

# Breathing Space and Statutory Debt Repayment Plans – Our take on the Government’s proposed scheme

## Summary

On 29 October 2018, as part of the Budget, the Treasury published its proposals for a new ‘Breathing Space’ scheme and statutory debt repayment plans.

The Government’s proposals will protect people in temporary difficulties from the drivers of worsening debt, giving people time and space to recover from a temporary setback and get back on their feet. This is a game-changing protection for people in problem debt that StepChange Debt Charity, along with charities and Parliamentarians from all parties, have long campaigned for.

The Government’s plans involve two separate but related schemes – these are the initial Breathing Space and the statutory repayment plan. The initial Breathing Space will give struggling households a legal freeze on interest, charges, collections and enforcement action while they seek advice and find a suitable and sustainable solution for their problem debt. The statutory repayment plan (‘the plan’) provides these important protections to help households who are able to repay debts over a reasonable period.

StepChange Debt Charity believes the Government’s plans will help stop the cycle of worsening debt that scars so many lives and instead put people on the road to financial recovery.

- Breathing Space and statutory plans will help people manage short-term shocks to their finances and regain control of their situation.
- Both schemes will cover debts to local authorities and central government. The Treasury Select Committee highlighted the importance of this and we are very pleased that the Government has taken this on board.
- The Government’s plans will have long-term social benefits, helping to reduce the impact of debt on people’s mental health, and encouraging people who need it to seek advice at the appropriate time.

This briefing sets out what we think are the main positives from the Government’s proposals and raises questions on aspects of the detail where we think more thought is still needed. We look forward to continuing to work with Government on these issues.

**If you have any questions, or would like further information, please contact Mark Haslam, Senior Parliamentary and Public Affairs Officer, StepChange Debt Charity, on [mark.haslam@stepchange.org](mailto:mark.haslam@stepchange.org) or 020 7391 4584**

## Main benefits of the Government's proposed scheme



**Breathing Space offers the right kind of protections.** Breathing Space and statutory plans offer broadly the right protections from the main drivers of worsening debt. There will be a freeze on interest and charges and no new court or bailiff enforcement action can be started; indeed, for people on statutory plans, *all* existing debt recovery actions will be suspended.



**Government debts will be included by the scheme.** Breathing Space and statutory repayment plans will cover nearly all debts to local and national government. This is something we strongly believe is necessary and was called for by the Treasury Select Committee and Parliamentarians in both Houses. We will continue to work with Government to ensure debts excluded from the scheme are also dealt with affordably.



**Recovery space protection for people with mental ill health.** People receiving NHS treatment for a mental health crisis will have a tailored route to access Breathing Space. There will be no limit on how frequently Breathing Space can be accessed through this route, and the protection will last so long as an individual is under the care of an NHS crisis team. This is another significant improvement to the scheme that charities and Parliament worked to secure.

## Questions on detail



**Better help for people whose prospects will improve.** The Government has extended Breathing Space from the 6 week manifesto commitment to 60 days of initial protection. It aligns with FCA rules and extends a strengthened protection to a wider range of problem debts. This is welcome. However, our experience tells us that sometimes people need a longer period of time to get through the debt advice process and into a long-term solution for their debts. For instance, in some cases, people will only be able to make token payments before their recovery allows them to set up a long-term repayment plan. In other cases, people might need continuity of protection towards other long-term debt solutions. We therefore want to work with the Government to ensure the statutory plan element allows for low-start repayments, subject to review, in order to help people whose prospects are likely to improve on to that long-term path to resolve their debts.



**A public register would be a barrier to access.** The consultation proposes a register of individuals who are in the scheme's protections – but does not say whether this should be public or private. Our experience of the Debt Arrangement Scheme in Scotland suggests a public register can put people off choosing DAS as a solution for repaying their debts. While there is clearly a need for creditors to know if someone has entered either scheme, this should not deter financially vulnerable people from getting the protection they need.



**Protections for creditors are also important but should not be a barrier to help.** Creditors should not be able to obstruct a sustainable plan simply by insisting they are at the front of the repayment queue. For instance, we believe that if an individual's expenditure falls within the range already agreed as an industry standard, the presumption should be for the plan to be approved.



**Burdensome administration could increase costs on providers.** Breathing Space and statutory plans should be built on well-established approaches we have with creditors that are already effective. The Government should ensure administration of the scheme does not increase costs or divert funding away from the debt advice frontline. An independent review by Peter Wyman says the debt advice sector needs to grow 50% in the next two years to help all those who need it and to meet this challenge it's important for Breathing Space and statutory plans to be built on existing sector infrastructure where possible. We look forward to a close dialogue with Government on this going forward.