

The Standard Financial Statement

A Consultation

**A proposal for a Standard
Financial Statement to
be used across the debt
advice sector.**

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Please send responses via email or Word document
by 5pm on 12th November 2014 to
debtconsultation@moneyadviceservice.org.uk

Section 1: Introduction

The Money Advice Service has a statutory responsibility under the Financial Services Act 2012 to improve the quality, consistency, and availability of debt advice services across the UK.

Given the importance of debt advice interventions in people's lives, it is crucial that debt advice is of the highest quality and consistently achieves the best outcomes for clients.

A standardised financial statement plays a key part in achieving high quality and consistent debt advice. It enables an adviser to identify the options and debt solutions available to a client and provides the foundation for effective repayment negotiations with creditors.

The Money Advice Service has worked collaboratively with Citizens Advice, Money Advice Trust and StepChange Debt Charity to develop a new Standard Financial Statement. We have also incorporated the feedback from a broader range of organisations in the sector.

This new Standard Financial Statement has a set of expenditure categories that group items to reflect people's spending patterns and the way that today's households apportion their money. Four of the categories are supported by guidelines (or trigger figures) that indicate reasonable spending levels based on the number of adults and children in a household. In addition the new tool incorporates a savings category to help clients become more financially resilient in the future.

The new Standard Financial Statement will be used by the debt advice agencies we fund. We will also continue to engage with the rest of the sector as well as Government departments and HM Courts and Tribunals Service to encourage widespread use of the tool across the sector.

We welcome feedback in response to this consultation. Please see page 7 for details of the consultation process.

Section 2: The Standard Financial Statement

The Standard Financial Statement features:

- A set of common expenditure categories
- A set of spending guidelines (or trigger figures) associated with four of the expenditure categories
- A savings category
- A single, standardised format
- Principles and best practice guidance for users

2.1 Principles

The Standard Financial Statement is underpinned by a set of principles to which users must adhere. These are:

- A single standard format for both the detailed and summary versions of the tool.
- A set of four categories of flexible spending.
- A set of pre-agreed spending guidelines referred to as trigger figures associated with the four areas of flexible spending costs: communications and leisure, food and housekeeping, personal care and smoking products.
- A commitment from organisations representing their clients that they will provide an explanation for the reasons if trigger figures have been exceeded. This will enable creditors to consider exceptional circumstances.
- A commitment from organisations representing their clients that they will take reasonable steps to verify a client's income and regular outgoings prior to submitting an offer of repayment.
- A commitment from creditors that offers made by independent money advisers using the Standard Financial Statement will be accepted where expenditure is within the trigger figures and principles and guidelines have been followed.
- A commitment to use the latest version of the Standard Financial Statement and trigger figures.
- A commitment to a partnership approach that improves transparency between money advisers and creditors.

2.2 Guidance

The Standard Financial Statement has guidance for both advisers and creditors which is set out in Annexes 1 and 2.

2.3 Income and expenditure headings and categories

The Standard Financial Statement groups spending in two sections, fixed and flexible costs. Items under these two sections are further grouped into headings. Fixed costs cover items of regular essential spending grouped into headings such as Housing or Utilities. Flexible costs cover items where there is a greater degree of spending choice and will vary with the number of people in the household.

The new headings and categories for income and expenditure are contained within Annex 3.

Consultation question 1: Do you have any comments on the income and expenditure headings and categories?

2.4 Savings

The Standard Financial Statement has a savings category to encourage clients with available (surplus) income to save.

Our proposal is that the savings level is set at 10% of the client's available income (the income left after outgoings have been paid but before payments to creditors are made).

Our suggestion is that a minimum level of £10 per month is set (where the amount of available income is sufficient) to ensure that a reasonable level of savings can be built up over time.

Consultation question 2: Do you have any comments about the savings category and our proposal for the way in which the savings amount is calculated?

2.5 Spending guidelines (trigger figures)

The Standard Financial Statement has a set of independently derived spending guidelines (or trigger figures) that provide a benchmark for reasonable spending based on household composition.

The guidelines will only be available to users of the new Standard Financial Statement and will not be made publically available.

