

DEBT SOLUTIONS: IMPACT OF DEBT ARRANGEMENT SCHEME and LILA

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POLICY DEVELOPMENT IN THE SCOTTISH GOVERNMENT

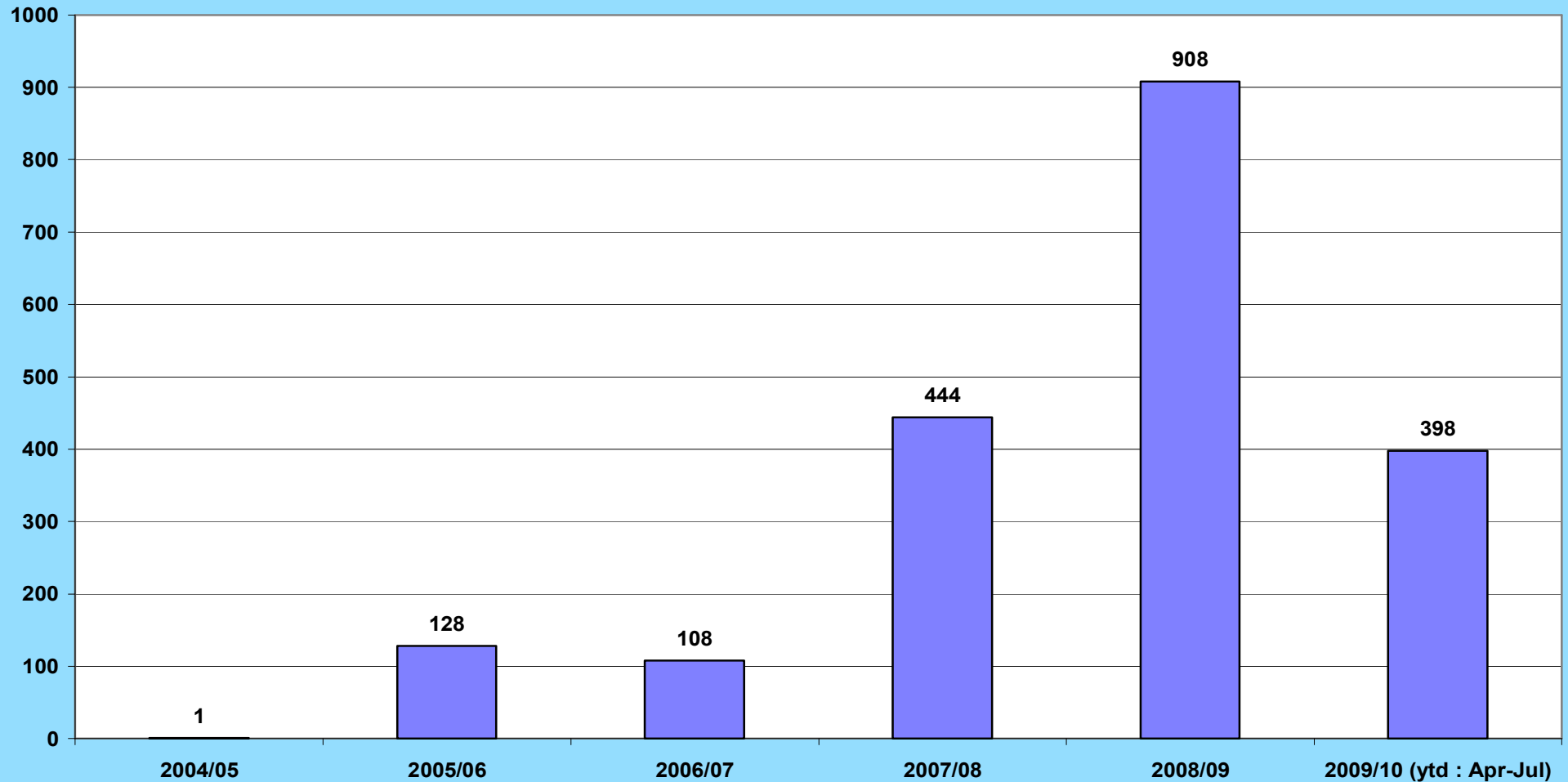
- > Legislative process
- > Consultations and responses
- > Focus Groups and feedback from stakeholders
- > Where are the gaps in the current debt solutions?
- > Reviewing other Countries solutions – sharing best practice

