Birmingham Settlement



Appendix 2 Student Debt

CR/RK/DG

LETTER TO VICE CHANCELLORS

25 November 2005

Dear

I am writing to you as Chairman of the Problem Debt Task and Finish Committee, established by the Overview and Scrutiny Co-ordinating Committee of Birmingham City Council earlier this year. I am leading a Scrutiny Review that is looking at the key factors contributing to the growth of problem debt and what role each sector could have in minimizing the problem. The review will seek to evaluate the scale of the problem within the City and explore the creation of lasting partnerships to ensure responsible lending and assist people with money problems to resolve them in a sustainable fashion.

The Committee has already met several times to examine key issues around problem debt. One of our first meetings focused on internal Birmingham City Council policy and procedures and the impact they have on problem debt and various measures that could be introduced to minimize the problem. The committee has also heard evidence from government agencies, from the voluntary and community sector and from the financial, utilities and social housing sectors.

One of the areas which has emerged from previous evidence gathering



Problem Debt

If you would like to discuss this any further please do not hesitate to contact either myself or Rose Kiely, Scrutiny Manager on 0121 303 1730.

I look forward to hearing from you



Problem Debt

CR/RK/DG

LETTER TO GUILD OF STUDENTS

25 November 2005

Dear

I am writing to you as Chairman of the Problem Debt Task and Finish Committee, established by the Overview and Scrutiny Co-ordinating Committee of Birmingham City Council earlier this year. I am leading a Scrutiny Review that is looking at the key factors contributing to the growth of problem debt and what role each sector could have in minimizing the problem. The review will seek to evaluate the scale of the problem within the City and explore the creation of lasting partnerships to ensure responsible lending and assist people with money problems to resolve them in a sustainable fashion.

The Committee has already met several times to examine key issues ilio -0. ,]TJ-



Problem Debt

For your information, I have enclosed a leaflet entitled "What is Scrutiny" which gives some background about Scrutiny and the work that it does which you may find helpful.

If you would like to discuss this any further please do not hesitate to contact either myself or Rose Kiely, Scrutiny manager on 0121 303 1730.

I look forward to hearing from you

Yours sincerely,

**COUNCILLOR CARL RICE
CHAIR – PROBLEM DEBT TASK & FINISH OVERVIEW & SCRUTINY
COMMITTEE**

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Problem Debt



Problem Debt

LETTER FROM VICE-CHANCELLOR, UNIVERSITY OF CENTRAL ENGLAND IN BIRMINGHAM: DR PETER KNIGHT

PC K/SJH

December 19, 2005

Councillor Carl Rice,
Problem Debt Task and Finish Committee
Birmingham City Council
Council House
Birmingham 1

Dear Carl

I am replying to your letter of 25





Problem Debt

Most students will continue to struggle through university with the burden of a large debt and I think it is vital that expert advice and support is accessible to them while studying and when they have graduated. I can only see the demand for services such as National Debtline and Citizens Advice increasing in the near future. The Students' Union will continue to provide support to our members and would like to do more such as employing a specialist money advisor if we had the resources.

Yours sincerely

Liam King
Advice & Representation Manager

UCE Birmingham Students Union The Union Building Franchise Street
Birmingham B42 25Z



