debt advice as a professional activity

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Briefing Paper Briefing Paper Briefing Paper Briefing Paper

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1 Introduction

Debt is a pressing issue and neither churches nor the local communities they seek to serve are immune to the problem. Stewardship has produced a briefing paper "The Debt Sentence: how the church can help people in debt" which outlines the debt problem and suggests ways in which churches are able to respond. This briefing paper is freely available on our web site:

www.stewardship.org.uk/money/debt_church_help.htm

One possible response that churches can make to the issue of debt is to establish a full debt advice centre, providing specialist debt advice, regulated by the appropriate bodies and offered by professionally trained workers. There are over 100 church-based debt advice centres in the UK with more established every year. Some offer a five day a week service with paid staff while others are organised on a part-time basis staffed by paid workers or by volunteers. This ministry is as rewarding as it is needed and churches are encouraged to explore the possibilities for themselves.

The crucial thing to realise is that this is an area which demands time, commitment, professionalism and a lot of technical knowledge. This short paper outlines some of the areas that need to be considered as part of that process.

Debt Advice is a **professional activity regulated by the Office of Fair Trading** (see Paragraph 4.2) and all debt advisers should approach debt advice in a professional manner. There is a package of attitudes, skills and strategies (options) that are necessarily part of the debt advice process. Getting this package right through careful thought and preparation will guarantee consistency when dealing with clients and quality assurance.

The range of key skills will include interviewing clients when they present a debt problem, negotiation with creditors on behalf of a client, letter writing, dealing with the harassment of clients by creditors, budgeting advice and possibly accompanying a client to court if this is a service the adviser wants to offer.

Having a breadth of strategies will ensure that the debtor knows what their options are, the impact of each option and, with the help of the adviser, allows them to select the most appropriate strategy for them.

1.1 Important warning:

Debt advice or counselling that is undertaken **must not** be confused with the type of work that is normally undertaken by Financial Advisors. Much of the work that Financial Advisors carry out is regulated by law. This will include advising on residential mortgages, pensions, life assurance and endowment policies. Likewise, advising on general insurance (such as home or car insurance) is also regulated by the Financial Services Authority. If the debt advice given encompasses any actions in relation to these products (such as re-mortgaging or cashing in an endowment policy), the debt counsellor will need to be authorised and regulated by the Financial Services Authority. **Giving advice on a regulated activity without authorisation by the FSA is a criminal offence.**

For a list of regulated activities, readers are referred to:

http://www.fsa.gov.uk/Pages/Doing/Do/index.shtml

It is always open to the debt counsellor to refer their client to an appropriately authorised and regulated advisor for further help provided that in doing so the counsellor is not giving financial advice or making a recommendation.

2 A calling from God

The first and most important thing is to have a clear calling from God. It is no good getting stuck in just because you think it's a 'good idea' or you see it as a way of winning people to Christ. To have integrity and real impact a debt advice centre must offer a quality service with no strings attached. It is an opportunity to be actively involved with serving the poor and needy within the local community. As with Jesus' healing of the 10 lepers, there will be great joy over those who find Christ as a result of this ministry. But those who do not will leave the church feeling valued, affirmed, helped and set free through their experience of this Christian ministry.

If you feel that debt advice is for you, it is vital that you talk it through with your church leadership at an early stage. You will need their permission, covering and backing. Debt advice can be extremely rewarding but it is also very draining, so it is important to be able to draw on the support of a committed church. You could talk to the leadership about getting one or two of them actively involved, as this would enable them to identify with what the advisers experience. In addition, do not underestimate the financial implications of establishing a debt centre. Prepare a simple but robust financial plan to ensure that what you begin you can bring to completion.

3 Reference Sites / Local contacts

A good place to start is by visiting an existing debt advice centre as this will help you to crystallise exactly what you are aiming towards. It may be helpful to visit both Christian and secular advice agencies if possible. Contact Stewardship who can help put you in contact with a church-based debt centre. Somehow you either catch the vision and run with it or you conclude that debt advice really isn't for you; it would be as well to discover this before you are too committed! Alternatively, you could get plugged into a comparable service if it is already offered locally rather than setting up your own centre.