DEBT ARRANGEMENT SCHEME (DAS)

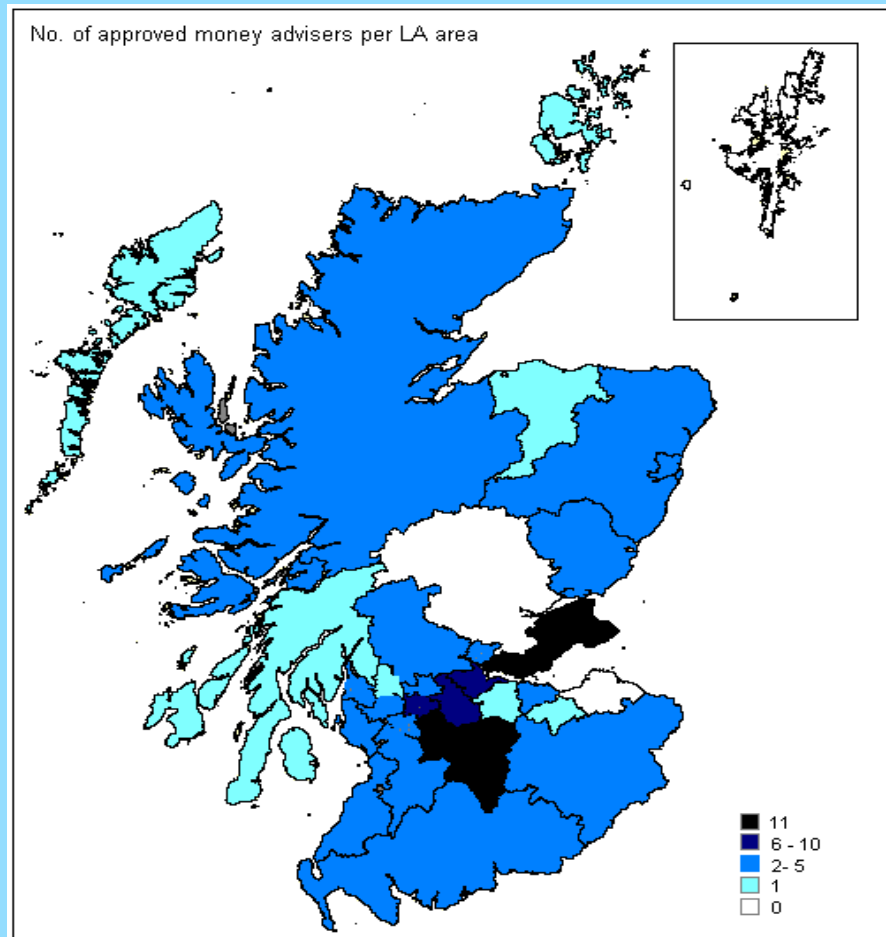
- > Still believe that change is needed to improve access
- > Earlier this year - proposed legislation to improve DAS
- > Now - Consultation on the details
- > Aim to report in December 2009
- > Changes not expected until Spring 2010

