

The Debt Arrangement Scheme Review 2008

**Sharon Bell - Head of Policy
Accountant in Bankruptcy**

Introduction

- Provide background of DAS
- Findings to recent review period:
 - Creditors
 - Value of Debts
 - Approved Money Adviser
 - Features of Current DPPs
 - Level of debt
 - Repayment amounts
 - length of DPPs.
- Options for the future

Background

DAS was introduced in November 2004 as a debt management tool to allow the repayment of multiple debts over an extended period of time.

Take up of the scheme was limited and changes to DAS were introduced in June 2007. Amongst these changes were:

- freezing of interest and charges on debts included in a debt payment plan (DPP);
- Interest and charges are written off if the DPP is completed.

Other changes were made to improve the Administration of DAS.

The DAS Process

- The debtor speaks to an approved money adviser for advice
- The Approved Money Adviser will:
 - establish the debtor's level of debt and examine their income and expenditure;
 - agree an amount for repayment over a set period of time;
 - contact all the creditors to make them aware of the DAS application and seek their approval.
 - After 21 days, the programme will be approved or referred to the DAS Administrator

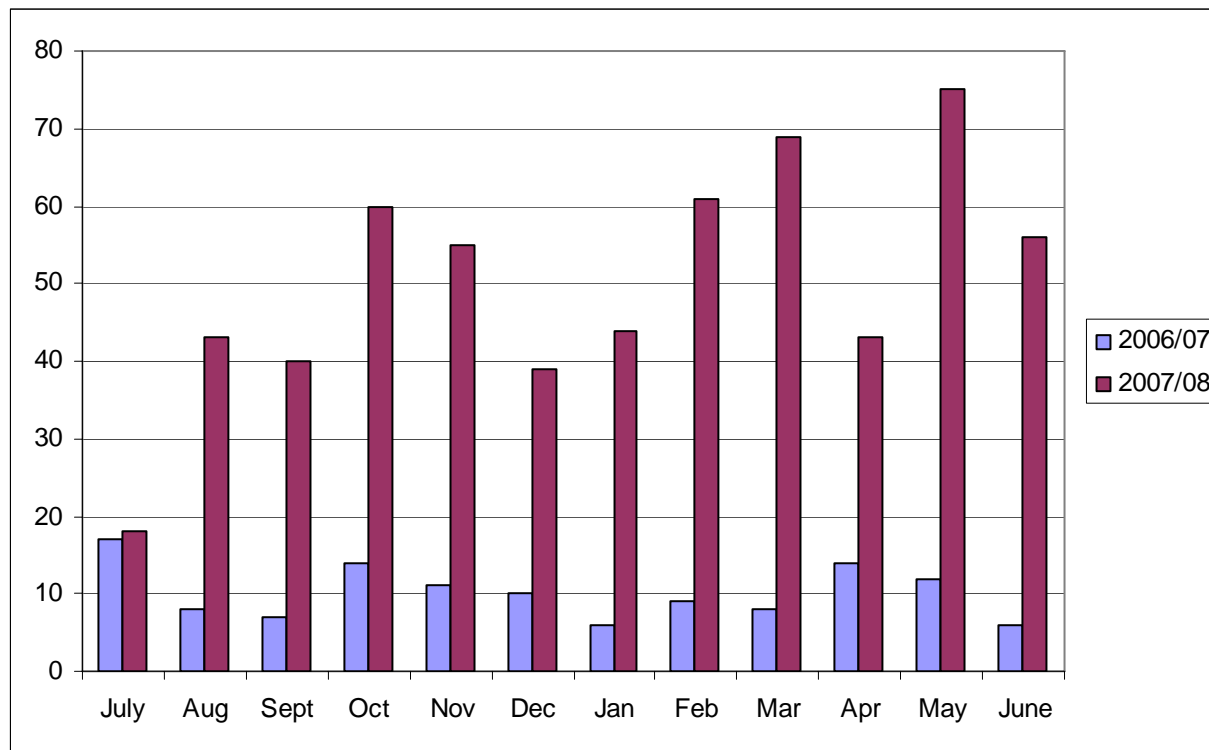


ACCOUNTANT
IN BANKRUPTCY
SCOTLAND'S INSOLVENCY SERVICE

Uptake of DAS

122 DPPs in the year prior to changes(2006/2007)

603 DPPs In the year after changes (2007/2008)



T 0845

460
WWW.AIB.GOV.UK

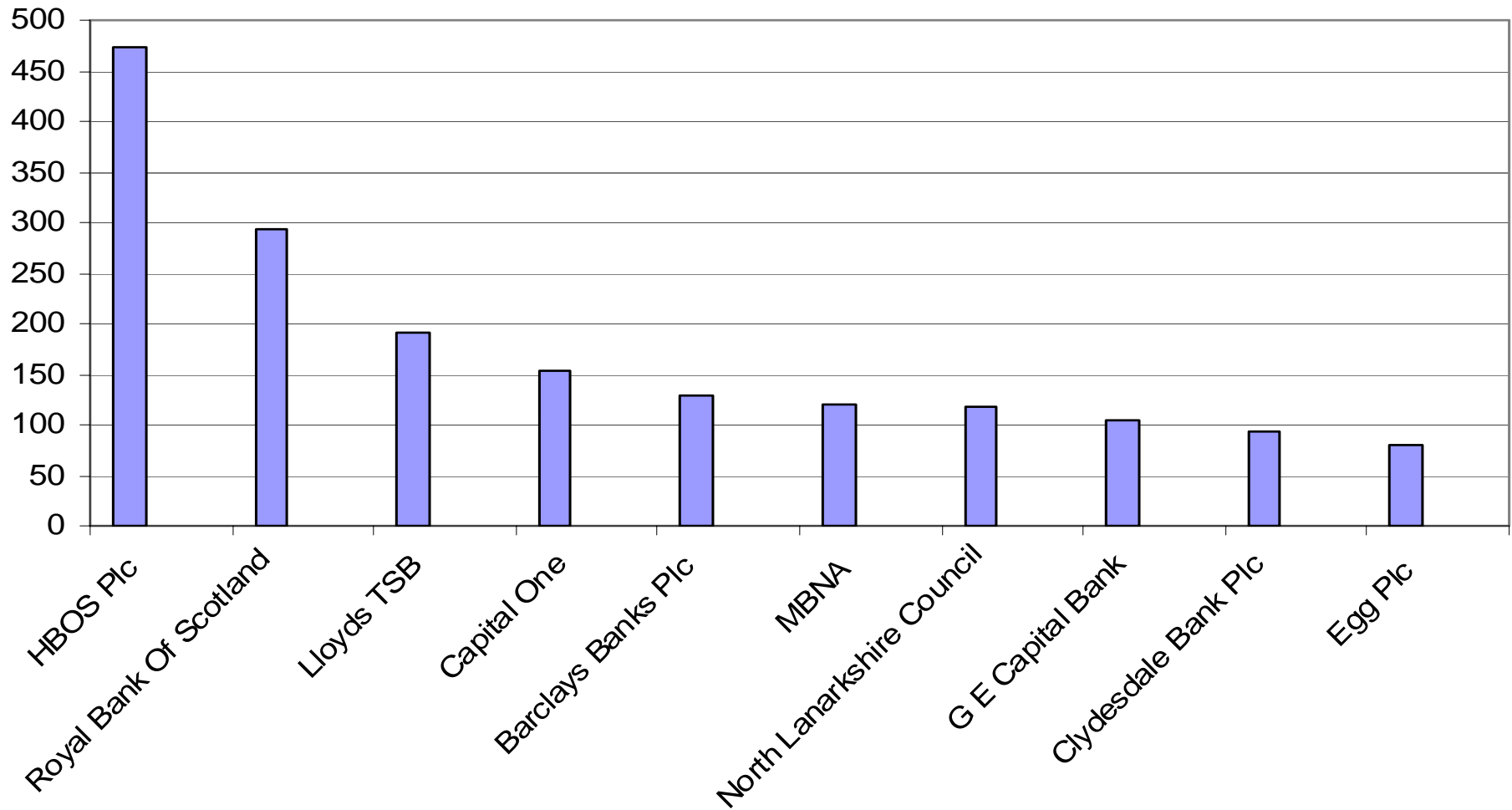
Findings

Creditors in DAS

Feedback from workshops raised some concerns:

- Creditors may not be engaging in DAS
- Automatic approval on 'deemed consent'
- Point of contact issues for both Money Adviser and creditors

