

# Consultation Response



## BIS Consultation Document: Apprenticeships Levy

Response from StepChange Debt Charity

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I am responding on behalf of an organisation.

Charity or social enterprise ✓

Employer over 250 staff ✓

UK wide ✓

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We are an independent charity dedicated to overcoming problem debt. Our advice and solutions are effective, tailored and importantly, free. Foundation for Credit Counselling, Wade House, Merrion Centre, Leeds LS2 8NG. Company No 2757055. Charity No 1016630. [www.stepchange.org](http://www.stepchange.org)

## **Background**

StepChange Debt Charity is the UK's largest specialist provider of free, independent debt advice. In 2014 we provided bespoke debt advice to over 300,000 individuals with serious problem debt. StepChange Debt Charity employs over 1200 staff in centres across the UK, working towards our charitable objectives of:

- providing and creating greater awareness of free debt advice
- championing the cause of people who are in, or at risk of, problem debt
- enhancing people's financial understanding to better manage their money and debts

Our response focusses on the scope of the levy, based on the financial model of a not for profit charitable organisation; answering questions on the redistribution of the levy (Q4 & Q5); and the quality of training element (Q14-19).

## **Scope**

1. The proposed levy will impact on StepChange Debt Charity's ability to fulfil our charitable objectives, due to the cost it will have to the debt advice service we provide. As a not for profit organisation, spending is directed towards our charitable objectives mentioned above. Any levy will take funding away from this key objective.
2. Based on a rate of 0.5%, the levy would cost StepChange Debt Charity over 4,000 debt advice sessions per year to households with severe problem debt. That is over 4,000 fewer households supported away from the vast social and financial costs stemming from problem debt, and supported back to full time employment.
3. StepChange debt advice provides our clients with a route to getting back into full time employment, as well as reducing the stress and emotional burden people face. Anxiety and other factors can undermine employment productivity, prolong unemployment and lead to people losing their job. These issues stemming from problem debt have led to additional employment costs of £2.3 billion to the UK<sup>i</sup>. 43% of people with problem debt have been unable to concentrate at work, and 15% arrive late or take more time off due to debt worries<sup>ii</sup>.

The levy would reduce the funding we could allocate to providing debt advice by over 4,000 advice sessions a year, limiting the impact we can have in mitigating these significant UK productivity and employment costs.

## **Redistribution and funding**

4. Our financial model, as with many charitable organisations, is based largely on voluntary contributions. These are provided with the aim of aiding our charitable objectives of supporting those in severe problem debt. This levy would divert

funding away from our charitable work and towards companies including those run for profit or for private benefit. In the case StepChange Debt Charity that would also include funding from regulated statutory bodies.

### **Providing quality training**

5. As a provider of bespoke debt advice to over 300,000 individuals a year, our staff base is large and highly skilled. As an employer we are therefore required to invest substantially in staff training. Our in-house training academy typically provides six to eight weeks of training debt advisers before they are able to advise clients, to ensure they are able to deal with the complex issues our clients face. It is therefore not clear how we would benefit from the apprenticeship scheme given that comprehensive training already exists. Our ability to provide this training is central to what we do as a charity.

### **Summary**

One We urge the Government to exempt the charitable and not-for-profit sector from the scope of the levy. Payment of a levy will require spending to be diverted away from:

- a) our charitable objectives and;
- b) will necessitate voluntary contributions for charitable aims to be redistributed to organisations run for profit or private benefit.

Two Problem Debt costs the UK £8.3 billion<sup>iii</sup>. It impacts on individual's mental and physical health, their ability to work, and ultimately their productivity. The debt advice we provide mitigates these costs for over 300,000 people a year. Funding away from this will have a cost to the UK labour market.

Three As a provider of bespoke debt advice, we already provide comprehensive training for our staff. Spending on the proposed levy would divert from the training we already provide.

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<sup>i</sup> [‘The £8.3 billion challenge: the social cost of problem debt in the UK’](#). StepChange Debt Charity & BakerTilly, 2014.

<sup>ii</sup> [‘Held Back by Debt’](#). StepChange Debt Charity, 2015.

<sup>iii</sup> [‘The £8.3 billion challenge: the social cost of problem debt in the UK’](#). StepChange Debt Charity & BakerTilly, 2014.