



Finding remedies to the problem of debt

Direct Debt Line has been through a period of change and re-evaluation, which has seen us recruit a number of board members with high levels of experience in the sector. We are now completing a review of our forward strategy which is based on creating a niche for the charity around developing *remedies* to the problem of debt through a combination of advice, literacy and access to community finance.

“We offer a unique combination of specialist telephone-based casework services, including direct access services for those on low incomes, especially for tenants of Registered Social Landlords and people with utility debts. By working with community finance we are seeking to ensure that our clients are able to access a joined up service which also offers a route out of debt.”

For many years the money advice sector has been struggling with the problem of how to find supportive ways to help clients escape the spiral of debt., especially for clients on very low incomes. Such clients may have loan agreements with the Home Credit Industry and priority debts with their landlords and utility providers. As a result they may be paying high rates of interest if they need to borrow and may often sacrifice paying rent and utility bills in order to keep paying high cost credit agreements and maintain a line of credit. At the other end of the scale, for those living in owner occupier accommodation, mortgage repossessions are again on the increase. With a tendency for many borrowers to consolidate credit card and other debts by extending their mortgage, future increases in interest rates are likely to put more pressure on what can be already over extended personal budgets.

In addition to developing these more specialist advice services such as those for people who are in housing debt, DDL will be working with the Community Finance sector to provide routes out of indebtedness, especially for people on very low incomes. By opening the first of a number of ‘One-Stop Shops’, clients will be able to walk into our offices, see an adviser and speak to a specialist if necessary. We will help them negotiate affordable repayment plans and open a Credit Union savings account. Where we are able to settle some of the debts for smaller lump sum payments the client may be able to borrow this money from the Credit Union as part of a savings plan.

I would also like to use this opportunity to extend my gratitude to all the hard working members of staff and fellow board members who have contributed so much to the success of the organisation and offer a warm welcome to the organisations with which we will be working over the coming months.

Gerry Plater, Chair Trustee Board

Direct Debt Line is a charity that provides free, confidential debt advice and seeks to reduce poverty by working with a range of partners. *To help us achieve this mission we:*



- Work in partnership with statutory and non-statutory organisations to provide joined-up solutions to debt and financial exclusion
- Relieve poverty by providing a range of specialist casework advice services for people in debt, especially those on very low incomes
- Promote awareness of the social and economic issues which contribute to debt and disadvantage and challenge unfair practices
- Deliver cost-effective tailored services to public and private sector organisations to help them achieve their strategic and financial goals

Meet our Trustee Board



Alan Jarvis has been involved in consumer protection and the development of advice services for over twenty years. Managing a large local authority debt advice service for ten years, Alan is also a previous Chair of the Money Advice Association (IMA). Alan was Director of the Money Advice Trust until 2003, and now works as a consultant to a range of advice and other organisations.



Jane Guy has spent most of her working life in money advice, firstly as a caseworker and then managing a small money advice and welfare benefits unit within social services in East Sussex. She then spent 20 years working for the Money Advice Association in a support and development role and has been secretary to the Money Advice Liaison Group for 15 years, is a Trustee of the EDF Energy Trust, vice chair of the Cornwall Money Advice Forum and currently manages Plymouth Citizens Advice Bureau.



Dudley Rose is a semi-retired international contract negotiator in the power, oil and water industries, has been a Town and Parish councillor for over 35 years and parliamentary candidate in 2005 general election. Dudley is a school governor has chaired and has served for 11 years on Eastbourne community health council and Wealden sports council, chairing the Hailsham twinning committee for the past six years



Jill Stevens is Director of Consumer Affairs at Experian, a leading global information company serving many of the world's major financial organisations. Her department runs a busy consumer education programme in partnership with consumer groups, money advisers, government, their agencies, educators and creditors. Jill is a member of several national and official groups on overindebtedness, financial capability and consumer education.

Brian Knott has a retail banking background in Human Resources, marketing and public affairs and has been involved with money advice for over 15 years from both a banking perspective and as a trustee of a money advice charity. He now has a portfolio of commitments working with organisations in the public, private and third sectors working on a variety of public policy issues.