Top 10 Creditors in DPPs



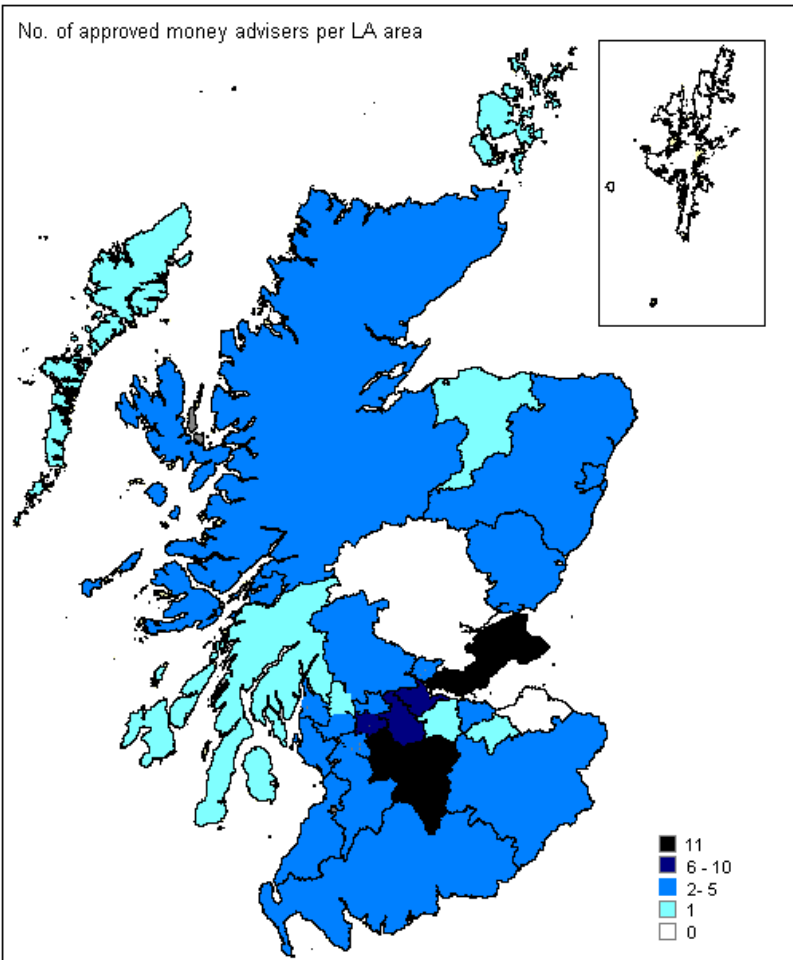
Value of Debts in DPPs

In the review period **3481** individual debts totalling **£13,068,500** were being repaid to **303** different creditors under DPPs.

Of the 3481 individual debts:

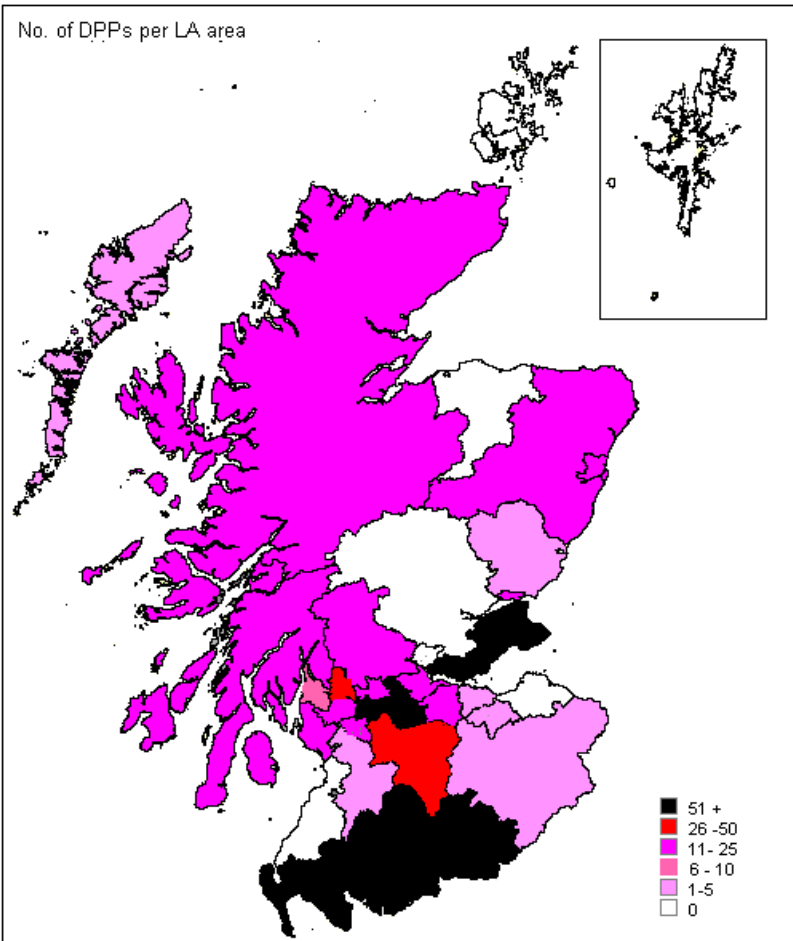
- 1637 (47%) were owed to the 9 banks listed in top 10 creditors
- 279 (8%) to Local Authorities including North Lanarkshire Council
- 36 (1%) to HMRC
- 1529 (44%) to all other creditors

