

TRANSCRIPT OF ORAL EVIDENCE

MINUTES OF EVIDENCE

TAKEN BEFORE

THE FINANCIAL INCLUSION COMMISSION

THE LIGHTHOUSE, 11 MITCHELL LANE, GLASGOW, G1 3NU

FRIDAY 16 JANUARY 2015

MS ROSEMARY WINTER-SCOTT, MR ALEX REID, and MS ERIN MCCREADIE

Oral Evidence

Taken before the Financial Inclusion Commission

on Friday 16 January 2015

Members present

Sir Sherard Cowper-Coles, in the Chair
Mr Chris Pond
Mr Laurie Edmans
Dame Mary Marsh
Professor Sharon Collard

Witnesses: **Ms Rosemary Winter-Scott**, Accountant in Bankruptcy, Head of Operational Policy and Compliance, **Mr Alex Reid** and **Ms Erin McCreadie**.

There followed presentations by 5 x Young Scot Modern Apprentices (aged 18 – 22) and 3 x Young-Scot Staff.

Unfortunately, the acoustics were such that the Shorthand Writers were unable to make a note sufficient to produce even a reasonable transcript.

There then followed an informal discussion in two groups, and again the contrasting sounds emanating from both closely placed tables made it impossible to produce a reasonable transcript.

Chairman: Well thank you, all three of you, for coming, especially you Erin, it has added interest and this is our last oral evidence session in Scotland and almost the last of the work of the Commission. You have probably been briefed on the Commission; it was Chris

Pond's idea to have a sort of stock take on the state of financial inclusion in the UK in the run-up to the election and we are aiming to publish a very short, crisp, series of recommendations to all the main political parties, probably in early March, covering all the different aspects of financial inclusion and of course bankruptcy, severe debt and the way in which this is handled in Scotland is of great interest to us so what I will do is I will just get my fellow Commissioners to each introduce themselves and we would like you to talk to us and we have got about an hour and we will have questions and focus really on things from your experience of how the system works in Scotland, you think might help be lessons for the wider United Kingdom. Just in starting, I assume you all support the idea of the Commission which is that financial inclusion in the UK is unfinished business, there is more to be done. I should have mentioned we are picking up from the Brown Pomeroy task force which was wound up in 2011 and the coalition government hasn't done much in a coordinated way in the space of the last four years so that is what we are about.

I am not a banker or a financial expert but I have spent the last eighteen months working for the HSBC Group on what we say about financial inclusion to the regulators and those who regulate the regulators as we de-risk around the world and often accusations of financial exclusion exiting countries like Pakistan, exiting trade finance, exiting customer segments and then inside the bank we are looking at ways in which are sustainable which means money making but not in a vast profit making way, we can change our posture and our products so we can address some of these problems, particularly in emerging markets and it won't surprise you to know that involves the use of digital, mobile technology. On my right is Laurie Edmans.

Laurie Edmans: I am also a Director of Money Advice Service.

Dame Mary Marsh: I am Mary Marsh. As I think you have heard already from my colleague, I am involved in charities across the UK, including Scotland and I am also, I have non-exec roles including the subsidiary Board of HSBC In Europe and other ones with the Cabinet Office and a background in education.

Professor Sharon Collard: I am Sharon Collard, I am based at the Open University Business School in the Centre for the Public Understanding of Finance and before I was there I was at Bristol University for fifteen years and I have got a back ground in research in financial inclusion.

Chris Pond: Chris Pond and my day job is with a thing called KREAB Gavin Anderson which is a communications agency and I also Chair a thing called Money Charity which was an interest developed when I was at the Financial Services Authority running the financial capability programmes there. Rosemary and I were trying to work out where we had met before. It might well have been the DWP, it might have been before that when I was at the (inaudible) but anyway, I am delighted you are here.

Ms Winter-Scott: Thank you very much indeed. I am Rosemary Winter-Scott and since the 1st of October 2009 I have been the Accountant in Bankruptcy and Agency Chief Executive.

I have brought with me two colleagues, Alex Reid and Erin McCreadie. I am also Chair of the International Association of Insolvency Regulators so I do have a little bit of an understanding of the international context as well as the UK. The Accountant in Bankruptcy (AiB) is Scotland's Insolvency Service and is an Executive Agency of the Scottish Government under the terms of the Scotland Act 1998. My Agency operates independently and impartially whilst remaining directly accountable to Scottish Ministers. As the Accountant in Bankruptcy I am an independent Statutory Officer and an officer of the court appointed under section 1 of the Bankruptcy (Scotland) Act 1985, as amended.

Our vision, in AiB is of a 'Financial Health Service' providing access to debt advice, debt management and debt relief, building the financial capability of individuals, and preventing future debt problems.