DAS – Number of Approved DPPs

Number of approved DAS Debt Payment Programmes



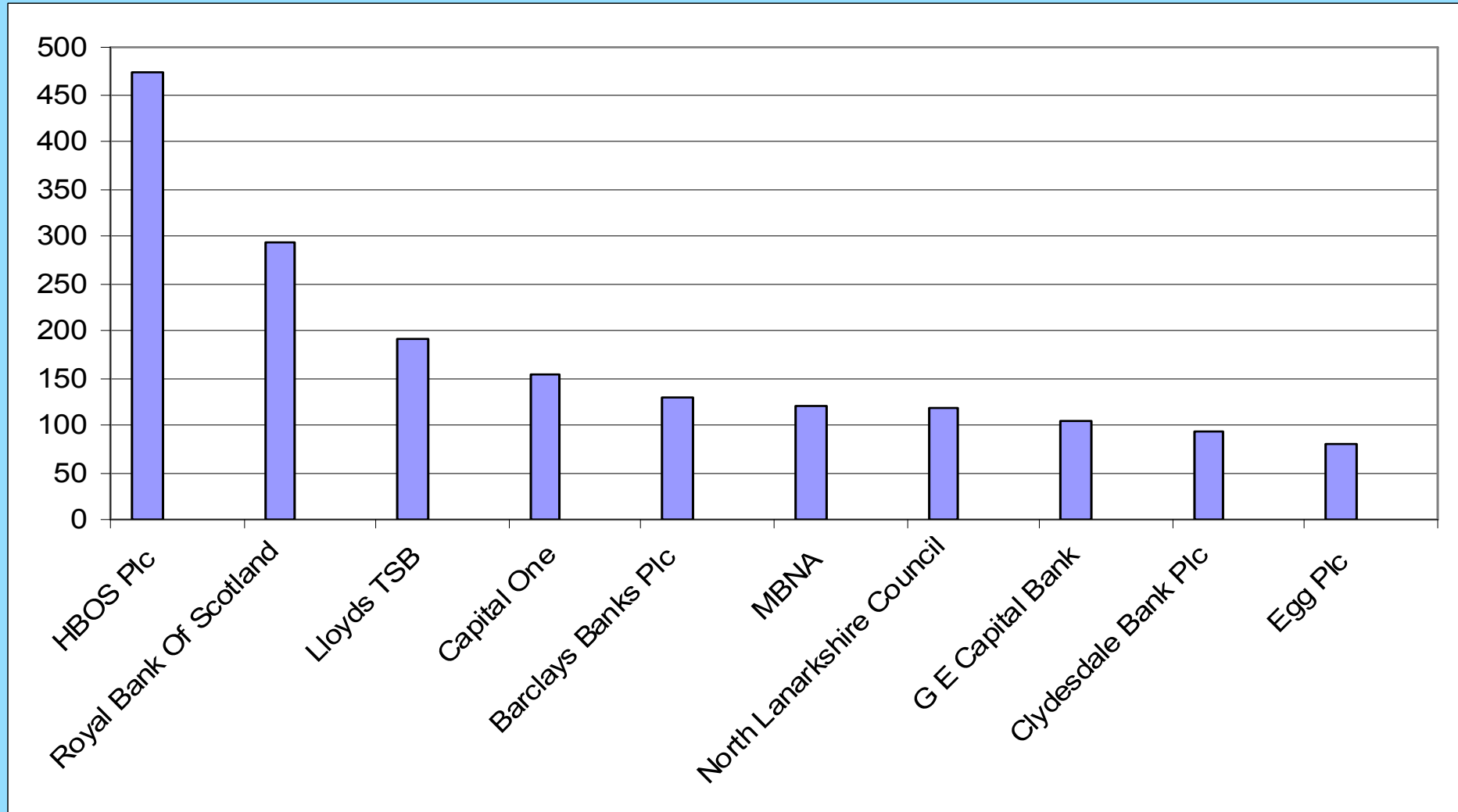
DAS - Approved Money Advisers



There are currently 107 approved money advisers in Scotland.