The guidelines cover four of the spending categories:

- Communications and leisure
- Food and housekeeping
- Personal care
- Smoking products

The Standard Financial Statement spending guidelines are derived using the following methodology:

- Data is gathered from the Office for National Statistics Living Costs and Food Survey (a large scale survey of spending drawn from a representative sample of UK households).
- Levels of expenditure observed among typical households within the bottom income quintile in the UK are identified.
- The survey's granular-level expenditure data is mapped to the four Standard Financial Statement flexible costs spending categories.
- Allowances are then made to reflect the composition of households of varying sizes, including varying numbers of adults plus children, taking into account the higher consumption levels necessary for larger households.
- The guideline figures will be updated annually to reflect changes to expenditure patterns and any significant fluctuations in the Consumer Price Index. This will ensure that the real value of the expenditure figures is maintained over time.

This methodology closely follows that used to generate the 'trigger figures' for the Common Financial Statement (CFS) developed by the Money Advice Trust, the British Bankers' Association and the Finance and Leasing Association. As the categories are different from the CFS the data points that have been extracted from the Living Costs and Food Survey have been amended accordingly.

Consultation question 3: Do you have any comments about the spending guidelines methodology?

2.6 Format and layout

The Standard Financial Statement will have a single standardised format for both the detailed and summary versions of the tool. The detailed version allows for a thorough examination of the clients income and expenditure whilst the summary version provides creditors with an appropriate level of detail to consider offers of repayment.

This standardised format will help to streamline processes for users and enable the Money Advice Service to ensure that the quality and integrity of the tool is upheld.

The design is intended to be:

- Simple and intuitive to complete;
- Easy to review, with key information clearly shown;
- Suitable for the range of media it will be used in including online and paper-based formats.

See Annex 3 for the proposed format.

Consultation question 4: Do you have any comments about the format?

2.7 Timescales

The Money Advice Service recognises that stakeholders are committed to the introduction of the new Standard Financial Statement, however we appreciate that in many cases it will result in the need to make changes to processes, systems and materials. We want to facilitate the management of these changes by ensuring that the integration process has clear and achievable timelines.

Milestone	Date
Consultation and user-testing period (4 weeks)	Mid-October – Mid-November 2014
Consultation response published	January 2015
New Standard Financial Statement shared	January 2015
Stakeholder integration commences	January 2015
Standard Financial Statement website completed	April 2015
New Standard Financial Statement goes live	July 2015

Consultation question 5: Do you have any comments about the timescales?

Section 3: Consultation questions

Question 1: Do you have any comments about the income and expenditure headings and categories?

Question 2: Do you have any comments about the savings category and our proposal for the way in which the savings amount is calculated?

Question 3: Do you have any comments about the spending guidelines methodology?

Question 4: Do you have any comments about the format?

Question 5: Do you have any comments about the timescales?

Section 4: Consultation process

Please send responses via email or Word document **by 5pm on 12th November 2014** to debtconsultation@moneyadviceservice.org.uk

Annexes

Annex 1: Adviser good practice guidance

- Check that you have the latest version of the tool as using older versions could result in using the wrong format and outdated trigger figures. This could lead to offers not being accepted by creditors because they are not compliant with the Standard Financial Statement.
- If expenditure exceeds the trigger figures, you should discuss it in more detail with the client and agree to reduce the spending where appropriate. If this is not possible and there is a good reason for exceeding a trigger figure, you must provide an explanation in the notes section of the tool and the accompanying letter.
- You must take reasonable steps to verify a client's income and regular outgoings prior to submitting an offer of repayment.
- The client should not delay in making payments by waiting for creditor responses. You should therefore advise your client to make the first payment at the same time as submitting their offer where possible.
- When submitting an offer to creditors, it is important to make sure that the letter contains details of the first payment date, the payment frequency and the proposed method of payment. A brief explanation should be provided if this will be different to the contractual payment date.
- Ensure that the accompanying information submitted with the offer briefly outlines the reasons for the client's financial difficulties and any relevant special circumstances, as this will help creditors understand the client's position and why the offer is being made.
- If token payments are proposed, you should liaise with the client about likely timescales and inform the creditor about how long token payments may last. You should also agree with the client either a cycle of regular reviews or when the next review will take place.
- Ensure that letters and other communications to creditors include your current contact details, together with details of how and when creditors can get in touch with you.
- Offers should be reviewed on a regular basis, and revised offers of payment should be made if the client's circumstances change.