Our mission is to: ensure access to fair and just processes of debt relief and debt management for the people of Scotland, which takes account of the rights and interests of those involved.

We achieve our mission through a number of functions which include: Supporting Ministers to develop and refine policy across a wide range of areas related to the concept of a Financial Health Service including debt advice, diligence, personal insolvency and a range of statutory products of debt management and debt relief. Supervising the operation of the bankruptcy process, and delivering, with stakeholders, a range of options for individuals seeking debt relief and debt management. So our job is bigger than our name.

During the period of time I have been in office, Scotland and the UK has seen an economic crisis, the impact of which has affected many households and individuals. The banking crisis and the impact of available credit has resulted in significantly more people facing financial crisis – as evidenced in reports by the advice sector such as Step Change Debt Charity and Citizens Advice Scotland, and I am sure you will have seen that.

We saw a significant rise in the number of personal insolvencies in Scotland in 2008/09 but since 2009/10 we have seen a steady decline in the numbers of personal insolvencies – we have seen a 40% decline over that period and that trend is continuing with a further decline in the current financial year. And what we are seeing in Scotland is mirrored around the world. For the same period, South Africa saw a 61% decline, New Zealand, 47%, United States 36%, Australia 32, England and Wales 25 and Canada 21.

However, here in Scotland, we have seen substantial growth in DAS which is a Debt Arrangement Scheme which is a statutory debt management product which provides people with an opportunity to pay back their debt through a structured payment programme which provides protection against diligence from creditors and freezes interest and charges. In the six year period from 1007/08 to 2012/13 we have seen more than a ten-fold increase in that product.

Q. Chairman: That is from when?

Ms Winter-Scott: From 2007/08 to 2012/13 we saw a ten-fold increase in Debt Arrangement Scheme. Volumes in the last couple of years have remained fairly steady but it now accounts

for about one third of the total of our portfolio and we are consistently seeing over one thousand of them each quarter. DAS, as I say, now accounts for 30% of our activity and we have some evidence that suggests that as a result of the increased awareness of this product we have actively marketed it in Scotland, individuals are choosing to access DAS earlier enabling them to rearrange their finances and avoid insolvency.

We recognise that small businesses may be disproportionately impacted by personal insolvencies in Scotland and that they may struggle to continue to thrive in the future without the right support. This has been addressed by the Scottish Government through the introduction of Business DAS, which extends the scheme to Trusts, unincorporated bodies, partnerships, limited partnerships and corporate bodies excluding companies registered under the Companies Act 2006. Under Business DAS, debts must be repaid within 5 years and two or more debts must be included in the Debt Payment Programme.

One of the most significant changes we have introduced in Scotland is the concept of Scotland's Financial Health Service which aims to ensure fair and just processes for debt advice, debt management and debt relief. The service supports the principle that those debtors who can pay should pay their debts whilst acknowledging the wide range of circumstances and events that contribute towards bankruptcy for individuals and businesses. The service also contributes to securing the best return for creditors – ensuring that the rights and needs of those in debt are balanced with the needs of creditors and businesses.

Scotland's Financial Health Service is supported by a website which acts as a hub of information and advice, bringing together different strands including debt advice, employability and access to ethical and affordable lending. It allows individuals to access the service at various stages, depending on their individual circumstances with the intention of addressing particular issues, whether it be rent or mortgage arrears, homelessness or seeking ethical and affordable credit before debt issues become unsustainable, preventing the need for formal debt management or debt relief.

The website promotes the use of credit unions in order to drive the public towards a more informed approach to smarter money management and allows users of the site to search for their local credit union and find out about their products.

The Scottish Financial Health Service website also hosts the Financial Capability module. Respondents to AiB's Bankruptcy Law Reform consultation in 2012 were largely in favour of financial education being an integral part of any Scottish statutory debt relief option. However, they did not consider this should be mandatory in all cases, but optional based on specific criteria.

Hence, financial education is a key part of the financial health service. We are working in partnership with Money Advice Scotland and the Money Advice Service to develop the financial education module to help individuals develop their financial capability skills and maximise their income. It will be available both as an e-learning module and hard copy, and will be hosted on the Money Advice Scotland portal and on AiB's Financial Health Service

website for wider public use. So though it will be compulsory for some debtors in their bankruptcy process, what we are hoping is that it will be a tool that other people will use as well. This will allow the public to access the module and complete it at any time and at their own pace.

The Minister for Business Energy and Tourism launched Scotland's Financial Health Service website at the ABCUL Credit Union conference on 3rd December 2014. It has been supported by a 'Lighten the Load' campaign – I don't know whether any of you have seen the TV adverts of Lighten the Load...we can send you links and stuff if you are interested in it, which delivers a key message to the public on the importance of being absolutely able to manage your debt. It says in the notes here you may have seen it, it is currently being broadcast during prime time television slots here in Scotland.