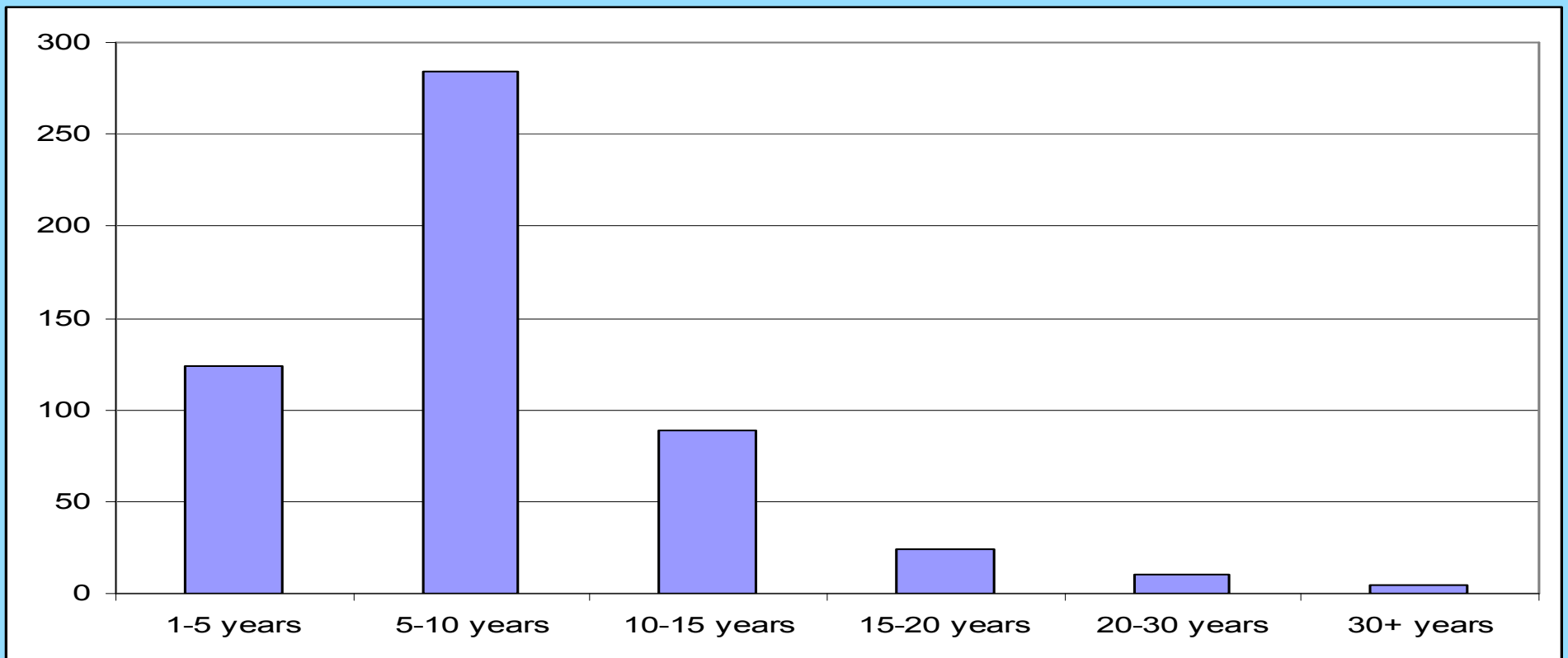
60% of approved money advisers submitted DPPs during the last year.