Secondly, talk to people in related services locally as this can give you more of a feel for what may be involved. It may be useful to talk to the local council, Citizens Advice Bureau, Job Centre and Benefits Agency and the County Court. It also means that they will get an idea of what you are hoping to achieve. You may even be able to tap into some of their resources. Don't always expect to get a favourable reaction from the outset. Sometimes you may need to prove you are taking the provision of debt advice seriously and setting about it in a professional manner before they warm to you. It may be that you are welcomed with open arms; many centres have found doors opening to them. So be brave and ask around: you never know what doors might open.

4 Good Practice

Each debt centre will rightly have its own feel, approach and way of doing things. But remember that debt advice is a professional and regulated discipline so there are things that you simply need to do.

4.1 Good practice guidelines

The Institute of Money Advisers (IMA) has a code which outlines very clearly many aspects of good practice. The IMA encourages membership for individuals, and organisations giving debt advice. Details can be found on their web site. Their contact details are:

Institute of Money Advisers (IMA)
Stringer House, 34 Lupton Street, Hunslet, Leeds, LS10 2QW
Tel: 0845 094 2384
Fax: 0845 094 2175
Email: office@i-m-a.org.uk
Website: www.ima.org.uk

The Office of Fair Trading (OFT) has also issued guidance on good practice for Debt Management companies and also the free advice sector. Their contact details are:

Office of Fair Trading
08457 22 44 99
www.oft.gov.uk

4.2 Consumer Credit Licence

Anyone who gives debt advice needs to be licensed by the Office of Fair Trading (OFT). The licences you will need are Category D2 Non-commercial debt adjusting and Category E2 Non-commercial debt counselling.

This is free to charities and the main requirement is that anyone named on the application form must not be a discharged bankrupt.

As you do not need to pay a fee you will need to download and complete a printable copy of the application form from the OFT website at http://www.oft.gov.uk/advice_and_resources/resource_base/credit-licence/forms.

4.3 Professional Indemnity Insurance

Professional Indemnity Insurance is needed by all debt counsellors.

It should be noted that any financial advice (e.g. changing a mortgage provider) or taking over responsibility for a client's debts should be avoided and will not normally be covered by this insurance. See Important Warning at Paragraph1.1 above.

Many organisations offering free, independent advice join AdviceUK which links over a 1000 free independent advice agencies – over 300 of these offer debt advice. Advice UK can provide professional indemnity insurance at reduced rates. Their contact details are:

AdviceUK, 6th Floor, 63 St Mary Axe, London, EC3A. Tel: 020 7469 5700; Fax: 020 7469 5701.

4.4 Volunteers

Early on, you will need to call for volunteers as the number of people interested will determine the scope, type and hours of advice that you are able to offer. There are different ways of asking for volunteers and you will need to decide what is going to work best for you. You may wish to hand pick those you feel are suitable and ask them to consider involvement or alternatively, you could give a general call for volunteers.

Consider asking other local churches if they would like to be involved in a joint project. This is a good option where resources are limited, especially in a church with few members or where many are committed to other projects. Working as a joint project with several churches is a great way of showing a united church to the local community.

Once you have an idea of numbers, you will need to establish their availability and also their strengths. Some may wish to be involved with administration whereas others may want to be more involved with the face-to-face advice to clients. The issue of volunteer retention and turnover also needs to be considered.

4.5 Training

Any individual who is a member of a Citizens Advice Bureau or the Institute of Money Advisers and / or whose organisation is a member of Community Money Advice or registered with Advice UK can take advantage of Money / Debt Advice training which is run by the Money Advice Trust (MAT). They run a number of excellent professional courses starting with a generalist Money Advice course. They also provide a full range of advanced courses, e.g. Debts in the County Court, Bankruptcy, Mortgage debt, Council Tax Debt, Consumer Credit Act. They also have a web site with plenty of help and support for debt advisers. Their contact details are:

Money Advice Trust, Bridge House, 181 Queen Victoria Street, London, EC4V 4DZ www.wiseradviser.org

Child Poverty Action Group (CPAG) also run a number of courses including debt and benefit training. For contact details see paragraph 4.8 below.

Birmingham Settlement runs a range of courses which individuals can join. They can be contacted on 0121 248 3026 or www.birminghamsettlement.org.uk.