The Scottish Financial Health Service has also been supported by a significant package of legislation and regulations. The Bankruptcy Law Reform consultation ran from the 24th of February until the 18th of May 2012. It examined and made recommendations on many aspects of bankruptcy law. The purpose of the consultation was to seek views on those recommendations with an aim of modernising Scottish insolvency legislation.

One of the recommendations proposed was the introduction of a single Common Financial Assessment Tool (CFT) as we call it, to aid in the calculation of an appropriate contribution from individuals entering into all Scottish statutory debt management and debt relief solutions.

The policy aim for introducing a single tool was to ensure consistency and transparency in relation to any determination of the level of contribution that a debtor might pay. The use of a single tool would be mandatory for approved money advisers in respect of all statutory debt management or debt relief solutions in Scotland. The Common Financial Tool will determine whether an individual is able to make a contribution towards repayment of their debts and where appropriate the level of that contribution. We believe this will make the process more fair for individuals ensuring a consistent approach across all statutory debt products, and that will come into play with the Bankruptcy and Debt Advice (Scotland) Act, BADAS, as everybody calls it... We tried so hard, our officials called it the Bankruptcy and Debt Advice Act repeatedly until our Ministers started referring to it as BADAS, then we gave up. So that is coming into play on the 1st of April this year and that will bring a lot of these changes into play.

So in summary I believe we have been very proactive here in Scotland in terms of seeking to develop a culture, a legislative framework and a range of products which support the people of Scotland to enable them to develop and maintain positive financial health.

Chairman: Excellent. Who would like to start?

Q. Ms Jennifer Duncan: There are three politicians who are on the Commission who unfortunately couldn't make it today but two of them are Scots and are particularly interested in this and think that you are doing really interesting work here so that was one of the key

reasons that we were keen to hear your evidence, so just to let you know the three are in agreement and they would like to see something done in this area to see a more universal approach taken.

Ms Winter-Scott: I think we have been lucky in Scotland in working with the Ministers to enable us to bring forward innovative practice here in Scotland and we have worked very closely with our stakeholders to develop the products that we have got. DAS is fairly unique actually around the world in being a statutory debt management product.

Q. Chairman: It is similar to chapter 11 in the States but for individuals rather than...?

Ms Winter-Scott: I would say it is less severe, you hear a lot of people going for debt management or debt repayment programmes, DAS is a debt repayment programme so the debtor pays back 100% of what they owe. 90p in the £1 of it goes to creditors so creditors are getting a very good deal compared to an individual going into a protected trust deed or into bankruptcy and it is interesting that it is growing in popularity with individuals in Scotland who are wanting to repay their debt and if they are in it, interest and charges are frozen and if they complete it...

Q. Chairman: What are the criteria for joining it?

Mr Reid: The criteria for joining it really is their affordability to pay the DPP, that falls into part of it and a proposal is developed that pays the debt over a period of time that is presented to the creditors.

Q. Chairman: What I meant was at what stage does an individual, I mean, they get into severe debt, who decides whether they can have a DAS or they simply just have to pay off the debt.

Mr Reid: It would come through Money Advice, there will be a Money Advice involvement, either from the free sector or from the fee paying money advice sector.

Q. Chairman: I see, so it is a referral?

Mr Reid: Yes and Money Advice would be effectively involved in the application process and the development of the proposal would go to creditors.

Q. Mr Pond: Were you saying, I am just looking at the website now which looks very good, were you saying that people going through that process would also, on a compulsory basis, need to go through some of the sort of budgeting advice and some of the...or is that only for more severe forms for bankruptcy?

Ms Winter-Scott: Scotland's Financial Health Service provides a link to the advice, the advice, the BADAS Act when it comes into play on the 1st of April will make it compulsory for some people in the bankruptcy system to undergo the financial education packages but it is at the discretion of the Trustee and generally we are expecting that to be individuals who have come forward for a bankruptcy for the second time, who have had a failed DAS or Protective Trust so there is evidence of repeat problems.

Mr Reid: In terms of Money Advice, actual Money Advice in-built into the programme, that has been part and parcel of the access to the Debt Arrangement Scheme. It is only the changes that are coming in from April that are making Money Advice mandatory as part of

the debtor application process for bankruptcy. That is now becoming a statutory part of the access route to bankruptcy, if the debtor is making their own application, bankruptcy through the Court process where a creditor petitions for bankruptcy remains the same.

Ms Winter-Scott: I think it is useful to say in Scotland it is slightly different to down in England in terms of bankruptcy cases. If it is a creditor petition as down in England, it goes to the Court and the Sheriff makes the decision. If it is a debtor application, I have that authority to make that decision and the bankruptcy comes into me.