Approved Money Advisers



- There are currently 107 approved money advisers in Scotland.
- 60% of approved money advisers submitted DPPs during the review period.

Geographical Variation of DPPs

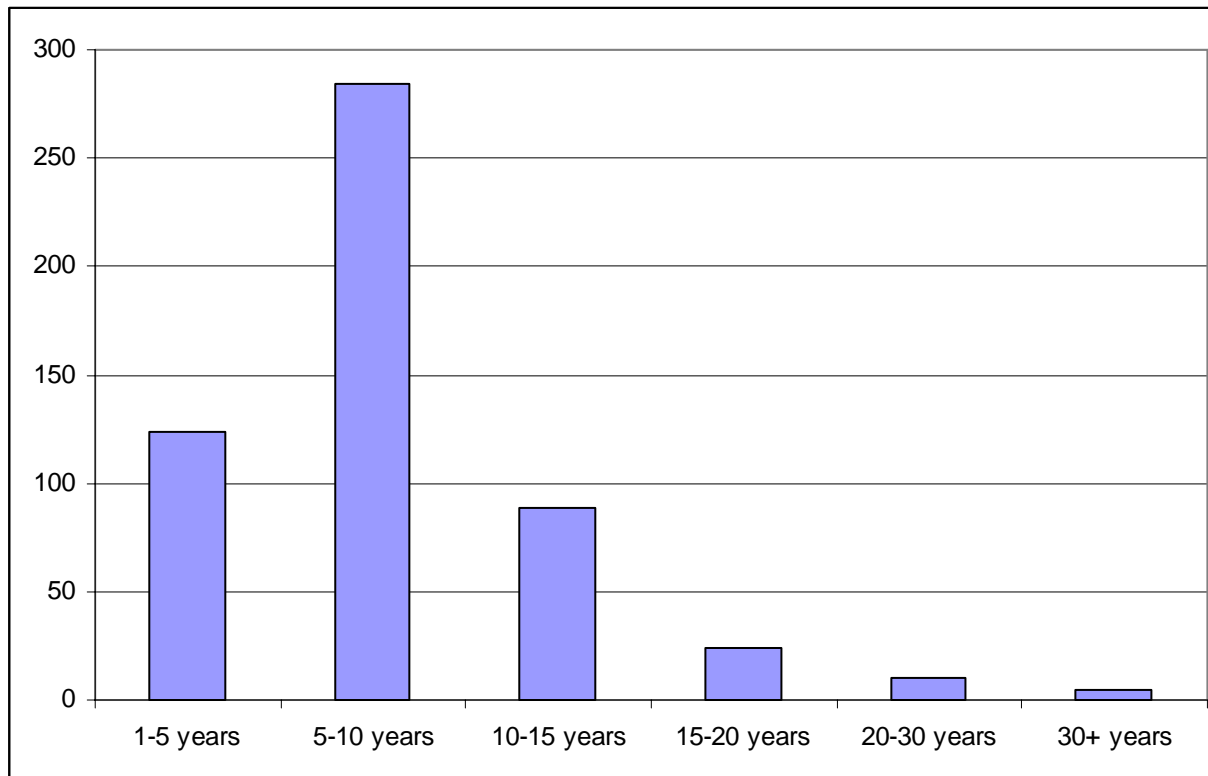


- Total of 32 local authority areas.
- DPPs in place for debtors living in 25 of the local authority areas.
- There were 7 areas where no DPPs were approved.