Stewardship runs training courses in "personal budgeting". Details of these can be found on our web site at www.stewardship.org.uk/money. This training includes some practical one-to-one interviews.

Each adviser should have a training plan which highlights what training they need and when and how that training will be delivered.

It is helpful to do plenty of role-play and mock interviews before you open. This can be a very effective way of learning good and bad interview techniques in an unintimidating environment.

4.6 Opening times and premises

If all your volunteers work full-time then practicality dictates that you will have to open during evenings. You will need to be both flexible over the hours that you offer and willing to adapt to suit your clients' and volunteers' needs. The important thing is consistency. You don't want people to turn up to a drop-in centre only to find it is closed for the evening. They probably won't come back.

When you know who is going to be involved and you have a rough idea of the core hours your centre will open, you will need to decide where you are going to operate. It is good practice to interview on neutral ground and never from an adviser's home. If home visits are to be made, care will need to be taken in ensuring that more than one person visits and that gender issues are addressed.

Often church offices make an ideal base for a debt advice centre. You will need a small room for interviews, preferably with a good supply of fresh coffee together with a large box of tissues. You may also wish to have some leaflets about the church(es) and church activities on display. It is also useful to have some office space, separate from the interview room, with a lockable filing cabinet, a very well-stocked bookcase, a desk, a dedicated telephone, a password protected PC, calculators, stationery, stamps, a document shredder and access to a photocopier. You will need to consider access for any disabled clients. It is crucial you provide a welcoming environment for all your clients, where tea and coffee are available to help break the ice. In addition, comfortable chairs in the interview room can help make the setting less formal and consequently less intimidating for your clients.

4.7 Data Protection

If you handle 'personal information' relating to any individual, whether on computer or otherwise, you are required by law to comply with the Data Protection Act. This includes 'notifying' the Information Commissioner that you are processing information, processing that information in accordance with the eight data protection principles of the Act and answering subject access requests from individuals.

Further information can be found at www.ico.gov.uk/for_organisations.aspx

4.8 Reference Material

There is a whole range of reference material that advisers will need to keep to hand covering subjects such as debt advice, benefits etc.

The "Debt Advice Handbook" 8th Edition can be ordered direct from Child Poverty Action Group (CPAG), 94 White Lion Street, London, N1 9PF (020 7837 7979). It can also be ordered from local bookstores or borrowed from some libraries. Their web site is www.cpag.org.uk.

The adviser will also need a list of contacts where they can get additional information to help the client, e.g. Insolvency practitioners, resources for specific groups – students, retired, children, single parents etc, details of government / regulatory departments benefit helplines, local support groups, local CAB etc. Training courses and networking will help identify sources of this material.

4.9 Policy Statements

It is useful to think about specific policies and procedures that you will adopt in certain circumstances. A code of practice will enable your clients to know what to expect from all the advisers. You will also need to consider having a complaints procedure, an equal opportunities policy and a confidentiality policy. The latter refers to the legal issues around disclosing information to a third party without the client's consent.

Sample copies of policies are readily available and AdviceUK have some clear guidelines as to how to draw these policies up on their website www.adviceuk.org.uk

It can be argued that those clients asking for debt advice are "vulnerable" and centres should consider having a vulnerable adult policy which would include getting CRB checks for volunteer and employed members of staff over the first year of operation.

4.10 Stationery and Case Recording

The professional debt adviser will need effective administrative systems. This will include things like computers, stationery, budget packs, standard letters and case recording. There are a number of software packages like PG Debt **9** which is a professional programme which can be used by case workers. Details can be obtained from:

PG Computing Limited on 01295 690647 or www.pgcomputing.co.uk.

Whether you use an electronic system or not, the key items to get right are the forms that you will use during the initial interview and immediately afterwards in order to write the case up. Keep blank, made-up files stored at the front of your filing cabinet so that you can grab one when a new client comes in. Each file should contain a copy of your contract, a problem summary sheet, a blank financial statement, several authorisations, creditors' lists and a progress report. There are sample forms and letter templates in the back of the CPAG Debt Advice Handbook.