Appendix 3 Housing Data

DISTRICT	ACC	COURT NO	BAL @ DECISION COURT	LAST DATE	BALLAST BAL
NORTHFIELD CBHO14236 Balance		21/02/2005	£2,776.94 2011/2005	-	Last Account
NORTHFIELD CBHO Balance	875	02/02/2005	£2,356.16 20/11/2005	£5.21	Last Account
SPARKBROOKDISTRICT10025412 Balance		31/08/2005	£1,660.80 20/11/2005	-	LastAccount
NORTHFIELD CBHO Balance	40807	02/02/2005	£2,819.38 20/11/2005	£692.28	Last Account
NORTHFIELD CBHO Balance	20389	05/04/2005	£1,920.59 20/11/2005	-C5.00	Last Account
NORTHFIELD CBHO Balance	16328	05/04/2005	£1,628.94 20/11/2005	£371.01	LastAccount
NORTHFIELD CBHO Balance	23418	31/08/2005	£2,005.70 20/11/2005	£901.08	Last Account
SPARKBROOK DISTRICT67706 Balance		30/03/2005	£1,231.47 20/11/2005	£333.80	Last Account
SPARKBROOK DISTRICT 124508 Balance		19/01/2005	£890.51 20/11/2005	£0.00	Last Account
SPARKBROOK DISTRICT95024 Balance		25/07/2005	£1,161.88 20/11/2005	£280.13	Last Account
NORTHFIELD CBHO Balance	68491	07/02/2005	£1,471.72 20/11/2005	£667.56	Last Account
SPARKBROOK DISTRICT89291 Balance		26/08/2005	£800.31 20/11/2005	£36.71	Last Account
SPARKBROOK DISTRICT22007 Balance		03/05/2005	£1,028.00 20/11/2005	£419.05	Last Account
NORTHFIELD CBHO Balance	128349	06/06/2005	£2,277.79 20/11/2005	£1,708.88	Last Account
NORTHFIELD CBHO Balance	131904	06/06/2005	£2,704.52 20/11/2005	£2,277.10	LastAccount
SPARKBROOK DISTRICT83980 Balance		07/02/2005	£433.46 20/11/2005	£18.36	Last Account
NORTHFIELD CBHO Balance	45044	19/09/2005	£1,974.31 20/11/2005	£1,596.19	LastAccount
SPARKBROOK DISTRICT 81772 Balance		16/05/2005	£1,318.63 20/11/2005	£961.63	Last Account
SPARKBROOK DISTRICT100210 Balance		02/09/2005	£917.36 20/11/2005	£611.74	Last Account
NORTHFIELD CBHO Balance	72071	19/10/2005	£1,272.50 20/11/2005	£976.50	Last Account
SPARKBROOK DISTRICT93135 Balance		04/07/2005	£1,191.89 20/11/2005	£907.64	Last Account
SPARKBROOK DISTRICT1756 Balance		14/03/2005	£433.16 20/11/2005	£160.85	Last Account
NORTHFIELD CBHO Balance	710	05/04/2005	£610.77 20/11/2005	£351.73	Last Account
SPARKBROOK DISTRICT13400 Balance		07/02/2005	£794.62 20/11/2005	£536.82	Last Account
SPARKBROOK DISTRICT84659 Balance		19/01/2005	£463.35 20/11/2005	£240.63	Last Account
NORTHFIELD CBHO Balance	27480	04/05/2005	£1,589.19 20/11/2005	£1,378.44	LastAccount
SPARKBROOK DISTRICT68577 Balance		20/04/2005	£1,088.30 20/11/2005	£886.70	Last Account
NORTHFIELD CBHO	76689	05/04/2005	£2,431.15 20/11/2005	£2,242.90	Last Account



Problem Debt

Balance						
DISTRICT	ACC	COURT NO	BAL @ DECISION COURT	LAST DATE	BAL LAST BAL	
NORTHFIELD CBHO Balance	136005	02/02/2005	£1,401.84 20/11/2005	£1,219.56	Last Account	
SPARKBROOK DISTRICT57051 Balance		25/07/2005	£1,391.28 20/11/2005	£1,248.38	Last Account	
SPARKBROOK DISTRICT48563 Balance		07/10/2005	£1,361.85 20/11/2005	£1,225.39	Last Account	
NORTHFIELD CBHO Balance	63251	06/06/2005	£859.98 20/11/2005	£734.28	Last Account	
SPARKBROOK DISTRICT85036 Balance		25/07/2005	£2,810.74 20/11/2005	£2,695.93	Last Account	
SPARKBROOK DISTRICT117577 Balance		16/05/2005	£658.02 20/11/2005	£577.32	Last Account	
SPARKBROOK DISTRICT108067 Balance		21/10/2005	£495.30 20/11/2005	£420.21	Last Account	
NORTHFIELD CBHU Balance	111784	21/02/2005	£2,058.15 20/11/2005	£1,986.15	Last Account	
SPARKBROOK DISTRICT99072 Balance		06/06/2005	£436.89 20/11/2005	£367.03	Last Account	
NORTHFIELD CBHO Balance	133822	02/02/2005	£4,592.88 20/11/2005	£4,526.68	Last Account	
NORTHFIELD CBHO Balance	40804	04/05/2005	£2,106.46 20/11/2005	£2,042.63	Last Account	
SPARKBROOK DISTRICT8096 Balance		18/01/2005	£246.02 20/11/2005	£185.40	Last Account	
NORTHFIELD CBHO Balance	20399	25/07/2005	£1,276.69 20/11/2005	£1,218.76	Last Account	
NORTHFIELD CBHO Balance	133483	19/09/2005	£2,985.00 20/11/2005	£2,939.30	Last Account	
NORTHFIELD CBHO Balance	93164	25/07/2005	£635.08 20/11/2005	£591.31	Last Account	
SPARKBROOK DISTRICT4390 Balance		02/09/2005	£514.00 20/11/2005	£471.42	Last Account	
SPARKBROOK DISTRICT126995 Balance		21/10/2005	£417.52 20/11/2005	£394.08	Last Account	
NORTHFIELD CBHO Balance	58220	05/09/2005	£1,390.12 20/11/2005	£1,367.20	Last Account	
NORTHFIELD CBHO Balance	50924	19/10/2005	£2,313.09 20/11/2005	£2,292.89	Last Account	
NORTHFIELD CBHO Balance	130275	19/10/2005	£1,188.21 20/11/2005	£1,176.81	Last Account	
SPARKBROOK DISTRICT99024 Balance		24/08/2005	£1,104.47 20/11/2005	£1,096.89	Last Account	
SPARKBROOK DISTRICT49137 Balance		19/01/2005	£545.70 20/11/2005	£539.10	Last Account	
SPARKBROOK DISTRICT 21891 Balance		30/09/2005	£873.61 20/11/2005	£873.61	Last Account	
SPARKBROOK DISTRICT 33283 Balance		14/11/2005	£1,066.77 20/11/2005	£1,066.77	Last Account	
SPARKBROOK DISTRICT 48622 Balance		22/11/2005	£819.44 20/11/2005	£819.44	Last Account	
SPARKBROOK DISTRICT 65468 Balance		22/11/2005	£1,746.64 20/11/2005	£1,746.64	Last Account	
SPARKBROOK DISTRICT 99103 Balance		14/11/2005	£891.92 20/11/2005	£891.92	Last Account	
SPARKBROOK DISTRICT 112859 Balance		22/11/2005	£916.80 20/11/2005	£916.80	Last Account	
SPARKBROOK DISTRICT 4421 Balance		28/07/2005	£1,453.44 20/11/2005	£1,457.48	Last Account	