Q. Professor Collard: Is it the case in England most of the applications are from individuals rather than through...?

Ms Winter-Scott: Yes, the majority are individuals but we felt it was wrong that individuals could be applying for bankruptcy without actually having had Money Advice and so that is one of the changes that have come, that will come into play with BADAS is that an individual who will apply for any of the statutory products will have to have had Money Advice.

Q. Chairman: And what proportion of people who have applied for DAS get rejected?

Mr Reid: It is very small and I think it is less than 5%.

Ms Winter-Scott: Because it is the money adviser putting forward a proposal which they know is likely to succeed and we have a DAS portal which actually means that the money advisers send the application electronically into us, and then we sent it automatically to the creditors for the creditors to vote on it. My team have worked very proactively with a lot of the main creditors to get them on board with the concept.

Q. Chairman: The analogy would be you can't go into hospital for an operation unless you go through a GP referral.

Ms Winter-Scott: So it was very much the Health Service analogy that we developed for the Scottish Financial Health Service is that, you know, a number of issues, one is that if you go into hospital they help you to get better so we are helping people to get better from financial problems but also they help educate you to manage your condition so we felt that was very much part of it and also the fact you should be treated differently if you have got a heart attack to a stubbed toe, you know, so again the process should treat people differently depending on....

Q. Mr Pond: The website looks very good but no matter what is in here will also be in the Money Advice Service site. Is that because this is very explicitly focussed on the Scottish situation and it was felt you couldn't just use Money Advice Service although it is clearly available?

Ms Winter-Scott: I suppose it is similar to the Money Advice Service but as you have probably noticed our Ministers up here in Scotland do like to do things...

Q. Mr Pond: Themselves.

Ms Winter-Scott: Scottish, and actually having developed the concept of Scotland's Financial Health Service, it is something that has caught on. Previously people couldn't immediately understand what we were all about and though we do have an AiB website, which actually had not necessarily all this information, but some of it on it, Ministers wanted us to effectively re-brand and re-brand our site as Scotland's Financial Health Service. It has

meant that my team in the time that I have been in post since 2009, have grown in terms of our policy responsibility and so Alex's, probably greatest pain, at the moment is issues around pay day lending which also now ends up in our portfolio of stuff so we are increasingly being seen as the hub for other issues.

Mr Edmans: I should say we don't mind how it is branded, as long as it gets people to...that's the only thing that matters.

Q. Dame Mary Marsh: And do you think in framing it in this way, and it would seem so from what you have said already, that it is actually making it easier for people to talk about it and seek advice and health through engagement. Do you really think that this is the case?

Ms Winter-Scott: We have tried very hard to do a whole range of branding to make it more acceptable to individuals so, for instance, DAS, our DAS logo we created the DAS logo around the Debt Arrangement Scheme with a smiley face, you know, going from negative to positive. We are trying to bring out the positives. We had a whole series of marketing campaigns around the little man who, we help him out of a hole with a rope (DAS), so we are trying to move away from the concept of bankruptcy is bad, to actually the fact that an awful lot of us at some stage in our life do have financial challenges and actually we need the help to help us out of that hole.

Q. Chairman: Is there a moral hazard that, you know rather like with the National Health Service, people are less worried about getting sick because they know Scotland has this

wonderful...has there been any research on that, that people maybe manage their finances less responsibly because they know they can get DAS?

Ms Winter-Scott: I certainly don't think that is the case and actually some of the changes that we have brought in and are bringing in with BADAS could be seen to be ensuring, I am trying to phrase this subtly, ensuring that debtors who can pay do pay, yes, and so in Scotland we have made it that with BADAS when it comes into play on the 1st of April people in bankruptcy or protected trustees will have to pay a contribution for a minimum of 48 months, , and we are linking discharge to the debtor cooperation, there will be no automatic discharge, and so if the debtor is not in contact, discharge will not be awarded, so you could say we are trying to balance it. We are trying to ensure that we are providing help and advice up front and taking away some of the stigma to allow people to talk about financial problems that they have got and talk about their financial health.

Q. Dame Mary Marsh: And does your form of discharge help with people's credit rating?

Ms Winter-Scott: I would love to be able to influence some of the credit agencies in terms of credit issues. One of our big issues that we do have at the moment is that we haven't necessarily got all of the credit agencies recognising the difference between a Debt Arrangement Scheme and a bankruptcy and in my view I have always been passionate about the view that a credit reference agency needs to recognise the difference between somebody who is paying back 100% of what they owe in DAS compared to somebody who is bankrupt and not paying their debt compared to somebody who is a repeat bankrupt or even worse somebody who has a bankruptcy restriction order or undertaking on them for behaving badly and I don't think they are smart enough yet on that.

