



# DAPA Scheme Newsletter

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## Welcome

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Welcome to the third edition of our DAPA Scheme newsletter. We hope you are all fit and well and enjoying these summer months while we have them.

We are now entering another period of uncertainty as we all try to adjust to the new 'normal.' For the DAPA team, it is business as usual for the majority of our work program. However, the Technical Site Visit element still remains on hold and will commence once MaPS confirm that it is safe to do so.

Further to our last newsletter where the spotlight was on vulnerable clients, this edition continues on that topic but with a particular focus on confirmation of advice and write off requests. We know from experience that a significant number of clients seeking debt advice have some form of mental health issue and therefore this is a hot topic for the sector. If you have any further ideas for future issues, please share these via your Lead Organisation or by email to [peerreview@recognisingexcellence.co.uk](mailto:peerreview@recognisingexcellence.co.uk)



## Spotlight— Write off Requests

The Scheme expects clients to be advised comprehensively regarding the available solutions to resolve their debt issues.

The Scheme is aware that it can be difficult for clients to obtain a write off under Section 13a of the Local Government Finance Act 1992 for Council Tax (<https://www.legislation.gov.uk/ukpga/1992/14/section/13A>). However, it is still an available option that the client should be advised on. The adviser can use their experience to advise the client on the likelihood of success of any application. It maybe that Councils will be more open to such applications due to the current economic situation. The Scheme has seen examples of council tax debts being written off after a Section 13a request.

The Scheme would also expect a client to be advised on the possibility of an exemption for Council Tax under the Severe Mental Impairment Exemption. For clients who have mental health issues, this exemption can assist them greatly. As well as not being liable for council tax, it can help with stopping the client worrying about having to reapply for Council Tax Reduction/Support.



The Scheme would also expect the client be advised about discretionary write offs due to health and/or financial grounds. The Debt and Mental Health Evidence Form version 4 can be very useful to assist with any write off request. The DMEF version 4 can be found <http://www.moneyadvicetrust.org/creditors/Pages/debt-and-mental-health-evidence-form.aspx> . The Scheme has seen a number of successful requests for write offs under health grounds.



## Dear DAPA

**Where an offer of repayment is made with a deficit budget, will this always be detriment or does the type of debt that is being repaid determine whether there will be detriment? For example, would it be viewed as detriment in a case where the individual had a deficit budget and token offers were made on behalf of the client to non-priority creditors and there has been no exploration of the deficit?**

The Scheme would expect a discussion with the client, recorded in the case notes, as to how they are to maintain the payments on a continuing basis and if it is a realistic repayment plan. The Scheme would also expect to see income maximisation and financial capability advice within the case records. In the example, the Scheme would expect to see a discussion on the options of a moratorium and possible write offs. The Scheme would also expect a discussion on the deficit budget itself as to whether it was temporary, long term etc.

It is more likely for there to be the potential for detriment in the case of an offer from a deficit budget to a priority creditor however, depending on the stage of the debt and/or the possible sanctions, then there may also be detriment in making an unaffordable offer to a non-priority creditor. The detriment can be where payments are missed as the creditor may be less inclined to accept another offer of payment and/or obviously the enforcement action the creditor may take if payments are missed.

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## Dear DAPA

**The Scheme states it would like two attempts for verification of income and expenditure. Can you verify with regard to expenditure what exactly is the requirement here? Does that mean that the Advisor needs proof of expenditure for all monies spent on the budget or does verification of expenditure literally mean that a budget/SFS has been created?**

The Scheme would expect bank statements and possibly a rent statement or tenancy agreement or letter from the landlord and utility bills if available. Where possible, verification documents should be **held on the case file**. If the bank statement evidences all of the outgoings, then that would suffice. It is the attempts to verify income which is important so if the client does not provide the information then the client can still be advised and assisted.

**If attempts to verify are unsuccessful**, the case can still proceed but there should be evidence that the client was made aware of the possible implications if the income and expenditure details are inaccurate. This is compliant with CONC 8.5.4(1) (<https://www.handbook.fca.org.uk/handbook/CONC/8/?view=chapter>)




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## Financial Statements and Council Tax

The Scheme views Council Tax Support/Reduction the same as Housing Benefit/UC Housing Allowance/rent liability, that the Council Tax Support/Reduction should be recorded as income and the client's full Council Tax liability should be recorded as expenditure on the financial statement. The reason for this is that under CONC 8.5.1 (1) (<https://www.handbook.fca.org.uk/handbook/CONC/8/?view=chapter>) the financial statement should be realistic, accurate and sustainable. Noting the Council Tax Support/Reduction/Liability this way ensures that the financial statement shows the full picture of the client's situation to the creditor etc. If there are any changes to the client's financial circumstances it will be easier to advise the creditor etc. that the client must, for example, make higher payments to council tax as their income has increased.

If this was not detailed in the financial statement, then this would be marked as an Area for Development. However, if the advising organisation had a policy/procedure/process which stated that the organisation did not record the income/expenditure in this way and this was noted in the Insight Form provided at Assessment then this would be considered by the Assessor.

## Confirmation of Advice for Vulnerable Clients

The Scheme is aware that advisers assist many clients that are vulnerable for a number of reasons, particularly mental health issues. We stated in our last newsletter that *'Vulnerable clients may require additional support and guidance, particularly in terms of access. Clients with learning or language difficulties, or mental health issues, may have difficulties providing the information necessary to enable advisers to fully assess their situation, or the action required by them within a particular timeframe. This means that some clients may struggle to stay in contact with the service or follow the action plans that are suggested. Once a client has been identified as vulnerable it would be expected that this would be recorded on the client's case records and effective steps be taken to ensure the client's issues are considered when the organisation is in contact with the client. This may include asking the client how they want the organisation to communicate with them and/or making extra attempts to contact the client if the client does not respond to contact requests.'*

There has been a recent report published by the charity Money and Mental Health Policy Institute, which was founded by Martin Lewis, called 'Help Along the way' [https://www.moneyandmentalhealth.org/wp-content/uploads/2020/07/Help\\_Along\\_the\\_Way.pdf](https://www.moneyandmentalhealth.org/wp-content/uploads/2020/07/Help_Along_the_Way.pdf). This report highlighted barriers to clients with mental health problems, including long appointments and complex letters.