Problem Debt

SPARKBROOK DISTRICT 57281 Balance	16/05/2005	£475.72 20/11/2005	£494.39 Last Account		
DISTRICT	ACC	COURT NO	BAL @ DECISION COURT	LAST BAL DATE	LAST BAL
NORTHFIELD CBHO Balance	106117	19/10/2005	£1,454.56 20/11/2005	£1,487.31 Last Account	
NORTHFIELD CBHO Balance	106270	06/06/2005	£1,006.67 20/11/2005	£1,042.20 Last Account	
SPARKBROOK DISTRICT 115810 Balance		14/11/2005	£978.46 20/11/2005	£1,032.80 Last Account	
NORTI-IFIELD CBHO Balance	27565	19/10/2005	£2,218.55 20/11/2005	£2,274.10 Last Account	
NORTI-IFIELD CBI-IO Balance	106738	19/10/2005	£2,033.34 20/11/2005	£2,111.19 Last Account	
SPARKBROOK DISTRICT 4435 Balance		21/10/2005	£993.51 20/11/2005	£1,077.31 Last Account	
NORTHFIELD CBHO Eviction	31824	05/04/2005	£1,258.31 26/09/2005	£1,384.27 Balance at	
NORTHFIELD CBHO Balance	120906	25/07/2005	£1,536.40 20/11/2005	£1,670.83 Last Account	
SPARKBROOK DISTRICT 101589 Balance		25/08/2005	£1,288.78 20/11/2005	£1,470.76 Last Account	
SPARKBROOK DISTRICT 38463 Balance		02/09/2005	£419.00 20/11/2005	£601.06 Last Account	
SPARKBROOK DISTRICT 99040		04/11/2005	£1,917.59 2005		



Problem Debt

Balance					
NORTI-IFIELDCBHO	62761	05/04/2005	£3,103.01	20/11/2005	£3,938.35 LastAccount
Balance					



Appendix 4 Letter from Minister

dti

Gerry Sutcliffe MP
MINISTER FOR EMPLOYMENT
RELATIONS AND CONSUMER
AFFAIRS

14 February 2006

Councillor Carl Rice
Chairman
Task and Finish Overview and Scrutiny Committee on
Problem Debt
Birmingham City Council
The Council House
Victoria Square
Birmingham
B1 1BB

Your ref: JK/ADM/066ACZa

Thank you for your letter of 13 January regarding the Consumer Credit Bill.

The Government is keen to tackle debt issues by a variety of routes and the Consumer Credit Bill is only one way in which we are working to address these issues. The Government's over-indebtedness strategy outlines cross-government initiatives to work with other departments, local government, business and consumers to address the problems of personal debt and multiple credit commitments. Birmingham Trading Standards is, of course, involved in the loan sharks pilot and we appreciate all the work done by the Birmingham team to meet the objectives of the pilot. You raised two specific issues about the Bill that are of concern to you.

Automatic unenforceability - s.127 Consumer Credit Act

1974

Dear Councillor Rice,

Department of Trade and Industry LG52
1 Victoria Street, London, SW1 H OET

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5329

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Informed consumers are better able to make choices and to address developing issues. The Government is also working to improve the provision of debt advice for consumers, through its face-to-face debt advice funding. The financial inclusion programme, which HM Treasury leads on, will also assist in providing consumers, particularly the most vulnerable, with affordable alternatives to existing credit sources.

Lenders will also be subject to a more robust licensing and enforcement regime, which will serve to better regulate lenders and to drive out rogues, and trading standards will also play a role in this.

Trading Standards powers

The Bill will allow OFT and Trading Standards to work together more effectively in relation to the enforcement of consumer credit laws. However, the issue of Trading Standards powers and consumer representative actions is something that is being considered by DTI in a wider context as part of the Consumer Strategy which can be found at

<http://www.dti.gov.uk/ccp/topics/consumerstrategy.htm> see Chapter 7.

This will be one of several issues that we propose to consult on in 2006.

The Bill has nearly completed its passage through Parliament, and the Government believes that it best represents a balance between the interests of consumers and the regulation of lenders. I welcome your support of it in general terms and hope