Q. Mr Pond: Because actually going through DAS is, it is taking responsibility isn't it? We know that most people take on average, what is it, a year between actually getting into serious debt, before then seeking help so they are in denial for a year so actually people who go through this process are being quite responsible in comparison to those who just, you know, try and turn a blind eye to it. I was just thinking, the language is unfortunate, isn't it, bankruptcy is a very sort of Dickensian, nineteenth century term.

Ms Winter-Scott: Sequestration in Scotland.

Q. Mr Pond: You know, I am thinking of the Health Service analogy, it is like somebody having an illness and being described as having morbidity, you know, it would be good if we could lose some of this phraseology which is so loaded with moral overtones.

Ms Winter-Scott: Yes I think bankruptcy has less of a stigma than it used to have with individuals.

Q. Chairman: Rosemary, so what happens, if a DAS is set in place, the principal is repaid in full, 90% goes to the creditor...

Ms Winter-Scott: Minimum of 90%.

Q. Chairman: Where does the rest go? To you.

Ms Winter-Scott: 2% goes to me as DAS Administrator and up to 8%, on average about 5% is going to the payment distributors.

Q. Chairman: Right.

Ms Winter-Scott: Now that is significantly less than any amount that is paid out in a Protected Trust Deed or in England on an IVA or bankruptcy so it is a far cheaper product but because the debtor is paying back what they owe, there is no need for a Trustee in effect to take ownership of assets to realise assets, to investigate other sources etc so you are in a less severe product all round. Individuals are on a public register so their names are on the DAS Register, you can search, their names are there, the same as individuals are on the Register of Insolvency, if they are in a Protected Trust Deed or a bankruptcy which is needed for creditors and organisations...

Q. Mr Pond: Would there be restrictions on people on that Register for instance taking Trustee roles within charities or directorships or...?

Ms Winter-Scott: There is if you are bankrupt there are restrictions, there are not the same restriction on you in DAS.

Mr Reid: But there is restrictions on future borrowing, there are limited circumstances in which additional credit can be taken as per the regulations but not in terms of holding any particular offices.

Q. Chairman: The creditor then loses all the interest on the money and charges and that sort of thing?

Mr Reid: Only if it is completed in its entirety. If it is revoked, if there is failure and it is revoked those interest and charges can be retrospectively added.

Ms Winter-Scott: But at the same time if it is revoked and the individual goes into bankruptcy the chances of getting the money back is slight so it is in everybody's best interest to make a DAS work.

Q. Chairman: And is there a maximum term for a DAS?

Ms Winter-Scott: No. Just out of interest, recently the average debt payment plan in DAS is running for six and a half years. The average age of a debtor is 44 years, if that is of interest, the average monthly payment is £238 and 36% of payments are between £101 and £200 a month but you have got your typical normal distribution...

Q. Chairman: Whose idea was this? Yours?

Ms Winter-Scott: Not mine I am afraid, no. I have been behind a lot of the changes more recently but...

Q. Chairman: Who invented this?

Ms Winter-Scott: I have no idea where it came from originally but it has been, it has been a product that has been developed and refined increasingly over the years so initially it didn't freeze interest and now it does. We have brought in some more recent changes now so you can have a joint DPP, so husband and wife if you have got some joint debts, you know, you could have a joint DAS and 18% of the cases recently are for a joint DPP but interestingly they account for 28% of the total debt and we are looking at only about 10% to 17%, it depends on the figures of DPP's in DAS actually fail so people do generally stick.

Q. Dame Mary Marsh: When they fail do they tend to go to something like LILA, is that what happens.

Ms Winter-Scott: LILA is a route into bankruptcy. Yes, generally if it would fail they would end up in bankruptcy.

Mr Reid: It could be through a loan, asset or insolvency or whatever.

Ms Winter-Scott: What we have to be very careful of is some of the less scrupulous firms out there like to try and trawl the DAS Register for individuals to then try and sell them bankruptcy products.

Mr Reid: A Trust Deed or something like that.

Q. Chairman: So interest is frozen but interest accrued to the point that the arrangement is entered into is still paid so it is not a big loss?

Ms Winter-Scott: No, it's a mark in the sand.

Q. Mr Edmans: Can I just ask what the, this is not my area of expertise but the Financial Health Service analogy is a really clear one but one of the things that the National Health Service struggles with sometimes it is described as the National Ill Health Service because you go to it when you are ill and there is still a big problem about how do you get people to do sensible stuff which prevents them needing that so, therefore, to hear that you are also interested in people avoiding getting into the debt situation that they can't manage, I would be interested to know what sort of things you are doing under that heading and in particular if, what do you think are the most important things to do to stop people getting into that position?