Length of DPPs

General rules regarding length of DPPs:

- 5 years plans are considered to be acceptable
- Plans of between 5 and 10 years are considered on an individual basis
- DPPs of over 10 years are unlikely to be accepted as fair and reasonable.



Examples of DPPs

- A 34 year old with a DPP of just over one year paying £462.68 per week for debts totalling £27,760
- A 60 year old with a 6.5 year DPP paying £792.26 ever 4 weeks for debts totalling £61,797
- A 36 year old with a 5 year DPP paying £565.77 per month monthly for debts totalling £31,416.89.

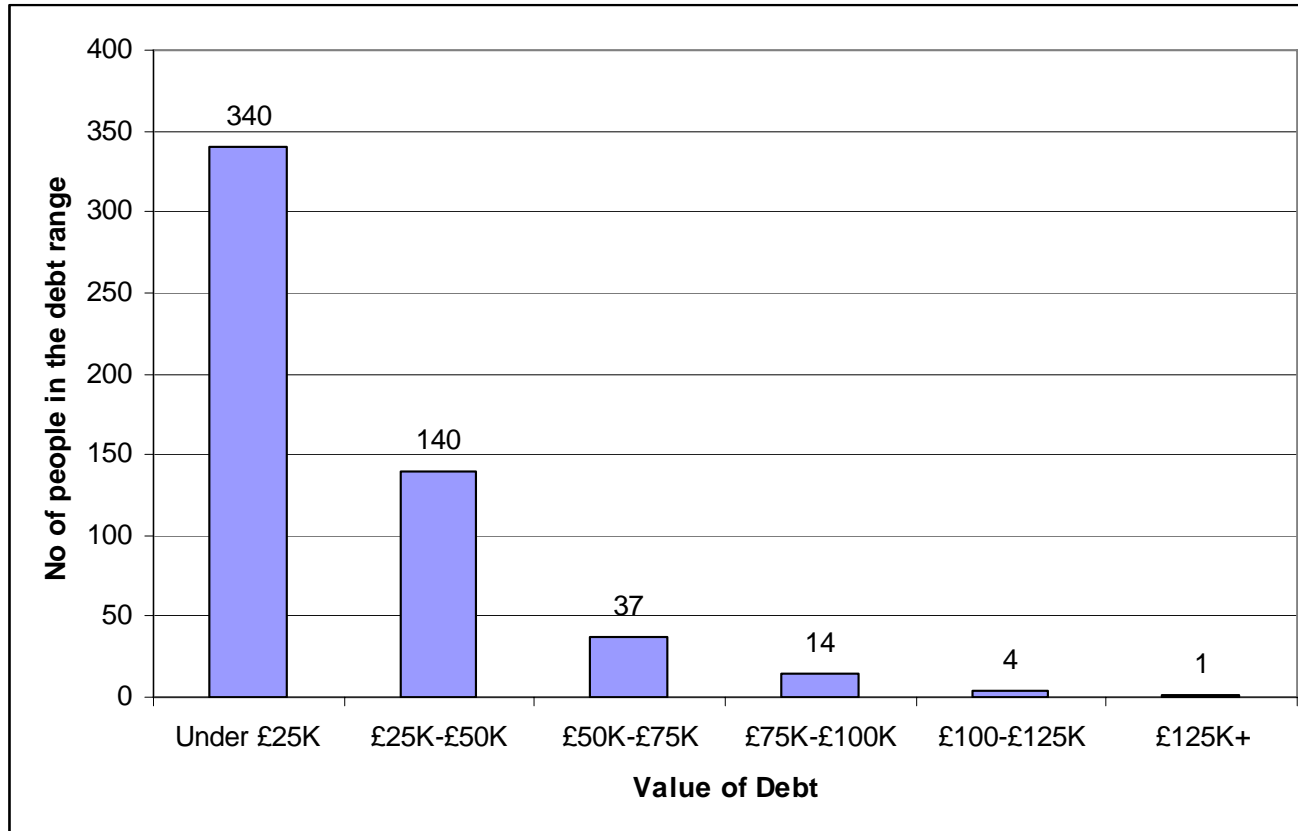
Examples of DPPs

- A 52 year old was automatically approved for a **40.5 year DPP** paying £18.00 per month for debts of £8,750.
- A **66 year old** was automatically approved for a **30 year DPP** paying £232 a month for debts of £84,200.
- An **84 year old** was automatically approved for a 10 year DPP paying £60 a month for debts of £7,560.
- A 50 year old was automatically approved for a 9.5 year DPP and is paying **£9.94** per month for debts of **£1,150**.