The Report has produced a Best practice checklist for advisers/organisations <https://www.moneyandmentalhealth.org/debt-advice-checklist/#> The checklist suggests *'Providers should: - Design all written materials for people who struggle to process complex information by: adding a summary that picks out key information when sharing long documents; using simple language and explaining all technical terms that are required; highlighting key information and action points throughout documents.'*

We have seen a number of Confirmation of Advice letters that use the above techniques to ensure clients can digest complex advice in 'bite size' pieces. A confirmation of advice letter can be sent to the client with tailored factsheets. The tailored factsheets can confirm the full detailed extent of the verbal advice given to the client and the confirmation of advice letter can be more targeted to confirm the main issues and the debt solutions identified.

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## DRO Unit Referrals

Many participants refer clients to the Citizens Advice DRO Unit in County Durham for DRO applications to be prepared and submitted to the Insolvency Service. The expectations of the DAPA Scheme differ when a referral is made to the DRO unit to when the organisation is completing the DRO application themselves. Further clarification on the Schemes expectations are as follows:

- All suitable **debt options** should be explored with the client prior to referral in order to ensure that they have made an informed decision. The client should be provided with full and accurate advice about a DRO and how it would affect them in their particular situation (*Area of Concern*)
- The client's **financial statement** should be as accurate as possible and that unusually high or low expenditure has been explored. Where you have advised the client to make a claim for additional income, ensure that you have considered their financial statement once they are awarded the extra income and any potential impacts on eligibility and possible revocation (*Area of Concern*)
- The client has been informed and advised about the risks of enforcement action while a DRO is processed and appropriate steps have been taken to deal with **priority debts** (*Area of Concern*)

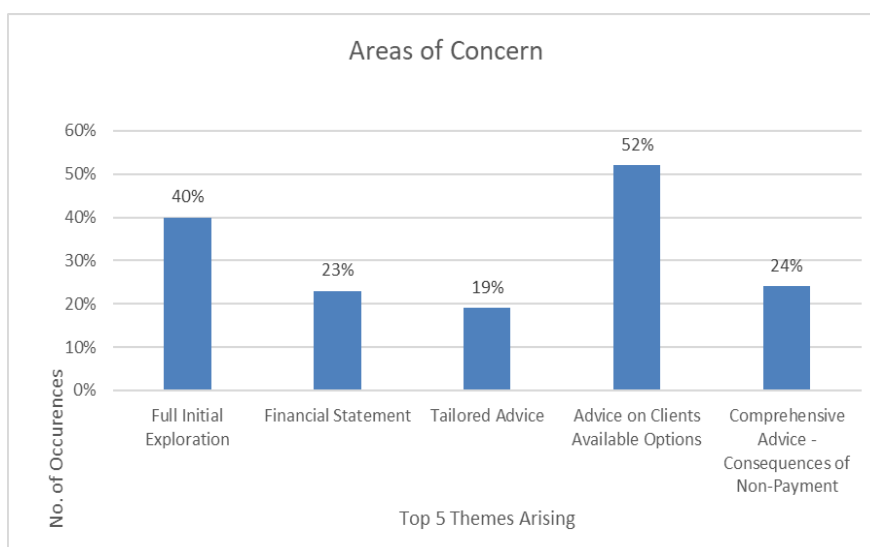
## DRO and Financial Statements (Continued)

- If the client is at **risk of going over the £20,000 limit**, the impact of this has been explained and steps have been taken to ensure that the debts are on hold (*Area of Concern*)
- Where the client could be considered to be **vulnerable**, it has been considered whether the client is able to receive and understand telephone advice (*Area of Improvement*)
- All relevant correspondence has been **attached to the case record** (*Area of Improvement*)
- Explore the value of any vehicle owned by the client and any other **assets or savings** that they have. Also check for **transactions at an undervalue or preferences** to ensure the client meets the qualifying criteria (*Area of Concern*)
- A **valuation check** is expected to be carried out prior to a referral to the DRO Unit where the estimated value of the asset is close to the £1000 limit or the value is completely unknown (*Area of Improvement*)
- An **Individual Insolvency Register check** is expected to be carried out prior to referring to the DRO unit in all cases to ensure the client meets the qualifying conditions (*Area of Concern*)
- It is acknowledged that the DRO Unit has access to **Credit Reports** however, the Scheme would expect Advisors to obtain a copy of the clients Credit Reports prior to referral where the client is close to the debt limit of £20,000, or where the client has unknown debts. This will avoid wasting the clients time, and the DRO units time in carrying out the referral (*Area of Improvement*)
- Where the client has debts, which will not be addressed by the DRO (**Excluded debts**), an appropriate strategy is formulated for this debt (*Area of Concern*)

Where cases are referred to the DRO unit, these would usually be classified as Advice only cases however, there are some instances where Casework may be present i.e. where the client was pursuing one particular option (Token offers) and then changed direction.

## Common Themes

The following data has been taken from the most recent round of Recipient Level DAPA Assessments (August 2020), with the graph below showing the top 5 most common themes in relation to Area's for Concern seen by the DAPA Scheme. Any Area's for Concern identified within assessments should be a priority when developing an action plan and taking steps to improve in preparation for the next assessment.



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