The British Bankers Association and the Money Advice Trust have developed a common budget pack and financial statement. These can be obtained from the MAT web site (see above). The Common Financial statement is incorporated into PG Debt v9.

You will need to consider your identity, as it is important when contacting creditors that you appear as a professional body. You could look at having a logo that will tie you into the church(es) of which you are a part and which you can then have printed on your stationery.

The debt advice centre will also want to monitor the effectiveness and quality of the debt advice given.

4.11 Referral

The professional debt adviser will also know where to refer the client should they need specialist help or specific information on a range of topics including benefits, Bankruptcy, County Court process etc. You will need to gather this information locally by talking to other professionals and doing active research yourself. Over time you will build up this information and will quickly become very confident about making referrals.

4.12 Commitment to Social Policy

A professional debt adviser will not allow the same problem to affect adversely the lives of countless users or potential users, but will make known the lessons which can be learnt from his or her work to as wide an audience of policy makers as possible.

4.13 Money Education

Money Education is key to help prevent people getting into debt in the first place. Professional debt advisers will look for ways to provide prevention as well as cure. This is why organisations like Stewardship and Credit Action have produced a range of money education materials. Details can be found on their web sites www.stewardship.org.uk/money and www.creditaction.org.uk.

4.14 Funding

Debt advice should be free, independent and impartial. To enable this funding will need to be secured to set up a debt advice centre, train advisers and fund the ongoing day-to-day running costs. Salaries are a major cost if you are thinking of using paid staff. Do not underestimate the scale of the funding challenge and have a clear funding strategy in place. If you fail to do this then much time and energy that should be given to clients will be soaked up by funding worries.

4.15 Promotion and publicity

Once you have a start date you will need to think about how you are going to promote yourselves and who you are going to contact. Putting leaflets in places like local churches, the local Job Centre, library, town hall, doctors' and MPs' surgeries, solicitors' offices, local county court, local shops, post offices and churches is a good place to start. Make sure your telephone number is in the Yellow Pages, as you will pick up a number of clients that way. Be careful not to overdo the publicity, as you do not want to be flooded out from the outset! If you are not getting a good response, consider targeting local housing estates and also talk to Social Services.

4.16 Opening date and set up time

Set a date for opening quite early on in the proceedings and try to stick to it. Don't make it too far in the distance as you may find volunteers lose their initial enthusiasm. It could take several weeks after you have opened before you see many clients so this is an ideal time to practise scenarios, work through office procedures, get to grips with any software you have installed and generally get used to working together.

To set up a debt advice centre and to provide initial training for advisers will probably take between 6 – 12 months. There should not be more than 8 weeks or so between the start of training and opening. This helps to ensure that the training is still fresh in the minds of the volunteers when they see their first client.

5 The next steps

Debt is a big problem and meeting the need is a big challenge. If this ministry is for your church you will need to attend to the issues outlined in this paper. But be encouraged that you are not alone. Stewardship can provide a consultancy service to help you make the first steps. Contact us on 020 8502 8585 or by emailing education@stewardship.org.uk. Stewardship works alongside two Christian organisations which specialise in helping churches set up a debt advice centre:

1) Community Money Advice (CMA), Cobblestones, Minsterley, Shrewsbury, Shropshire, SY5 0BA. Telephone 01743 790909; www.communitymoneyadvice.com

A national charity dedicated to supporting, training and resourcing churches wanting to give debt advice and those churches that are already actively giving advice.

2) Christians Against Poverty (CAP), Jubilee Mill, North Street, Bradford, BD1 4EW. Telephone 01274 760720; http://www.capuk.org

A national charity releasing people from debt and poverty through debt counselling, practical services and financial education.

3) Credit Action, 2 Ridgmount Street, London, WC1E 7AA. Telephone 0207 436 9937; www.creditaction.org.uk

Finally, as the old saying goes: pray as if it all depended on God; work as if it all depended on you. This ministry will bear rich and lasting fruit in the lives of clients and in the ministry of the church that seeks to be faithful to the ministry of Jesus.

The spirit of the lord is upon me
Because he has chosen me to bring good news to the poor.
He has sent me to proclaim liberty to the captives
And recovery of sight to the blind;
To set free the oppressed
And proclaim the year of the Lord's favour (Luke 4:18-19)