Number of DPPs by debt range

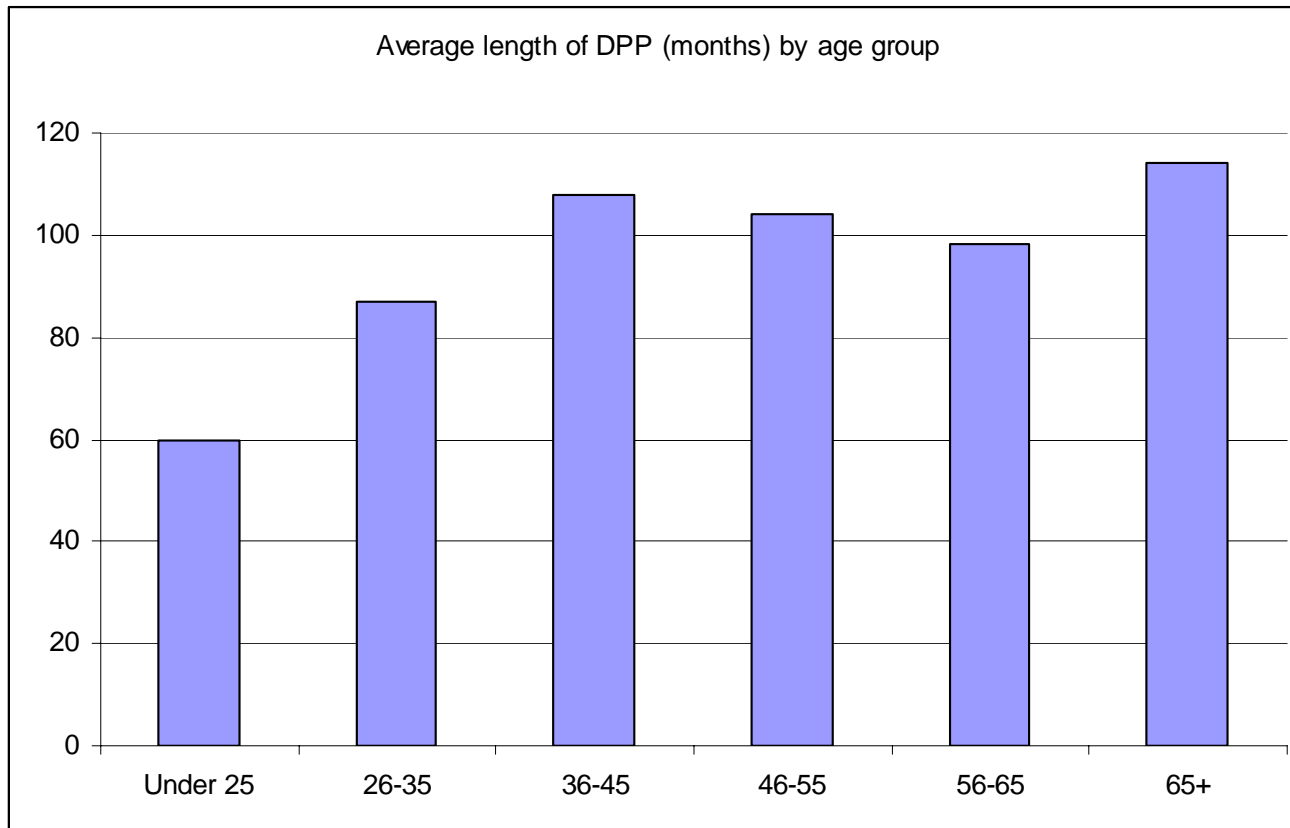
On average, debtors owe **£24,362** and DPPs are set up to run for 8 years and four months. Debts range from just over £1,000 to just under £130,000.

The average monthly payment in a DPP is £246. Payments range from just under £10 to around £1,500 per month.



