



## **Press Release**

16 March 2010

### **New industry statistics highlight need for tighter debt advice regulation**

Recent industry research on Debt Management Plans (DMPs) has revealed the financial nightmare many consumers are facing due to ill-advised debt solution schemes – further reinforcing the need for a new regulatory framework for debt advice providers.

Last week, R3 - the insolvency trade body, provided an insight into the pitfalls of Debt Management Plans and claimed that people are becoming "slaves to their debts", with a quarter of those who signed-up to a DMP taking at least a decade to repay their debts\*.

So can a ten year DMP ever be justified? Well, the length of time someone should be required to pay back an impaired debt is very much a cornerstone of the ethical debt advice equation. Without it, we have no way of deciding when debt impairment becomes serious enough to warrant legislative intervention.

We believe that five years is about right in situations where there has clearly been no reckless or dishonest behaviour (our reasoning for this can be seen in the [Framework for Ethical Debt Advice](#) section of our website), although this figure will require a rigorous industry debate in order to achieve consensus amongst debtor, advisor and creditor groups.

Perhaps the most damning evidence we have that Debt Management regulation can't come soon enough is that according to the R3 research, 30% of people have [declared bankruptcy](#) having previously tried the DMP route, without success. If nothing else, this suggests that individuals are not receiving advice that is appropriate to their financial situation.

David Rodger, Managing Director of Debt Advice Foundation comments: “As a charity, Debt Advice Foundation does not charge for arranging Debt Management Plans; however, fee-driven organisations can typically charge between 10% and 15% of the person’s monthly payment – so an unsuccessful DMP can be a costly waste of time.”

“We receive calls on a daily basis from people who have entered into an unsustainable DMP after receiving advice elsewhere, and in the majority of instances we find that there is a more suitable solution available.”

“Of course, when used in the right circumstances, Debt Management Plans can be an extremely successful way for people to resolve their financial problems (see [is a debt management solution right for me?](#)), but it is important for people to be protected from misguided advice.”

David continues: “Debt Advice Foundation is now campaigning for a new regulatory framework to underpin the UK’s debt advice industry – and in doing this we intend to help make the debt management industry a safer place for consumers.”

Those who need help with debt problems can visit [www.debtadvicefoundation.org/help](http://www.debtadvicefoundation.org/help) or call Debt Advice Foundation on 0800 043 40 50 for free advice and support.

\* Further details about the R3 DMP research can be found [here](#).

## Ends

Further information:

Contact the press office on 0800 779 71 36 / 0788 973 60 44 or email [pressoffice@debtadvicefoundation.org](mailto:pressoffice@debtadvicefoundation.org)

## **Editors Notes**

### **About Debt Advice Foundation**

- Debt Advice Foundation's telephone helpline service is available six days a week on 0800 043 40 50, lines are open from 8am-8pm Mon-Fri and 9am – 5pm on Saturdays.
- Debt Advice Foundation is a registered charity, with the following objectives:
- Provide free, impartial and appropriate advice to people with unaffordable debt.
- Help people with debt problems to gain free access to solutions that will help them.
- Promote the education of young people in money management so as to reduce the likelihood they will mis-use debt later in their lives.
- Undertake or fund research to understand why problem debt happens and its effect on individuals, families and the wider UK economy.
- To use this evidence to become a force for beneficial change within the credit and debt solutions industry and to work with government to bring about legislative change to benefit UK consumers.
- Debt Advice Foundation features on the FSA (Financial Services Authority) consumer website – Money Made Clear ([www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)) and Direct Gov ([www.direct.gov.uk](http://www.direct.gov.uk)) as a source of free and impartial debt advice.