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Lord Stevenson of Balmacara, Lord Lucas and Baroness Coussins
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23 March 2021

Dear Lord Stevenson, Lord Lucas and Baroness Coussins

Financial Services Bill – Statutory Debt Repayment Plan (SDRP)

Thank you for your constructive engagement during the Grand Committee discussion of Clause 34 of the Financial Services Bill, which relates to the Statutory Debt Repayment Plan (SDRP). The debate raised a number of questions about how the SDRP would work in practice.

I committed to write to Lord Stevenson regarding the funding for the scheme, and to Lord Lucas about the design of the scheme. Given your Lordships' interest, I would also like to take this opportunity to provide more detail on the Government's plans for implementing the scheme.

As you know, the SDRP will be a new debt solution for people in problem debt and will provide a revised long-term agreement between the debtor and their creditors as to the amount owed on their debts and a manageable timetable over which they have to be repaid.

Clause 34 of the Financial Services Bill makes specific amendments to the Financial Guidance and Claims Act 2018 (FGCA) so that the SDRP may function as intended. Neither Clause 34 nor the FGCA set out detailed matters of policy or implementation regarding the SDRP. These details will, appropriately, be set out in secondary legislation. These regulations will be subject to the affirmative resolution procedure, so that Parliament is able to debate and scrutinise them.

The Government's June 2019 consultation response ('Breathing Space Scheme: response to policy proposal, June 2019') explains the Government's policy intentions for the SDRP. This work is a priority for the Government, but, as that consultation made clear, complex policy and operational issues remain outstanding. The Treasury is currently working on drafting regulations for the SDRP and, as the Government has previously confirmed, intends to consult on these as soon as possible after the Financial Services Bill receives Royal Assent.

Alongside the process of drafting and finalising regulations, the Treasury will also need to work with the Insolvency Service and others to implement new IT systems and develop scheme guidance to aid stakeholders in implementing the policy. It is important to give stakeholders adequate time to prepare, so it is proposed to allow an 18 month implementation period after the regulations have been laid.

Accommodating the necessary processes highlighted above, the Government expects that the SDRP will be implemented in 2024. Further, I can confirm that the Government will aim to lay the regulations to implement the SDRP by the end of 2022, which it considers to be the earliest practicable date for doing so, allowing the necessary time to consider the input of the wide range of stakeholders that will be affected, and to ensure that the scheme operates effectively.

I hope this reassures noble Lords that the Government's work will proceed at pace.

The Committee also raised several policy questions, some of which were addressed in the June 2019 consultation response, and I am happy to reaffirm the Government's current view on them.

During the debate, Peers asked whether people with a SDRP would be protected from enforcement action, particularly action by bailiffs. The consultation response explains, for example, that debtors are expected to be protected from most creditor enforcement action during an SDRP, including action by enforcement agents including bailiffs. This remains the Government's position.

The consultation response also proposes that the widest range of personal and business debts should be eligible for inclusion in an SDRP, including financial services debt, household bills, local government and – to respond to the specific question raised in the debate about debts owed to the Crown – it will also include debts owed to central government.

Peers were interested in who would be able to offer an SDRP. It is envisaged that only debt advice providers with appropriate authorisation from the Financial Conduct Authority (FCA) will be able to offer an SDRP, unless they are a local authority which offers money advice and is exempt from FCA authorisation. Debt advice providers will not be able to charge a fee to debtors for accessing an SDRP. These provisions mirror the breathing space scheme, which has already been legislated for.

In addition, I committed to write to Lord Stevenson with further detail on the proposed funding arrangements for the SDRP. As set out in the 2019 consultation response, the Government intends for the administration costs of the SDRP to be funded by deducting 10% from debtors' monthly repayments, of which 8% will be provided to the debt advice provider, 1% to the Insolvency Service and a further 1% to the payment distributor (which may also be the debt advice provider or Insolvency Service in some cases). This proposed 10% fee is expected to be sufficient to cover the costs of administering the SDRP by the parties involved and will ensure that the scheme remains sustainable for them to operate, while also providing fairness to creditors. The Government will of course keep this under review.

Lord Stevenson also commented on how the proposed level of funding for the SDRP compares to the funding some debt advice providers currently receive from Fair Share. I appreciate the concerns raised about the current debt advice funding model and its interactions with the SDRP. The SDRP will be a statutory solution covering a wide range of debts, while Fair Share is a voluntary agreement between debt advisers and some creditors. Direct comparisons between the two models are limited. While the Government has naturally considered Fair Share funding levels while designing the SDRP's funding mechanism, the intention is not that the percentage deducted from the SDRP should exactly mirror Fair Share.

On the broader issue of funding for the debt advice sector, the Government recognises the importance of providing a strong financial footing for the sector, and has agreed record levels of funding for the Money and Pensions Service (MaPS) in recent years, including an extra £37.8 million COVID-19 support package agreed last June, which brought the budget for free debt advice in England to over £100 million this financial year. The Government also continues to work alongside MaPS, the FCA and debt advice providers to fully understand the long-term impacts from COVID-19, and more specifically, to understand the capacity within the sector and future funding required to maintain debt advice for those who most need it.

I can assure you that the Treasury will be closely engaging with the debt advice sector, creditors and regulators throughout this process to ensure the SDRP works as intended. The Treasury is also keen to build on existing practice in the Debt Arrangement Scheme in Scotland and continue to engage closely with officials there.

I hope this reply has been helpful in addressing the points you and other noble Lords have made. I would be happy to meet to discuss the matter further ahead of Report, if that would be welcome.

I am copying this letter to everyone who spoke at the debate on 3 March, and I am placing a copy of this letter in the Library.

A handwritten signature in black ink, appearing to read 'True'. The signature is written in a cursive style with a long horizontal stroke at the beginning.

Lord True CBE