Annex 2: Creditor good practice guidance

- Check that you have the latest version of the Standard Financial Statement as using older versions risks using the wrong format and outdated trigger figures.
- You should accept offers made by independent money advisers using the Standard Financial Statement where expenditure is within the trigger figures and principles and guidelines have been followed.
- Ensure any communications use plain language, and are positive and sympathetic in manner.
- If the customer's payments are not sufficient to prevent a default from being applied to the account, you should not state that the offer has been rejected/declined in any communication(s).
- You should not include references to repayment amounts different from those offered by the customer, based on the Standard Financial Statement, in communications. You should explain to the customer, in plain language, that while some statutory notices have to include references to contractual repayment amounts, they should just keep paying in line with their offer.
- You should clearly state the expected date and frequency of the payments due and, if applicable, how the customer can change the payment date.
- If the customer is making their payments directly to you, ensure all payment options are explained, with any preferred methods of payment highlighted.
- You should inform the customer of when you will contact them for regular reviews of their financial situation and whether a change in their circumstances may warrant an earlier review of their finances.
- You should clearly communicate how interest and charges will be treated on the customer's account.
- You should provide clear information about the ways in which the customer or their adviser can contact you.
- You should provide customers with information in plain language, about the actions that could lead to a breakdown in the payment arrangement and the consequences of a breakdown.

Annex 3: Single Financial Statement format

Your agency information	
Your agency name	
Your contact name	

Our agency information	
Our agency name	
Our contact name	
Our address	
Our telephone number	
Our email address	

Client information	
Client name	
Our client reference number	
Address	
Landline telephone number	
Mobile telephone number	
Email address	

Client information and reason for referral
--

List of documents attached

Tick

Client has consented to their information being shared

Budget Detailed version

Client: _____

Partner's name: _____

Client's address: _____

Client's D.O.B. (optional): _____

Partner's D.O.B. (optional): _____

Dependent children:

Under 14:

Over 14:

Number in household: _____

Number of vehicles in household: _____

Licence number (licence holders): _____

Employment:

Full time:

Part time:

Unemployed:

Self employed:

Retired:

Caseworker: _____

Agency: _____

Agency address: _____

Case reference number: _____

Income

Salary and wages	Amount (£)	Notes
Your salary or wages (take home)		
Your partner's salary or wages (take home)		
Other salary or wages		
Total salary and wages per month		

Other income	Amount (£)	Notes
Maintenance or child support		
Borders or lodgers		
Non-dependents' contributions		
Student loans and grants		
Other income		
Total other income per month		

Benefits and tax credits	Amount (£)	Notes
Universal Credit		
Jobseeker's Allowance (income based)		
Jobseeker's Allowance (contribution based)		
Income Support		
Working Tax Credit		
Child Tax Credit		
Child Benefit		
Employment and Support Allowance or Statutory Sick Pay		
Disability Living Allowance, Attendance Allowance or Personal Independence Payment		
Carer's Allowance		
Housing Benefit or Local Housing Allowance		
Council Tax Benefit or Council Tax Reduction		
Other benefits or tax credits (for example maternity benefits)		
Total benefits and tax credits per month		

Pensions	Amount (£)	Notes
State pensions		
Private or work pensions		
Pension credit		
Other pensions		
Total pensions		

Assets

I confirm that I have no assets that I can use to make lump-sum payments

Tick to confirm

Outgoings

Fixed costs

Home and contents	Amount (£)	Notes
Rent		
Ground rent & service charges (factor fees if you live in Scotland)		
Mortgage		
Mortgage endowment		
Secured loans		
Council tax (including water charge if you live in Scotland and rates in NI)		
Appliance & furniture rental (including appliance and furniture HP, conditional sale and so on)		
TV licence		
Other costs		
Total home & contents costs per month		

Utilities	Amount (£)	Notes
Gas		
Electricity		
Water (does not apply if you live in Scotland or NI)		
Other costs (including coal, oil, calor gas and so on)		
Other income		
Total utilities costs per month		

Care and health costs	Amount (£)	Notes
Childcare costs		
Adult-care costs		
Child maintenance or child support		
Prescriptions and medicines		
Dentistry and opticians		
Other costs		
Total care and health costs per month		