Dave Marshall was Assistant Head of Trading Standards for East Sussex Council, when he became of the original board members of DDL. He later became Head of Community Services for the County and has continued to support the service throughout its development. In 2003 he retired from local government and has since travelled extensively in India, South East Asia, Australia and New Zealand and South America.

Dealing with debt; fighting poverty

About our work

Over the past year we have offered a specialist telephone based money advice service to any client experiencing debt problems who is in need of money advice.

In the last twelve months we gave advice to 1,447 people helping them renegotiate almost £5million worth of debts. During the last 18 months we have successfully applied, on behalf of clients, to various charitable trusts for over £30,000 to help find ways out of the trap of debt.



Geoff Pittman
Manager

“Last year we helped 1,447 people renegotiate almost £5million worth of debts”

Out of 100 clients:

87 will have more than five debts

85 will pay rent to a landlord

60 will live in households receiving benefits

50 will have some of their debts written off

42 will have rent arrears with their landlord

40 will have water arrears

Working with the public and private sector

Private and public organisations are quickly beginning to recognise that the provision of debt advice can have a positive impact on their own business. The principle of **‘invest to save’** is simply another way of thinking about recovering debt, and its aim is to achieve a “win win” situation through providing a sustainable solution to tackling the problem of customer debt which can have a positive influence on company finances.

From our experience, the majority of people (or households) who have utility or rent arrears also have other debts. The most common scenario is that people get caught in a debt spiral. This means that the overall indebtedness and the gap between income and expenditure increases every month, with the shortfall being made up from further borrowing. People in this situation find themselves in an unfamiliar and threatening world. Their usual action is to make payments to loans and credit cards and subsequently fall into arrears with utilities, rent and Council Tax.

The resolution to this problem is straightforward and, with few exceptions, the outcome is successful. The core service that DDL provides is to help the client prioritise their debts and maintain a working budget. This means that any disposable income is paid to creditors in order of priority. The result is that the client is motivated because they can see an end to the problem (rather than stress causing illness, loss of work, family break-up etc, all resulting in reduced income which only exacerbates the problem). From the priority creditor’s point of view, the outcome will be that normal monthly or quarterly bills will be paid because they have been budgeted for, and there will also be a structured repayment of the arrears.

“Invest to Save is simply another way of thinking about recovering debt. The resolution to these problems is straightforward and, with few exceptions, the outcome is successful.”

Direct Debt Line: Annual Review 2005/06

How we can help

Mrs. M, aged 56

Mrs M was left by her husband with four teenage children and rent arrears on her Housing Association property, council tax, gas, electricity and two water companies. To make matters worse there was an overpayment of benefit to repay and money owed money to a door-step lending company and various catalogues. Without any maintenance from her husband, Mrs M had to rely on income was from income support



Direct Debt Line was able to arrange for full payment to three of the utility debts by making an application to a Charitable Trust Fund. We arranged payments to the remaining water company through a special arrears reduction scheme and negotiated regular payments towards the rent arrears which helped avoid a costly eviction. Similar arrangement were made with Local Authority over the Council Tax arrears and overpayment of benefit and a visit from the bailiffs was prevented.

Token repayments of £1 per month were arranged with all other non-priority creditors. Now Mrs M no longer feels under threat. DDL's intervention and support has enabled her to manage her finances, planning and budgeting for the future even though she has a very low income.



Mrs. F, aged 33

Mrs F's husband only had casual and occasional work and soon 20 weeks rent arrears with her local council had built up. A possession summons was issued and the Court was asked to make an order for repossession unless the arrears were reduced to 8 weeks or less. Mrs F's sole income was from Income Support, there were also two crisis loans and a £937 overpayment of benefit.

Direct Debt Line arranged for the Court Hearing to be adjourned while we made a successful application to a

Charitable Trust that granted an award sufficient to reduce the rent arrears to eight weeks. We then arranged affordable payments to the remaining arrears and the other debts were paid by small deductions from her Housing Benefit and Income Support.

Through avoiding eviction, Mrs F has gained domestic and financial stability, enabling her to make regular and sustainable payments towards the rent arrears.

Dealing with debt; fighting poverty

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