Ms Winter-Scott: We have done a whole range of campaigns about debt, you know, see this page out of my notes showing some of our social marketing campaigns. We have worked very closely with the Daily Record, one of the Scottish papers who have had articles in there in relation to help, getting people to get help for debt and financial health if you like and budgeting and it is there that there has been, I am just trying to find it, the Lighten the Load campaign, we are working with them and they are going to come out with the Lighten the Load stuff.

Mr Reid: There is an editorial next Tuesday with a 16 page pull-out in all of the national papers.

Ms Winter-Scott: So that's the Lighten the Load stuff. We previously did the Twelve Days of Debt Mass campaign. I guess you could say we are a bit unusual and a bit more creative than your average...

Mr Reid: I think in general terms the sort of financial education modules on the Financial Health Service website, I think some of the launches have been around the fact that debt is a problem and there are statutory solutions and things like that and that is maybe inevitable that happens at the start but increasingly the Financial Health Service would be more about putting out the general education and information in advance of any, you know, any of these debt problems becoming something so severe.

Q. Professor Collard: Can I just ask you because I think there is, as you say, there is some really interesting stuff happening. Are you for example researching and evaluating the use of the financial capability module, how many people are accessing it, are they using it, what happens to them, what happens to people who go through DAS for example because I think

there is, and also there is the social marketing thing I think is really interesting because we have been saying for a long time that we have not enough, we don't have any public messaging in England and Wales around this really that is not, you know, Step Take Change have been doing some work but there is no Government sponsored or any kind of official public message out there.

Ms Winter-Scott: I am not sure how we manage to do it either because Ministers in Scotland are not generally supporting of marketing but Ministers were supportive of it in association with DAS and then more widely in relation to the Twelve Days of Debtmass which is a clever one we did last year, you can imagine it was, the story that 'On the first day of Christmas my Pay Day Loan Company gave to me money that felt as if it was free' and it was catchy, people remembered it but it was making people aware of some of the pitfalls associated with it. In terms of the financial education module that is still only just being rolled out because the Act is not coming into force until April next year. In terms of...

Q. Chairman: Next year or this year?

Ms Winter-Scott: This year, April this year sorry. In terms of the DAS plan we do review that on an annual basis and certainly we can send through stuff in terms of the review of it which looks at, you know, the age of people, and that is where some of the figures I gave you are from, and how much they are borrowing and what we have seen is that in recent years the length of the debt payment plan is coming down. The age is coming down, the age profile so we think we are hitting more younger people who are using it as an early intervention prior to getting into bankruptcy.

Q. Professor Collard: Just coming back to that question on research and evaluation, is there any other valuation of your social marketing activity?

Ms Winter-Scott: There is, we did a variety of campaigns that the DAS one... yes, there is the facts and figures as to who we hit and how much the awareness rose.

Q. Professor Collard: Do you want to share those?

Ms Winter-Scott: Yes, we can take a note of that.

Q. Professor Collard: Sorry, anything that you have got in terms of research?

Mr Reid: In terms of the Financial Health Service launch we are quite in the early stages of that, the television campaign on Lighten the Load didn't start until the 2nd of January so we are just coming into the early stages of that so there is a helpline associated to the Health Service so we have got website hits that we are trying to look at and also the activity through the helpline, dedicated helpline.

Ms Winter-Scott: Actually I think it is quite high, if you ask people out there about the DAS logo and about the DAS model, the awareness of it is quite high and what was quite interesting when we went to look at a DAS logo people wanted something that wasn't bankruptcy and so they wanted a separate logo. Now AiB you have seen the logo is red and grey and they wanted something completely different but I actually wanted to ensure that the AiB, as we are often shortened to, was not seen as just the Bankruptcy Service, that we were seen as wider than that and that is why we have then taken the same colours and used them in the Debt Arrangement Scheme and the same colours in the Financial Health Service so we are trying to get that association, that we are part of this Financial Health Service.

Q. Professor Collard: It is very interesting because it feels very different to what the Insolvency Service do in England and Wales, it seems much more innovative and progressive.

Ms Winter-Scott: I think, you know, the fact that I am Chair of AiB, that we are seen as leading, being a small country but leading the way in a lot of what we do.

Q. Chairman: I was going to ask, is this being copied around the world, do you get people coming to Scotland...?

Ms Winter-Scott: Yes and what we have also got, I was just talking to our colleagues coming here, is that we have got what we call, there were five nations and now there is six nations, that we get together, which is England, UK Insolvency Service, Northern Ireland Service, we also serve the Director of Corporate Enforcement in Ireland and the Irish Insolvency Service, the Royal Court of Jersey, ourselves and now we have got the Royal Court of Guernsey on board and we meet on about a six monthly basis and share good practice. We have got a memorandum of understanding between ourselves which I instigated with the idea that if we develop something as a Government official, it should be something that can be used by other Government Departments and vice versa so I am trying to encourage greater sharing of expertise.