DAS – Creditors in the DPPs



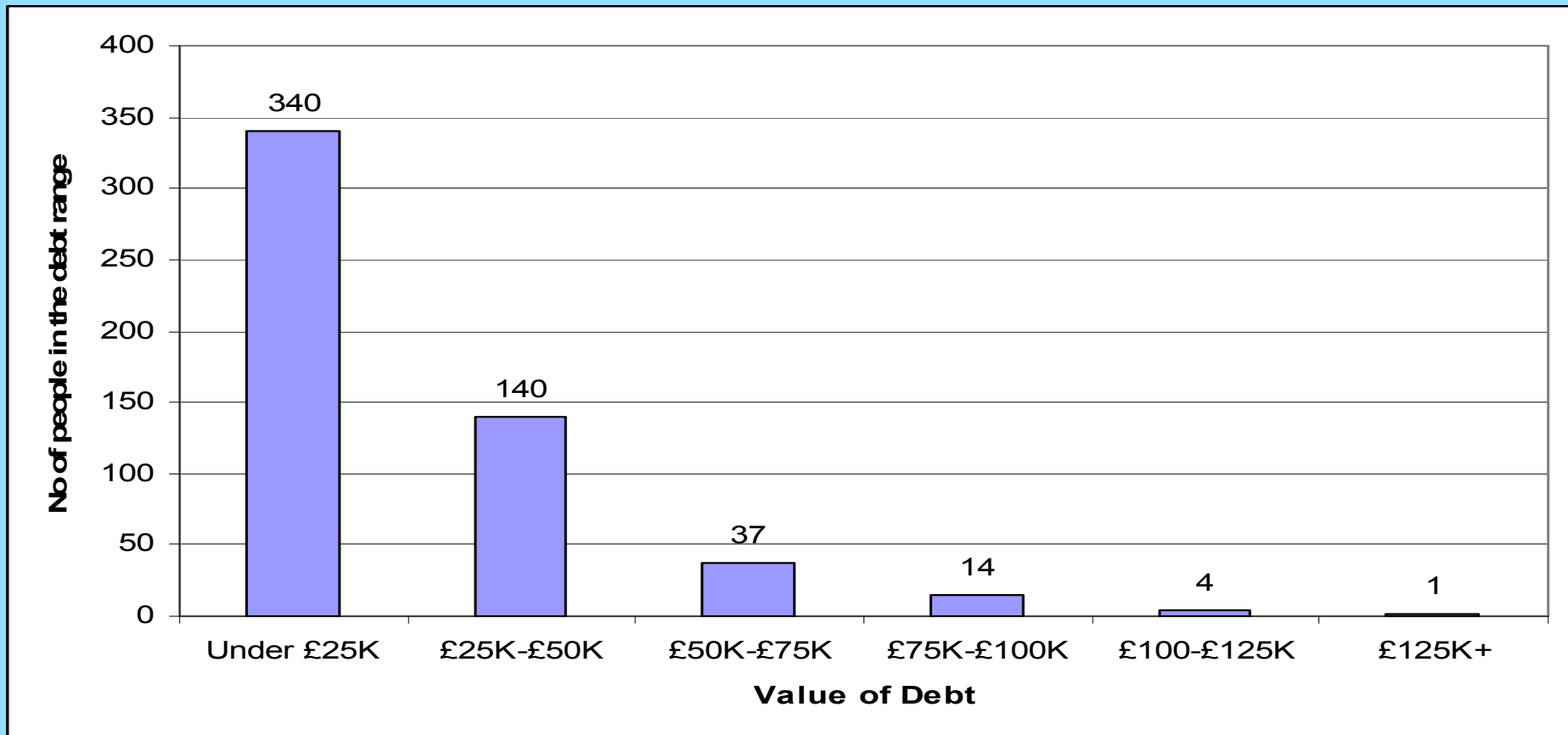
DAS – Length of DPPS

- > **General rules regarding length of DPPs:**
- > 5 years programmes are considered to be acceptable
- > DPPs 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.



DAS – Value of Debt in the DPPs

- > On average, debtors owe **£24,362** and DPPs are set up to run for just over 8 years.
- > The average monthly payment in a DPP is **£246**. Payments range from just under £10 to around £1,500 per month.