Transport and travel	Amount (£)	Notes
Public transport (work, school, shopping and so on)		
Hire Purchase or conditional sale vehicle		
Car insurance		
Road tax		
MOT and ongoing maintenance		
Breakdown cover		
Fuel, parking and toll road charges		
Other costs (including taxis)		
Total transport and travel costs per month		

School costs	Amount (£)	Notes
School uniform		
After-school clubs and school trips		
Other costs		
Total school costs per month		

Pensions and insurances	Amount (£)	Notes
Pension payments		
Life insurance		
Mortgage payment protection insurance		
Buildings and contents insurance		
Health insurance (medical or accident or dental)		
Total pensions and insurance costs per month		

Fines and penalties	Amount (£)	Notes
Magistrates or Sheriff court fines		
Total fines and penalties costs per month		

Savings	Amount (£)	Notes
Savings		
Total savings per month		

Other essential costs		
Other essential costs		
Other essential costs		
Total other essential costs per month		

Outgoings

Flexible costs

Communications and leisure	Amount (£)	Notes
Home phone, internet, TV package (including film subscriptions)		
Mobile phone		
Hobbies, leisure or sport (including socialising, eating and drinking out, outings, clubs and so on)		
Gifts (including birthdays, festivals, charitable donations and so on)		
Pocket money		
Newspapers, magazines, stationary and postage		
Other costs		
Total communications and leisure costs per month		

Food and housekeeping	Amount (£)	Notes
Groceries (including food, pet food, non-alcoholic drinks, cleaning and so on)		
Nappies and baby items		
School meals and meals at work		
Laundry and dry cleaning		
Alcohol		
Vet bills & pet insurance		
Other costs		
Total food and housekeeping costs per month		

Personal costs	Amount (£)	Notes
Clothing and footwear		
Hairdressing		
Toiletries		
Other costs		
Total personal costs per month		

Smoking products	Amount (£)	Notes
Cigarettes		
Tobacco		
Nicotine replacements (including patches, chewing gum and e-cigarettes and so on)		
Total smoking products costs per month		

Summary version

Client: _____
 Partner's name: _____
 Client's address: _____

 Client's D.O.B. (optional): _____
 Partner's D.O.B. (optional): _____
 Dependent children: _____
 Under 14: _____
 Over 14: _____
 Number in household: _____
 Number of vehicles in household: _____
 Licence number (licence holders): _____

Caseworker: _____
 Agency: _____
 Agency address: _____

 Case reference number: _____

 Client's employment: _____
 Full time: _____ _____
 Part time: _____ _____
 Unemployed: _____ _____
 Self employed: _____ _____
 Retired: _____ _____

Fixed costs

Home and contents	Amount (£)	Transport and travel	Amount (£)
Rent		Public transport (work, school, shopping and so on)	
Ground rent & service charges (factor fees if you live in Scotland)		Hire Purchase or conditional sale vehicle	
Mortgage		Car insurance	
Mortgage endowment		Road tax	
Secured loans		MOT and ongoing maintenance	
House repairs and maintenance		Breakdown cover	
Council tax (including water charge if you live in Scotland and rates in NI)		Fuel, parking and toll road charges	
Appliance & furniture rental/HP/conditional sale and so on		Other costs (including taxis)	
TV licence		Total transport and travel costs per month	
Other costs			
Total home and contents costs per month			
		School costs	Amount (£)
Utilities	Amount (£)	School uniform	
Gas		After-school clubs and school trips	
Electricity		Other costs	
Water (does not apply if you live in Scotland or NI)		Total school costs per month	
Other utilities (coal, oil, calor gas)			
Total utilities costs per month		Pensions and insurances	Amount (£)
		Pension payments	
Care and health costs	Amount (£)	Life insurance	
Childcare costs		Mortgage payment protection insurance	
Adult-care costs		Buildings and contents insurance	
Child maintenance or child support		Health insurance (medical or accident or dental)	
Prescriptions and medicines		Total pensions and insurance costs per month	
Dentistry and opticians			
Other costs		Savings	Amount (£)
Total care and health costs per month		Savings	
		Total savings per month	
Fines and penalties	Amount (£)	Other essential outgoings	
Magistrates or Sheriff court fines		Other essential outgoings	
Total fines and penalties costs per month		Other essential outgoings	
		Total other essential costs per month	



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