Q. Chairman: There is a 2% levy. What does that cover?

Ms Winter-Scott: That covers the cost of my staff, managing the process, the cost of the IT system and the development of that which is significant.

Q. Mr Pond: What about the marketing, the advertising?

Ms Winter-Scott: And it covers the marking.

Q. Mr Pond: Including the TV?

Ms Winter-Scott: I would say at the moment if I am being quite honest we are not quite covering our costs. What happens is because the number of DAS is growing and we are taking only 2% of some fairly recent amounts since we have introduced the legislation, the amount that we are gaining is growing, as is the amount that we are paying back so we estimate this year we will pay back somewhere between £36 and £40 million in Scotland through DAS.

Q. Dame Mary Marsh: So there is no element of write-off at all in it, there is no...?

Chairman: The interest.

Q. Dame Mary Marsh: I suppose the interest.

Ms Winter-Scott: There is the interest and the fact that they only get between about 92 to, roughly about that, 92 pence in the pound.

Q. Professor Collard: The debtor themselves is paying back...

Ms Winter-Scott: The debtor themselves is paying back the full amount.

Q. Professor Collard: Can I just ask you Rosemary, since DAS has been running, do you have any sense that the debt management plans that are outside, do you have any debt management plans that are outside DAS that we have in England and Wales?

Ms Winter-Scott: Yes because they are not statutory so there will always be the informal Debt Management Plans.

Q. Professor Collard: Have you seen them drop in Scotland?

Ms Winter-Scott: In Scotland a lot of the informal Debt Management Plans were set up originally by Step Change, they are now on board with DAS money advisers so...

Q. Mr Pond: It was Wilf Stephenson who encouraged us to talk to you, he is one of our Commissioners.

Q. Dame Mary Marsh: How does it work when you have got organisations who, as many do, operate across the UK. How do you sort that one out?

Ms Winter-Scott: I think if it is a creditor that is operating across the UK he or she has to understand that in Scotland things are different and it is challenging but we do ourselves, we are proactive at talking to a lot of the creditors. We have a DISSF group which is the Debt and Insolvency Stakeholder Forum which meets on a quarterly basis which has representatives of a lot of the groups so it includes representatives of a lot of the Debt Management Companies. It has got a lot of the Advice Sector, it has got the IP's on board, it has got the IRRV on, the local authority. Basically, it is a big group and some of those are people who will travel up to Scotland for the meeting, representatives from Lloyds Bank or

whatever will travel up from down South. Max Recovery come up regularly and will be flying up to Scotland for our meetings.

Q. Chairman: Rosemary, what do officials in the Treasury and elsewhere say to you about all this? Do they say it is a good idea, we wish we could have it in England or do they say this just works in Scotland. You know, privately when you are having dinner in Jersey with your colleagues from the Insolvency Service....

Ms Winter-Scott: You are asking me to be terribly....

Q. Chairman: I am, yes.

Ms Winter-Scott: ...Indiscreet.

Q. Chairman: We can go off the record if you want but what I want to know is if we make a recommendation that something like this is developed over the whole of the United Kingdom, are officials privately... and maybe we stop the record at this point...

(Off the record)

Q. Chairman: Was there in Scotland before this a sort of commercial Debt Management Scheme?

Ms Winter-Scott: I have obviously been here since 2009 and so I can't comment and it is strange because though I was involved in employability and skills prior to coming into this

role as a senior Civil Servant, I wasn't actually aware of the bankruptcy side until I was told, by the way your next posting will be...

Q. Chairman: But there must have been companies in Scotland who advertised?

Ms Winter-Scott: There are companies out there.

Q. Chairman: And have they been forced out of business or had their market share reduced because of this?

Ms Winter-Scott: I think we are proactive at trying to gain a share of the publicity so you could say that our Twelve Days of Debt Mass was very close to, we did wonder how some of the companies, the Pay Day Loan Companies were going to respond to that, were they just going to be spending more on advertising themselves to counteract our publicity. They didn't, they just went quite quiet. There are other organisations that always try to get on the back of our work and sell people the wrong product but again the legislation that we have brought in, in terms of it being compulsory advice that an individual has to have for any of the three statutory products, the fact that we are bringing in the Common Financial Tool which means the debtor will make the same contribution, irrespective of which product they go into will mean that it will hopefully prevent some of these companies 'phoning up and saying, well actually if you come to me I can ensure – and I get them, you know, the 'phone goes and it says, 'Due to little known Government legislation you can wipe out 90% of your debt'. I do get cross and I go back to them and say, excuse me, our legislation is not little known, I know it very well and you are misquoting it but the problem is that when you do reply to them, that you have done this, they know it is an active 'phone call so they can't chat any more. But,

yes, we do that challenge and I think there is a key role for your, what was the IFT and is now the FCA, yes, in terms of helping us to police that.

