# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Debt Advice** |
| **DATE**  | **31 January 2020** |
| **BY** | **Jane Hutt, Deputy Minister and Chief Whip** |

I am issuing this statement following a commitment made in Business Questions on 26 November 2019.

I hear from advice services across Wales that the number of people approaching them for advice and help with their debts is increasing.  This is often because of changes to welfare benefits, particularly the roll out of Universal Credit, in addition to cost of living pressures. The statistics recently published by StepChange in their report ‘Wales in the Red’ demonstrate the scale of the debt issues in Wales and provide figures that support the feedback from frontline advice services. For example, the report estimates over 193,000 people in Wales are in severe problem debt, with an additional estimated 412,000 (around 16% of the Welsh population) showing signs of financial distress.

There is also considerable research that demonstrates people living with debt are more likely to experience mental health problems. Therefore, it is very important that people can access the advice and support they need to resolve their financial problems and improve their health and well-being.

The Welsh Government has a long-standing commitment to providing grant funding for advice services and we know these services are making a difference. Last year, through the Welsh Government’s Advice Services funding, around 90,000 people were supported with their social welfare issues. Almost 16,500 of these clients were supported with specialist advice and support on their debts.

The uncertain economic climate that lies ahead, together with the ongoing implementation of the UK Government’s Welfare Reform programme, will increase demand on advice services across Wales. The introduction of the new Single Advice Fund will help meet some of the increasing demand by ensuring we have quality-assured providers delivering joined-up services, which attain the most sustainable outcomes for those in need of advice. Grant funding has been awarded to providers who have developed innovative and collaborative delivery models comprising of ‘Advice Partners’ and ‘Access Partners’. The role of an Access Partner is to ensure services reach deep into communities, promoting maximum engagement amongst people who tend not to visit traditional advice service venues, or who do not seek help until a problem has escalated to a crisis. For people having trouble managing their financial commitments many will receive the advice they need before their problems can spiral out of control. They will be also offered wraparound support to help to address the root causes of their financial problems and become better able to prevent their reoccurrence. Whilst the Single Advice Fund is delivering a more innovative and collaborative model than we have previously had, it will not be able to reach everyone who is experiencing a financial crisis. There is more work to be done, and I welcome the ongoing collaboration with our key stakeholders as we seek do deliver more efficient and effective advice services.

It is very important that people can access the free, quality debt advice they need through a range of channels. Whilst the community based debt advice services will predominately be delivered ‘face-to-face’, there are people who, for many reasons, would prefer to access the advice through other means. Therefore, the Welsh Government is also making financial contributions to the provision of telephone and web-based debt advice services, including those provided by the StepChange debt charity.

I also welcome the progress being made by the UK Government towards the implementation of a debt respite scheme, comprising of two distinct, but interrelated components, the breathing space scheme and statutory debt repayment plan. When implemented both will offer people in Wales, who are experiencing debt problems, legal protections from creditor action together with a freeze on interest, charges and other fees being added to their debts. This will allow people the time to access debt advice and begin to take control of their finances and place them on a more sustainable footing.

Our commitment to promoting financial inclusion for people in Wales is reflected through the £10.7million funding we provide for the Discretionary Assistance Fund and credit unions. For some of the most vulnerable people in Wales, these services reduce their reliance on high interest credit services and increase their access to more appropriate and affordable financial services. I am incredibly supportive of credit unions and am aware of the excellent work delivered by credit unions across Wales to provide access to affordable credit and savings thus mitigating the increasing rate of unmanageable debt. Credit unions are a responsible and ethical alternative to payday lenders, offering savings and affordable loans for all members of the community. Since March 2018 Welsh Government has provided more than £1 million of funding to credit unions in Wales to deliver projects to boost financial inclusion and financial capability and financial well-being. The projects are aimed at increasing membership of credit unions, including working with employers across Wales to offer payroll savings schemes to support the financial wellbeing of staff. I am a great supporter of saving with a credit union, building a savings buffer, however small, and hope that more people turn to credit unions rather than taking out unaffordable credit.