DAS - Consultation

→ Access to DAS

→ Administration

→ Consent Rules & Fair and Reasonableness

→ Debt Payment Programmes

→ Single Debts

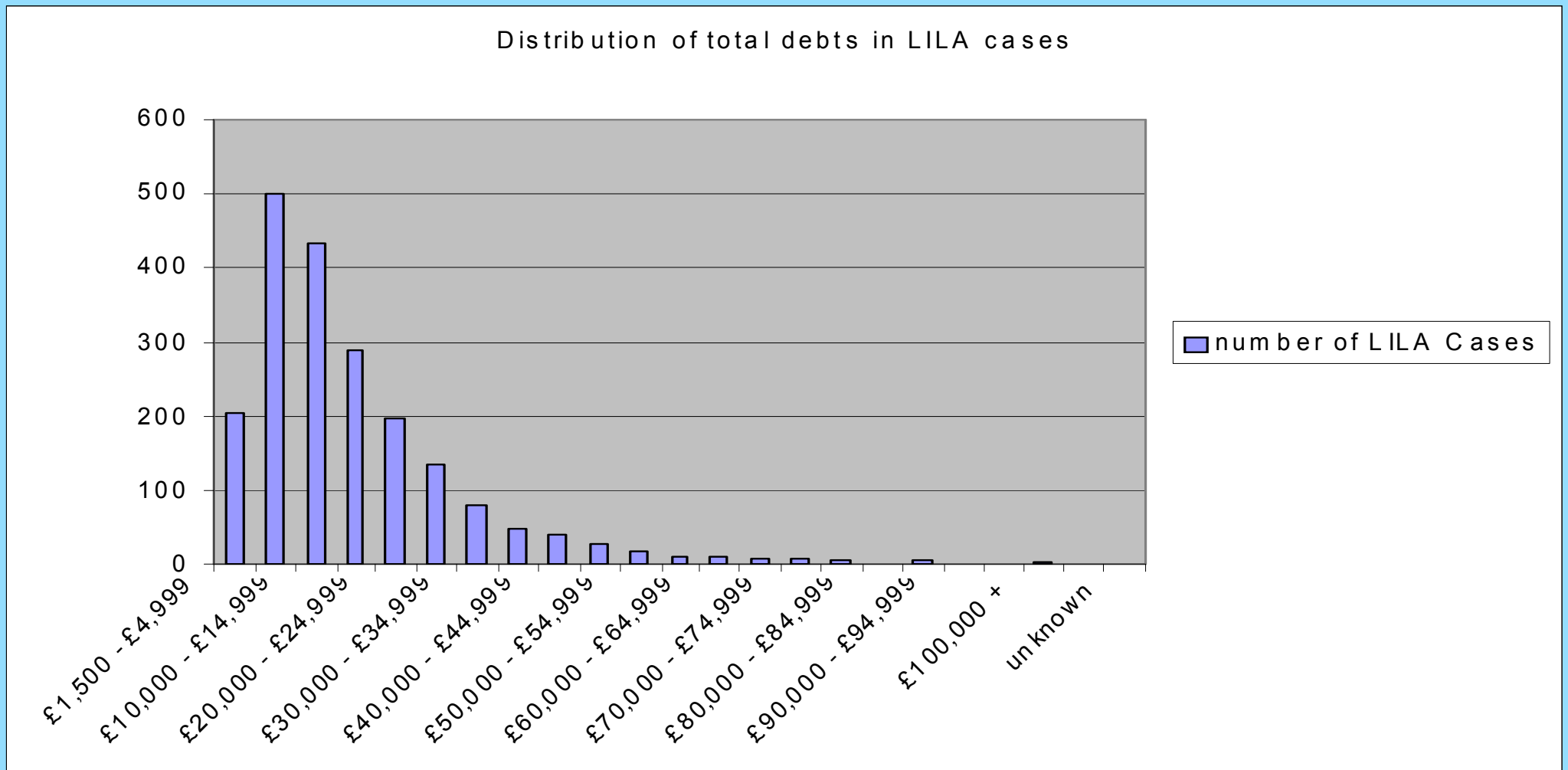
→ Payment Distribution

LILA Bankruptcies - Review

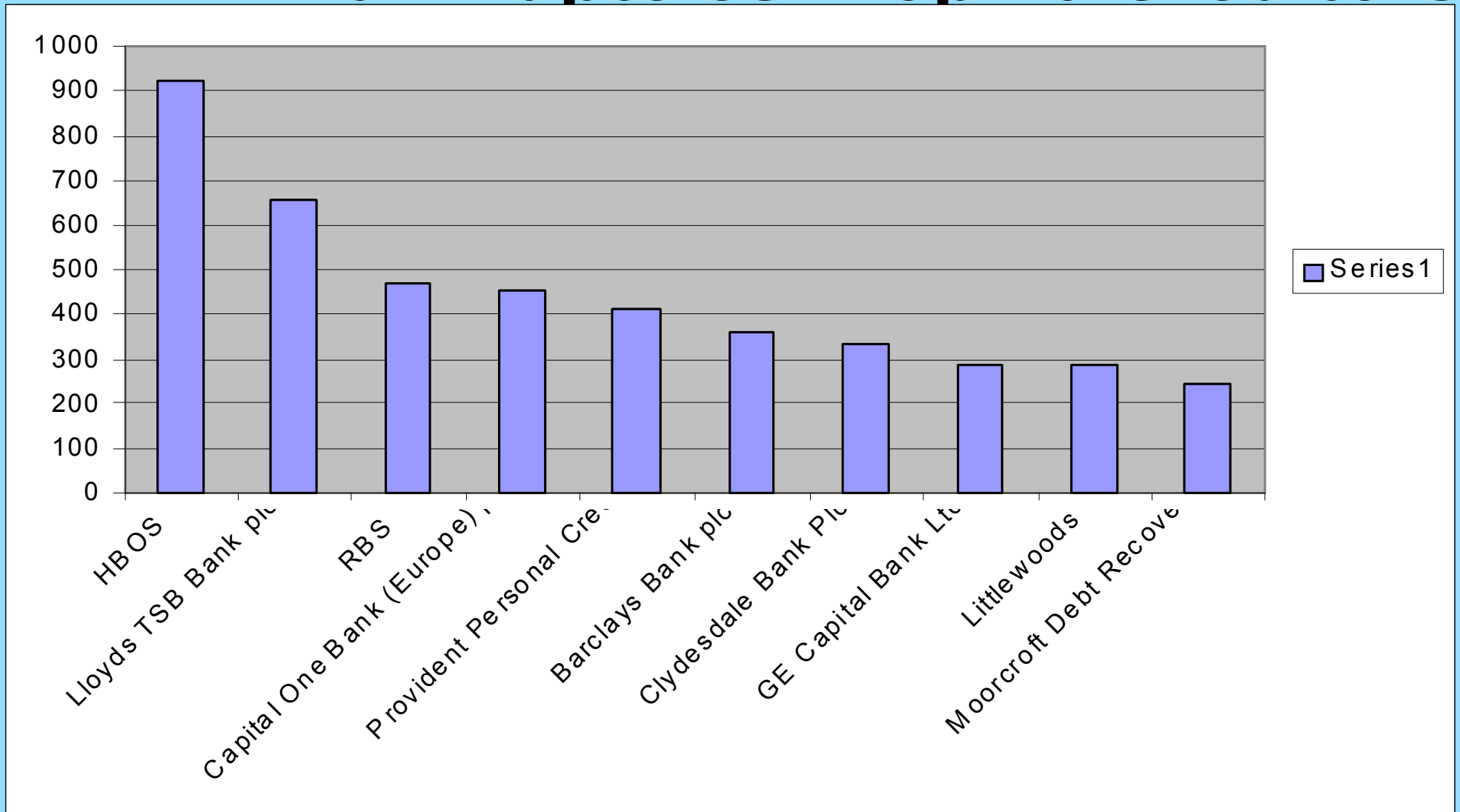
- > Low Income Low Asset (LILA) route into bankruptcy introduced in April 2008
- > The number of individuals applying for their own bankruptcy has increased significantly since the introduction of the LILA criteria
- > The LILA route is effective in providing debtors, who could not previously access bankruptcy, with debt relief
- > More females than males satisfied the LILA criteria when applying for bankruptcy

LILA Bankruptcies - Value of Debt

> On average, debtors owe **£17,288**



LILA Bankruptcies- Top 10 Creditors



LILA Bankruptcies – No real difference

- > Debtor is discharged after one year (unless deferred).
- > The Accountant in Bankruptcy will be trustee in all LILA cases which will normally have minimum administration
- > LILA debtor may be asked to make a contribution from their disposable income
- > Income Payment Agreements /Orders (IPA/IPOs) are a formalisation of the debtor contributions process
- > A Bankruptcy Restriction Order / Undertaking (BRO/BRU) is a restriction imposed on a debtor for a period of between 2 and 15 years

Bankruptcies – Future?

- > Unlikely to change the Debtor Application Fee for 2010-11
- > Unlikely to change the LILA criteria
- > May exempt any essential vehicle valued at £3,000 or less from bankruptcy proceedings
- > May extended access to bankruptcy by allowing a certified route