Q. Professor Collard: Can I just be clear Rosemary that, so there are providers through whom DAS is, the Money Advice providers through whom DAS is delivered, does include some of the fee charging companies so it might include, I don't know Harrington Burke or regulatory companies...?

Ms Winter-Scott: The sheet we have got there says how many DAS Money Advisers we have got who charge for their services. We purposely haven't cut out the private sector but one of the requirements is that if they are in the private sector and they are doing a DAS with an individual they have to make it quite clear to an individual the individual still has a right to go to a free sector and to make it clear who the free sectors are and all our websites make clear where free sector provision is available.

Q. Professor Collard: And could those companies that provide DAS, those private companies that provide DAS, also provide Debt Management Plans on an informal basis for perhaps people who are not eligible for DAS?

Ms Winter-Scott: They could do but I wouldn't see who would not be eligible for DAS but...

Q. Professor Collard: So they basically become DAS providers, essentially?

Ms Winter-Scott: Yes.

Q. Professor Collard: Great.

Ms Winter-Scott: But they have to meet minimum requirements.

Q. Professor Collard: So there is an approval process.

Q. Mr Edmans: Can I just ask you, and if you would rather tell me this afterwards informally that will be fine but I am curious what the relationship is like between you guys and the MAS, does it work?

Ms Winter-Scott: Yes. I wouldn't say we are heavily involved with the Money Advice Service because the Money Advice Service has a big remit and a big challenge and because in Scotland we have tended to do a lot of our own thing.

Q. Professor Collard: So you don't think the advertising that they do cuts across anything that you do, they are complementary rather than...?

Ms Winter-Scott: I think it is complementary and actually I would like to say, you know, as Scotland's Financial Health Service, you know, joint links to cross refer to stuff.

Mr Edmans: We would like that too, but there is a lot of it actually goes on but they could be...it is still really early days, there is a huge amount still to do.

Dame Mary Marsh: That linking website seems to be absolutely crucial, isn't it?

Mr Edmans: Well something like 50% comes through partner sites like that but that doesn't mean we are linked with as many people as we ought to be.

Dame Mary Marsh: This new initiative, clearly it should be, I would suppose.

Q. Chairman: Well I think you have given us a glance of financial civilisation. This was a civilised society, a financially civilised society should have.

Ms Winter-Scott: Thank you.

Q. Chairman: I can't judge, I am not an expert but Professor Collard is and we will get her to examine this in detail but I would be surprised if we did not recommend something in this area.

Ms Winter-Scott: Certainly if any of you have any desire to come and see us, we would welcome you to Kilwinning which is where we are based. You would be welcome to come and see the systems we have. We have an office down there with about 140 staff and you would be welcome to come and spend a day with us because it is very difficult to provide you with a statement that will provide you with a lot of information, background information as well. There is just so much I would want to tell you.

Chairman: Yes, you are an Evangelist.

Dame Mary Marsh: You are going to give us a soft copy of your statement which shall help.

Q. Chairman: And some of that slide there.

Ms Winter-Scott: Some of the slides, yes.

Mr Reid: We can also produce some written evidence in relation to a lot of this, some topical information that we have talked about.

Q. Chairman: Is there any academic work on, you know, how this...where is the intellectual proof, has this evolved over the years?

Q. Professor Collard: I am trying to think where it came from, I think there were discussions in, amongst the Scottish agencies because the Money Advice (Scotland) has been and Citizens Advice (Scotland), have both been so kind of proactive and there has always been a lot of, and with COSLA and others there has always been a lot of discussion and innovation that I think it probably came out of those discussions to be honest.

Ms Winter-Scott: And certainly DAS has changed so much in the time that it has been in, you know, we have got so many DAS Regulations, updated Regulations, in effect trying to ensure that what we have got is fit for purpose.

Q. Chairman: My only concern is it sounds rather like a budget airline and your leg room is rather like...It is a budget airline in the sense you are getting people from one place to another.

Q. Professor Collard: If people are thinking about holidays, that's not a bad thing.

Ms Winter-Scott: I would say, my husband pointed out the similarities to the Thompson advert, the teddy bear with the smile on its face and actually I am sure we had our first advert before they were doing that.

Chairman: Thank you. It is a lovely lifting note on which to end this.

Ms Winter-Scott: Thank you very much indeed. Is this the end of your time up in Scotland?

Chairman: It is unless the snow keeps us here.

Ms Winter-Scott: Safe journey.

Chairman: Thank you very much.

Ms Winter-Scott: But certainly I would welcome any of you.

Adjourned.