Length of DPPs

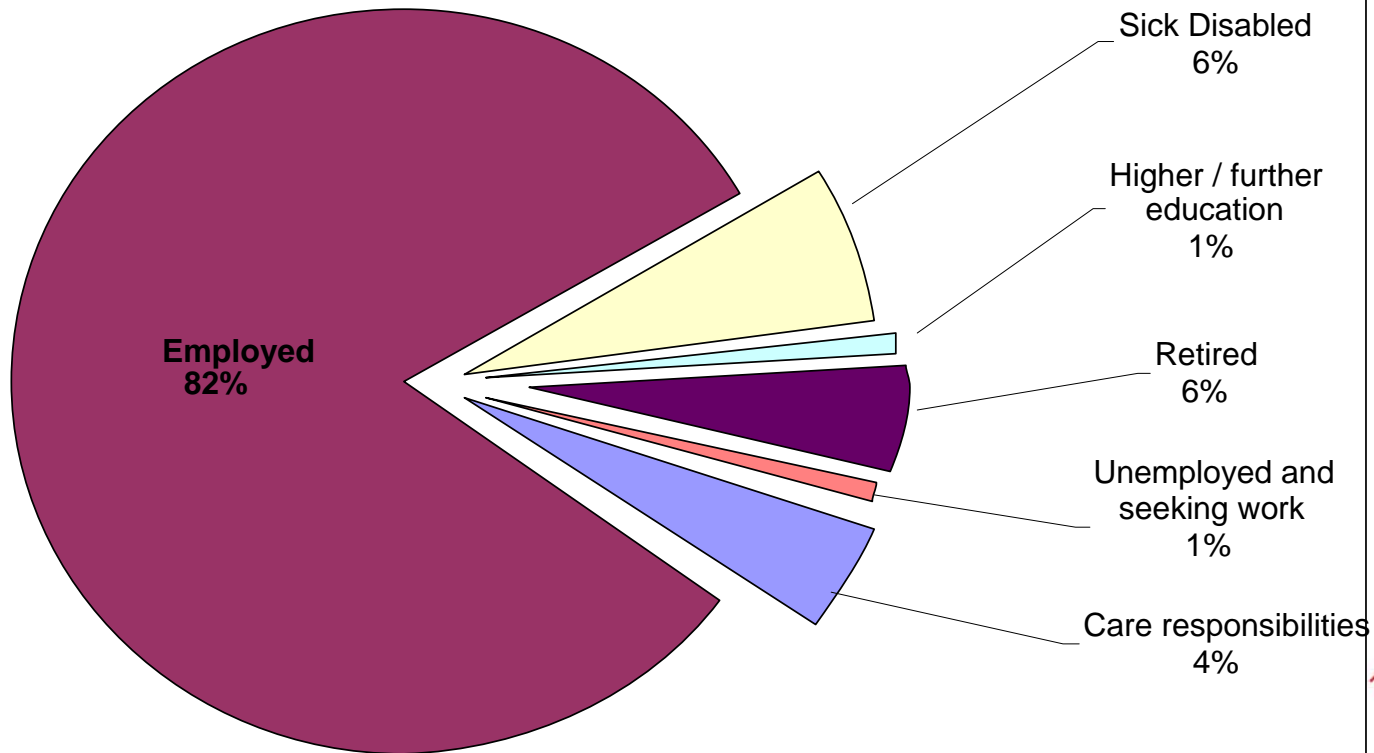
The shortest average DPPs are amongst the under 25s
The longest average DPPs are amongst the over 65s



Employment Status

The majority of people in plans, accounting for 82% of all DPPs in the review period, are in employment, either full or part time.

The other 18% of debtors have various income sources from state benefits to student loans and pension income.



AiB's View of DAS

AiB's View of DAS

- DAS works for debtors who have available funds;
- The uptake of DAS has improved as a result of changes;
- The number of people entering DAS is still not as high as anticipated;
- Usage of the scheme varies greatly from area to area across Scotland;
- Creditors are not fully aware of DAS and fail to engage with the process;
- Some excessively long DPPs have been approved.

The Future of DAS

Options

We have identified 5 options to develop DAS further:

1. Do Nothing
2. Abolish DAS
3. Mandatory Composition in DAS
4. Retain DAS gateway and move administration to the DAS Administrator
5. Remove DAS gateway and move administration to the DAS Administrator

Next Steps

- Further workshops with stakeholders
- Further involvement with creditors
- Resourcing
- Timetable for change
- Funding implications for DAS
- Ministerial decision

Questions?



T 0845 612 6460

WWW.AIB.GOV.UK